BABA ECO GROUP BERHAD

[Registration No.: 201801006952 (1268966-W)]
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

31 OCTOBER 2023

Registered office:
39, Irving Road
10050 Georgetown
Penang

Principal place of business:
No. 1384, Atas Lot 841
Mk. 1, Jalan Tasek
14120 Simpang Ampat
Pulau Pinang

Registration No.: 201801006952 (1268966-W)

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(Incorporated in Malaysia)

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BABA ECO GROUP BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 October 2023.

Principal activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

Financial results

	Group RM	Company RM
Profit for the financial year	2,268,597	688,045
Attributable to:		
Owners of the Company	2,515,799	688,045
Non-controlling interests	(247,202)	-
	2,268,597	688,045

Reserves and provisions

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

Dividends

Since the end of the last financial year, the Company paid:

	RM
An interim single-tier dividend of RM0.0033 per share in respect of the financial year ended 31 October 2022 declared on 30 December 2022 and paid on 17 January 2023	741,576

Dividends (Cont'd)

The Company had on 29 December 2023 declared a first interim single tier dividend of RM0.0019 per share amounting to RM426,968 and payable on 18 January 2024. This dividend is not reflected in the financial statements for the current financial year and will be accounted for as an appropriation of retained earnings in the financial year ending 31 October 2024.

Issue of shares and debentures

There was no issuance of shares or debentures during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors

The Directors in office during the financial year until the date of this report are:

Leong Jyh Wen*
Leong Jyahao^
Joyce Lee Hoay Ling

* *Director of the Company and of its subsidiaries*
^ *Director of the Company and of its subsidiaries except for Baba Borneo Sdn. Bhd., The Nineties Organic Sdn. Bhd. and Baba Eco (Thailand) Co., Ltd.*

The Directors who held office in the subsidiaries (excluding Directors who are also Directors of the Company) during the financial year up to the date of this report:

Alice Teng Ai Ming
Ng Ling Lin (Appointed on 3 April 2023)
Anuthep Sritavee (Appointed on 1 November 2023)
Teh Kai Woon (Appointed on 1 December 2023)
Leong Chee Keang (Resigned on 15 September 2023)
Leong Siew Fong (Resigned on 15 September 2023)
Cheah Chin Aik (Resigned on 3 April 2023)

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiaries and made a part hereof.

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

Directors of the Company

	Number of ordinary shares			
	At 1.11.2022	Bought	Sold	At 31.10.2023
Interests in the Company				
Direct interests				
- Leong Jyh Wen	188,210,710	-	-	188,210,710
- Leong Jyahao	9,009,310	-	-	9,009,310

Directors of the Company's subsidiaries

	Number of ordinary shares			
	At 1.11.2022	Bought	Sold	At 31.10.2023
Interests in the Company				
Direct interests				
- Ng Ling Lin	400,000	-	-	400,000

By virtue of their interests in the shares of the Company, Leong Jyh Wen and Leong Jyahao are also deemed interested in the shares of all the subsidiaries during the financial year to the extent that the Company has an interest under Section 8 of the Companies Act 2016 in Malaysia.

Other than as disclosed above, none of the other Directors in office at the end of the financial year have any interest in the shares in the Company or its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 29 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' remuneration for the Group as set out in Note 29 to the financial statements is RM495,893.

Directors' benefits (Cont'd)

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose objective was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Indemnity and insurance costs

There was no indemnity given to or insurance effected for any Directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act 2016.

Other statutory information

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or

(iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Other statutory information (Cont'd)

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

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

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) In the opinion of Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;

(ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

Subsidiaries

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

Auditors

The Auditors, TGS TW PLT (202106000004 (LLP0026851-LCA) & AF002345), have expressed their willingness to continue in office.

Auditors' remuneration of the Group and of the Company for the financial year ended 31 October 2023 are as follows:

	Group RM	Company RM
TGS TW PLT	66,000	18,000
Other auditors	32,522	-
	98,522	18,000

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 22 February 2024.

LEONG JYH WEN

LEONG JYAHAO

KUALA LUMPUR

Registration No.: 201801006952 (1268966-W)

BABA ECO GROUP BERHAD
(Incorporated in Malaysia)

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 17 to 96 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 October 2023 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 22 February 2024.

LEONG JYH WEN	LEONG JYAHAO

KUALA LUMPUR

Registration No.: 201801006952 (1268966-W)

BABA ECO GROUP BERHAD
(Incorporated in Malaysia)

STATUTORY DECLARATION
Pursuant to Section 251(1) of the Companies Act 2016

I, Leong Jyh Wen, being the Director primarily responsible for the financial management of Baba Eco Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 17 to 96 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory on)
22 February 2024)

LEONG JYH WEN

Before me,

SHI' ARATUL AKMAR BINTI SAHARI
(NO. W788)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
BABA ECO GROUP BERHAD
[Registration No.: 201801006952 (1268966-W)]
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Baba Eco Group Berhad, which comprise the statements of financial position as at 31 October 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 96.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 October 2023, and of their financial performance and of their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Report on the audit of the financial statements (Cont'd)

Key audit matters

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

Key audit matters	How we addressed the key audit matters
Revenue recognition	
Referring to Note 24 to the financial statements, the Group's revenue for the financial year amounted to RM33,905,239. Revenue generated from cash sales is regarded as key audit matter because the amount of revenue contributed is significant to the financial statements of the Group and they involved the processing of large volume of transactions. We focused on this area given the magnitude of revenue transactions that occur.	We assessed the design and implementation of key controls over the recognition of revenue and tested these controls for operating effectiveness. We checked revenue recognised before and after financial year end on sampling basis to the delivery documents and considered whether the revenue were recognised in the appropriate accounting period. We compared the revenue recognised to the delivery documents to check the occurrence of the revenue recognised for the financial year.

Report on the audit of the financial statements (Cont'd)

Key audit matters (Cont'd)

Key audit matters (Cont'd)	How we addressed the key audit matters (Cont'd)
Inventories valuation	
Referring to Note 10 to the financial statements, the Group's inventories as at 31 October 2023 amounted to RM4,144,840.	We tested a sample of inventory items to ensure they were stated at the lower of cost and net realisable value. In addition, we considered the adequacy of the Group's disclosures in respect of inventories valuation.
Inventories valuation is significant audit risks as inventories may be sold at value below its cost. This could result in an overstatement of the value of the inventories if the cost is higher than the net realisable value.	Attending inventory counts to observe and test check counts of certain items that performed by the management.
Valuation of trade receivables	
Referring to Note 11 to the financial statements, the Group's trade receivables as at 31 October 2023 amounted to RM5,503,437.	We assessed the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimate the credit loss allowance.
	We assessed whether items were correctly categorised in the trade receivables ageing report by comparing individual items therein with sales invoices and other relevant underlying documentation, on a sample basis.

Report on the audit of the financial statements (Cont'd)

Key audit matters (Cont'd)

Key audit matters (Cont'd)	How we addressed the key audit matters (Cont'd)
Valuation of trade receivables (Cont'd)	
The details of trade receivables and their credit risk have been disclosed in Notes 11 and 34(b)(i) to the financial statements. We focus on this area as determination of the expected credit losses ("ECLs") and whether the trade receivables are recoverable involve significant management judgement and inherent subjectively given uncertainty regarding the ability of the trade receivables to settle their debts.	We checked the key parameters and assumptions of the ECLs model adopted by the management, including the basis of segmentation of the accounts receivable based on credit risk characteristic of customers and the historical default data in management's estimated loss allowance. We checked cash receipts from trade receivables subsequent to the reporting date relating to trade receivables balances as at 31 October 2023, on a sample basis.

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

Report on the audit of the financial statements (Cont'd)

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
BABA ECO GROUP BERHAD (CONT'D)
[Registration No.: 201801006952 (1268966-W)]
(Incorporated in Malaysia)

Report on the audit of the financial statements (Cont'd)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

Report on the audit of the financial statements (Cont'd)

Auditors' responsibilities for the audit of the financial statements (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)

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

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

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
BABA ECO GROUP BERHAD (CONT'D)
[Registration No.: 201801006952 (1268966-W)]
(Incorporated in Malaysia)

Report on the audit of the financial statements (Cont'd)

Auditors' responsibilities for the audit of the financial statements (Cont'd)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

Other matter

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

TGS TW PLT
202106000004 (LLP0026851-LCA) & AF002345
Chartered Accountants

KUAN JUN XIAN
03758/06/2025 J
Chartered Accountant

KUALA LUMPUR
22 February 2024

Registration No.: 201801006952 (1268966-W)

BABA ECO GROUP BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 OCTOBER 2023

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	35,916,502	36,637,400	-	-
Right-of-use assets	5	4,151,288	4,261,588	-	-
Investment in subsidiaries	6	-	-	21,864,816	21,722,000
Amount due from a subsidiary	7	-	-	432,791	-
Fixed deposits with licensed banks	8	630,941	620,119	-	-
Deferred tax assets	9	52,365	29,000	-	-
		40,751,096	41,548,107	22,297,607	21,722,000
Current assets					
Inventories	10	4,144,840	6,697,657	-	-
Trade receivables	11	5,503,437	6,402,339	-	-
Other receivables	12	1,133,731	890,021	11,786	11,786
Amount due from a subsidiary	7	-	-	236,811	-
Other investments	13	9,347,569	3,180,519	-	-
Tax recoverable		463,325	129,186	29,572	25,853
Fixed deposits with licensed banks	8	3,894,644	-	-	-
Cash and bank balances	14	12,023,349	14,772,860	684,397	1,547,202
		36,510,895	32,072,582	962,566	1,584,841
Total assets		77,261,991	73,620,689	23,260,173	23,306,841
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	23,237,161	23,237,161	23,237,161	23,237,161
Merger deficit	16	(18,822,000)	(18,822,000)	-	-
Foreign currency translation reserve	17	(8,878)	-	-	-
Retained earnings		52,443,814	50,669,591	1,149	54,680
		56,850,097	55,084,752	23,238,310	23,291,841
Non-controlling interests (“NCI”)		550,881	543,736	-	-
Total equity		57,400,978	55,628,488	23,238,310	23,291,841

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BABA ECO GROUP BERHAD

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STATEMENTS OF FINANCIAL POSITION AS AT 31 OCTOBER 2023 (CONT'D)

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES (CONT'D)					
LIABILITIES					
Non-current liabilities					
Lease liabilities	18	1,388,967	1,907,658	-	-
Loans and borrowings	19	4,600,452	1,239,587	-	-
Amount due to a Director	20	1,733,826	1,883,346	-	-
Amount due to a Director of a subsidiary	20	-	1,883,346	-	-
Other payables	21	1,784,052	-	-	-
Deferred tax liabilities	9	3,572,000	3,289,000	-	-
		13,079,297	10,202,937	-	-
Current liabilities					
Lease liabilities	18	1,206,907	1,249,011	-	-
Loans and borrowings	19	2,372,208	2,796,829	-	-
Trade payables	22	1,181,711	1,321,371	-	-
Other payables	21	1,766,717	1,829,076	21,863	15,000
Contract liabilities	23	136,878	208,814	-	-
Amount due to a Director	20	117,295	78,728	-	-
Amount due to a Director of a subsidiary	20	-	235,464	-	-
Tax payable		-	69,971	-	-
		6,781,716	7,789,264	21,863	15,000
Total liabilities		19,861,013	17,992,201	21,863	15,000
Total equity and liabilities		77,261,991	73,620,689	23,260,173	23,306,841

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

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BABA ECO GROUP BERHAD
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023

		Group		Company	
		2023	**2022**	**2023**	**2022**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	24	33,905,239	46,453,613	800,000	1,600,000
Cost of sales		(18,743,440)	(26,164,129)	-	-
Gross profit		15,161,799	20,289,484	800,000	1,600,000
Other income		1,472,073	1,784,450	-	19,055
Administrative expenses		(8,907,637)	(9,430,211)	(112,456)	(185,640)
Selling and distribution costs		(3,301,339)	(4,577,380)	-	-
Other expenses		(92,769)	(7,547)	-	-
Net impairment (loss)/gain on financial assets		(46,971)	22,951	-	-
Profit from operation		4,285,156	8,081,747	687,544	1,433,415
Finance income		162,812	24,635	3,822	-
Finance costs		(1,017,192)	(903,823)	-	-
Profit before tax	25	3,430,776	7,202,559	691,366	1,433,415
Taxation	26	(1,162,179)	(1,709,490)	(3,321)	-
Profit for the financial year		2,268,597	5,493,069	688,045	1,433,415
Other comprehensive income					
Items that will be relassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(19,729)	-	-	-
Total comprehensive income for the financial year, net of tax		2,248,868	5,493,069	688,045	1,433,415

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BABA ECO GROUP BERHAD
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONT'D)

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
Profit for the financial year attributable to:					
Owners of the Company		2,515,799	5,394,073	688,045	1,433,415
NCI		(247,202)	98,996	-	-
		2,268,597	5,493,069	688,045	1,433,415
Total comprehensive income for the financial year attributable to:					
Owners of the Company		2,506,921	5,394,073	688,045	1,433,415
NCI		(258,053)	98,996	-	-
		2,248,868	5,493,069	688,045	1,433,415
Earnings per share					
Basic earnings per share (sen):	27	1.12	2.40		
Diluted earnings per share (sen):	27	*	*		

* There are no dilutive earnings per share as the Group does not have any dilutive instruments for the financial year.

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

BABA ECO GROUP BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023

		← Non-distributable		→	← Distributable →			
	Note	**Share capital RM**	**Merger deficit RM**	**Foreign currency translation reserve RM**	**Retained earnings RM**	**Total RM**	**NCI RM**	**Total equity RM**
Group								
At 1 November 2021		23,237,161	(18,822,000)	-	46,781,142	51,196,303	444,740	51,641,043
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	5,394,073	5,394,073	98,996	5,493,069
Transaction with owners:								
Dividends to owners of the Company	28	-	-	-	(1,505,624)	(1,505,624)	-	(1,505,624)
At 31 October 2022		23,237,161	(18,822,000)	-	50,669,591	55,084,752	543,736	55,628,488
At 1 November 2022		23,237,161	(18,822,000)	-	50,669,591	55,084,752	543,736	55,628,488
Profit for the financial year		-	-	-	2,515,799	2,515,799	(247,202)	2,268,597
Exchange differences on translation of foreign operations		-	-	(8,878)	-	(8,878)	(10,851)	(19,729)
Total comprehensive income for the financial year		-	-	(8,878)	2,515,799	2,506,921	(258,053)	2,248,868
Transactions with owners:								
Dividends to owners of the Company	28	-	-	-	(741,576)	(741,576)	-	(741,576)
Incorporation of a subsidiary		-	-	-	-	-	174,553	174,553
Acquisition of a subsidiary	6(b)	-	-	-	-	-	89,645	89,645
Contribution received from NCI	6(b)	-	-	-	-	-	1,000	1,000
At 31 October 2023		23,237,161	(18,822,000)	(8,878)	52,443,814	56,850,097	550,881	57,400,978

BABA ECO GROUP BERHAD
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STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONT'D)

		←Non-distributable→	←Distributable→	
		Share capital	**Retained earning**	**Total**
	Note	**RM**	**RM**	**RM**
Company				
At 1 November 2021		23,237,161	126,889	23,364,050
Profit for the financial year, representing total comprehensive income for the financial year		-	1,433,415	1,433,415
Transaction with owners:				
Dividends to owners of the Company	28	-	(1,505,624)	(1,505,624)
At 31 October 2022		23,237,161	54,680	23,291,841
At 1 November 2022		23,237,161	54,680	23,291,841
Profit for the financial year, representing total comprehensive income for the financial year		-	688,045	688,045
Transaction with owners:				
Dividends to owners of the Company	28	-	(741,576)	(741,576)
At 31 October 2023		23,237,161	1,149	23,238,310

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

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BABA ECO GROUP BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023

	Note	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Cash flows from operating activities					
Profit before tax		3,430,776	7,202,559	691,366	1,433,415
Adjustments for:					
Depreciation of property, plant and equipment		1,269,917	1,158,891	-	-
Depreciation of right-of-use assets		904,469	634,451	-	-
Fair value gain on other investments		(167,050)	(68,886)	-	(19,055)
Gain on disposal of right-of-use assets		(18,512)	-	-	-
Goodwill on consolidation written off		89,645	-	-	-
Loss on disposal of property, plant and equipment		2,884	-	-	-
Gain on early termination of lease contracts		(2,665)	-	-	-
Loss on modification of lease contract		240	-	-	-
Interest expenses		543,098	381,692	-	-
Interest income		(162,812)	(24,635)	(3,822)	-
Property, plant and equipment written off		-	7,547	-	-
Unwinding of discount on loan from:					
- a Director		237,047	261,065	-	-
- a Director of a subsidiary		217,293	261,066	-	-
- other payables		19,754	-	-	-
Unrealised gain on foreign exchange		(369,071)	(744,879)	-	-
Allowance for ECLs on trade receivables		50,480	-	-	-
Reversal of allowance for ECLs on trade receivables		(3,509)	(22,951)	-	-
Operating profit before working capital changes		6,041,984	9,045,920	687,544	1,414,360
Changes in working capital:					
Inventories		2,557,812	393,899	-	-
Contract liabilities		(71,936)	(547,163)	-	-
Receivables		722,058	5,749,429	-	(11,246)
Payables		(368,107)	(3,841,135)	6,863	(5,409)
		2,839,827	1,755,030	6,863	(16,655)
Cash generated from operations		8,881,811	10,800,950	694,407	1,397,705
Interest received		77,598	13,912	-	-
Tax paid		(1,306,629)	(2,800,124)	(7,040)	(7,590)
Net cash from operating activities		7,652,780	8,014,738	687,367	1,390,115
Cash flows from investing activities					
Acquisition of property, plant and equipment		(550,959)	(9,449,838)	-	-
Net cash inflow from acquisition of a subsidiary		1,000	-	-	-
Interest received		74,392	-	-	-
Incorporation of a subsidiary		-	-	(142,816)	-
Proceed from disposal of property, plant and equipment		500	-	-	-
Proceed from disposal of right-of use assets		151,845	-	-	-
Placement of fixed deposits with a licensed bank more than 3 months to maturity		(3,743,127)	-	-	-
(Placement)/Withdrawal of other investments		(6,000,000)	1,577,944	-	1,577,944
Net cash (used in)/from investing activities		(10,066,349)	(7,871,894)	(142,816)	1,577,944

BABA ECO GROUP BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONT'D)

		Group		Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
Cash flows from financing activities					
Advance to a subsidiary		-	-	(665,780)	-
Dividend paid		(741,576)	(1,505,624)	(741,576)	(1,505,624)
Interest received		10,822	10,723	-	-
Interest paid		(543,098)	(381,692)	-	-
Repayments to a Director		(348,000)	(429,003)	-	-
Repayments to a Director of a subsidiary	**A**	(442,510)	(259,490)	-	-
Repayments of lease liabilities	**B**	(1,485,999)	(1,058,022)	-	-
Placements of fixed deposit pledged with a licensed bank		(10,822)	(10,723)	-	-
Drawdown of term loans		3,898,000	-	-	-
Repayments of term loans		(310,594)	(166,797)	-	-
Drawdowns of bankers' acceptances		6,233,600	11,665,857	-	-
Repayments of bankers' acceptances		(6,884,762)	(13,120,857)	-	-
Net cash inflow from incorporation of a subsidiary from NCIs		174,553	-	-	-
Net cash used in financing activities		(450,386)	(5,255,628)	(1,407,356)	(1,505,624)
Net cash (decrease)/increase in cash and cash equivalents		(2,863,955)	(5,112,784)	(862,805)	1,462,435
Cash and cash equivalents at the beginning of the financial year		14,772,860	19,263,620	1,547,202	84,767
Effect of exchange translation differences on cash and cash equivalents		114,444	622,024	-	-
Cash and cash equivalents at the end of the financial year		12,023,349	14,772,860	684,397	1,547,202
Cash and cash equivalents at the end of the financial year comprises:					
Cash and bank balances	14	12,023,349	14,772,860	684,397	1,547,202
Fixed deposits with licensed banks	8	4,525,585	620,119	-	-
		16,548,934	15,392,979	684,397	1,547,202
Less: Fixed deposit pledged with a licensed bank	8	(630,941)	(620,119)	-	-
Less: Fixed deposits with a licensed bank with more than 3 months to maturity	8	(3,894,644)	-	-	-
		12,023,349	14,772,860	684,397	1,547,202

BABA ECO GROUP BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 OCTOBER 2023 (CONT'D)

NOTES TO STATEMENTS OF CASH FLOWS

	Note	Group 2023 RM	Group 2022 RM
A. Repayments to a Director of a subsidiary			
Total repayments to a Director of a subsidiary		2,336,103	259,490
Less: Reclassification to other payables		(1,893,593)	-
Total cash paid		442,510	259,490
B. Cash outflows for leases as a lessee			
Included in net cash from operating activities:			
Payment relating to short-term leases	25	127,966	179,616
Payment relating to low value assets	25	2,125	900
		130,091	180,516
Included in net cash used in financing activities:			
Payment of lease liabilities		1,485,999	1,058,022
Payment on interest of lease liabilities		200,089	149,437
		1,686,088	1,207,459
		1,816,179	1,387,975

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

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the LEAP Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 39, Irving Road, 10050 Georgetown, Penang.

The principal place of business of the Company is located at No. 1384, Atas Lot 841, Mk. 1, Jalan Tasek, 14120 Simpang Ampat, Pulau Pinang.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

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

2. Basis of preparation

(a) Statement of compliance

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendment to MFRS 16	COVID-19 - Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 3	Reference to the Conceptual Framework

2. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Adoption of new and amended standards (Cont'd)

During the financial year, the Group and the Company have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year: (Cont'd)

Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020	Amendments to MFRS 1 Amendments to MFRS 9 Amendments to Illustrative Examples accompanying MFRS 16 Amendments to MFRS 141

The adoption of the new and amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

The Group and the Company have not applied the following new and amendments to MFRSs that have been issued by MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023

2. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standard issued but not yet effective (Cont'd)

The Group and the Company have not applied the following new and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group and the Company: (Cont'd)

		Effective dates for financial periods beginning on or after
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112	International Tax Reform - Pillar Two Model Rules	1 January 2023
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121	Lack of Exchangeability	1 January 2025
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new and amendments to MFRSs when they become effective.

2. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standard issued but not yet effective (Cont'd)

The initial application of the above-mentioned new and amendments to MFRSs are not expected to have any significant impacts on the financial statements of the Group and of the Company.

(b) **Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) **Significant accounting judgements, estimates and assumptions**

The preparation of the Group's and of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

The following are the judgements made by management in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Group and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

2. **Basis of preparation (Cont'd)**

(c) **Significant accounting judgements, estimates and assumptions (Cont'd)**

Judgements (Cont'd)

Control over Baba Eco (Thailand) Co., Ltd and The Nineties Organic Sdn. Bhd.

Note 6 to the financial statements describes that Baba Eco (Thailand) Co., Ltd and The Nineties Organic Sdn. Bhd. are subsidiaries of the Group even though the Group owns less than half of the ownership interest in these entities. This is because the Group has control over the Board and the power to govern the relevant activities of these entities.

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of buildings with non-cancellable period included as part of the lease term as these are reasonably certain to be exercised because there will be a significant negative effect on operation if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

2. Basis of preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

<u>Useful lives of property, plant and equipment and right-of-use ("ROU") assets</u>

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment and ROU assets. The carrying amount at the reporting date for property, plant and equipment and ROU assets are disclosed in Notes 4 and 5 to the financial statements respectively.

<u>Deferred tax assets</u>

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Notes 9 and 26 to the financial statements respectively.

<u>Inventories valuation</u>

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected selling prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 10 to the financial statements.

2. **Basis of preparation (Cont'd)**

(c) **Significant accounting judgements, estimates and assumptions (Cont'd)**

Key sources of estimation uncertainty (Cont'd)

<u>Determination of transaction prices</u>

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods are based on invoiced values. Discounts are not considered as they are not only given in rare circumstances.

<u>Discount rate used in leases</u>

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

<u>Provision for expected credit loss of financial assets at amortised cost</u>

The Group and the Company review the recoverability of its receivables at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past histories, existing market conditions at the end of each reporting period.

The Group and the Company use a provision matrix to calculate expected credit loss for trade and other receivables. The provision rates are based on number of days past due.

2. **Basis of preparation (Cont'd)**

(c) **Significant accounting judgements, estimates and assumptions (Cont'd)**

Key sources of estimation uncertainty (Cont'd)

Provision for expected credit loss of financial assets at amortised cost (Cont'd)

The provision matrix is initially based on the Group's and the Company's historical observed defaults rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience. 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 expected credit loss is a significant estimate. The carrying amounts at the reporting date for receivables are disclosed in Notes 7, 11 and 12 to the financial statements.

Income taxes

Judgement is involved in determining the 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 and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 34(c) to the financial statements regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

3. Significant accounting policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations under common control are accounted for using the merger method, where the results of entities or businesses under common control are accounted for as if the combination had been effected throughout the current and previous reporting periods. The assets, liabilities and reserves of these entities are recorded at their pre-combination carrying amounts or existing carrying amounts are accounted for from the perspective of the common shareholder. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of combination that would otherwise be done under the acquisition method. No new goodwill is recognised as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as reserve on acquisition arising from common control.

Acquisition-related costs are expensed in profit or loss as incurred.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investment in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k)(i) to the financial statements on impairment of non-financial assets.

3. **Significant accounting policies (Cont'd)**

(a) **Basis of consolidation (Cont'd)**

(ii) NCIs

NCIs at the reporting period, being the portion of the net assets of subsidiaries to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statements of financial position and statements of changes in equity, separately from equity attributable to the equity shareholders of the Company. NCIs in the results of the Group are presented in the consolidated statements of comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between the NCIs and the equity shareholders of the Company.

Losses applicable to the NCIs in subsidiaries are allocated to the NCIs even if doing so causes the NCIs to have a deficit balance.

Transactions with NCIs that do not result in loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiaries are recorded in equity. Gains or losses on disposals to NCIs are also recorded in equity.

(iii) Goodwill on consolidation

The excess of the aggregate of the consideration transferred the amount of any NCIs in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, NCIs recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiaries acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(k)(i) to the financial statements on impairment of non-financial assets.

3. **Significant accounting policies (Cont'd)**

(b) **Foreign currency transactions and balances**

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(ii) Foreign operation

The assets and liabilities of foreign operations denominated in functional currencies other than RM are translated to RM at the rate of exchange prevailing at the reporting date and income and expenses, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

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

3. **Significant accounting policies (Cont'd)**

(b) **Foreign currency transactions and balances (Cont'd)**

(ii) Foreign operation (Cont'd)

When the Group dispose of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to the NCIs.

(c) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i) to the financial statements.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing 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.

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses 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.

Capital work-in-progress consists of building under construction. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction until the property, plant and equipment are ready for their intended use.

3. **Significant accounting policies (Cont'd)**

(c) **Property, plant and equipment (Cont'd)**

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold lands are not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

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

Buildings	2%
Mould, tools and equipment	10%
Plant and machineries	10%
Motor vehicles	20%
Electrical installation, furniture and fittings	10%
Office equipment	10%
Container	10%
Equipment and infrastructure	10%
Renovation	10%
Signboard	10%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

3. Significant accounting policies (Cont'd)

(d) Leases

As lessee

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

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k)(i) to the financial statements on impairment of non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold lands	17%
Plant and machineries	10%
Motor vehicles	20%
Equipment and infrastructure	10%
Hostel	Over the lease term
Warehouse	Over the lease term
Shoplot	Over the lease term

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

3. **Significant accounting policies (Cont'd)**

(d) **Leases (Cont'd)**

As lessee (Cont'd)

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

The Group applies the lease of low-value assets and short term lease exemption to lease of staff quarters, forklifts, security deposit box and photostat machine that are considered to be low value and short-term.

As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group applies MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. Significant accounting policies (Cont'd)

(e) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group or the Company become a party to the contractual provisions of the financial instrument.

A financial asset (unless it is a trade receivable without financing component) is initially measured at fair value plus or minus, for an item not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

The Group and the Company determine the classification of their financial assets at initial recognition, and are not reclassified subsequent to their initial recognition unless the Group and the Company change their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting following the change in the business model.

(i) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Financial assets at FVTPL

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

3. **Significant accounting policies (Cont'd)**

(e) **Financial assets (Cont'd)**

(ii) Financial assets at FVTPL (Cont'd)

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

(f) **Financial liabilities**

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3. **Significant accounting policies (Cont'd)**

(g) **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as financial liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

(h) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the 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, or to realise the assets and settle the liabilities simultaneously.

(i) **Inventories**

Cost of raw material and trading goods comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a weighted average basis. Cost of finished goods and work-in-progress consists of direct material, direct labour and an appropriate proportion of production overheads are stated on a weighted average or approximates average actual cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances and fixed deposits with licensed banks that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of fixed deposit pledged with a licensed bank and fixed deposits with a licensed bank with 3 months to maturity.

3. Significant accounting policies (Cont'd)

(k) Impairment of assets

(i) Non-financial assets

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

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

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

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

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

3. **Significant accounting policies (Cont'd)**

(k) **Impairment of assets (Cont'd)**

(i) **Non-financial assets (Cont'd)**

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the 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 or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

(ii) **Financial assets**

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. 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 and the Company expect 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.

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

(l) **Share capital**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

3. **Significant accounting policies (Cont'd)**

(m) **Provision**

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value 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.

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is recognised in the profit or loss net of any reimbursement.

(n) **Employee benefits**

(i) Short-term employee benefits

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

3. **Significant accounting policies (Cont'd)**

(o) **Revenue recognition**

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognised revenue from the following major source:

Sales of goods

The Group manufactures and sells flower pots, garden accessories, planting soils and moulding products and planting of vegetables. Revenue from sales of goods is recognised when control of the products has transferred, being at the point that the goods had been delivered to the customer.

Following delivery of the goods to the customers' specific location, the customers have full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

Revenue is recognised based on the price specified in the contract net of the rebates, discounts and taxes.

A receivable is recognised by the Group when the goods are delivered as this represents the point in time at which the right to consideration is unconditional, because only the passage of time is required before payment is due. No element of financing is deemed present as the revenue recognised with credit term ranged from cash basis to 90 days, which is consistent with market practice.

(ii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iii) Interest income

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

3. **Significant accounting policies (Cont'd)**

(o) **Revenue recognition (Cont'd)**

(iv) Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

(p) **Contract liabilities**

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. The Group's contract liability is the excess of the billings to-date over the revenue recognised. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

(q) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss 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.

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.

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.

(r) **Income taxes**

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

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

3. **Significant accounting policies (Cont'd)**

(r) **Income taxes (Cont'd)**

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. 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 period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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.

(s) **Segments reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. 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. Majority of the operations of the Group are involved in manufacturing and trading of flower pots, garden accessories, planting soils, moulding products and planting of vegetables. Segment revenues, expenses and result include transfer between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity in negotiated term. These transfers are eliminated in statements of profit or loss and other comprehensive income.

(t) **Contingencies**

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or 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 assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3. **Significant accounting policies (Cont'd)**

(u) **Earning per share**

(i) Basic

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

(ii) Diluted

Diluted earnings per share is calculated by dividing the net profit for the financial year attributable to common controlling shareholders by the weighted average number of ordinary shares in issue, adjusted for the dilutive effects of all potential ordinary shares to be issued. Diluted earnings per share is not applicable as the Group does not have potential dilutive equity.

(v) **Government grant**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods in which the Group recognise as expenses the related costs for which the grants are intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and transferred to profit or loss on a systematic basis over the useful lives of the related asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Where the Group receive non-monetary government grants, the asset and the grant are recorded at nominal amount and transferred to profit or loss on a systematic basis over the life of the depreciable asset by way of a reduced depreciation charge.

3. **Significant accounting policies (Cont'd)**

(w) **Related parties**

A related party is a person or entity that is related to the Group and the Company. A related party transaction is a transfer or resources, services or obligations between the Group and the Company and their 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 Group 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 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 other entity.
(iii) Both entities are joint ventures of the same third party.
(iv) The entity is a joint venture of a third entity and the other 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 or an entity related to the Group.
(vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
(vii) A person identifies in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the Group.
(viii) The entity, or any member of a company of which it is a party, provided key management personnel services to the Group.

4. Property, plant and equipment

	Freehold lands RM	Buildings RM	Mould, tools and equipment RM	Plant and machineries RM	Motor vehicles RM	Electrical installation, furniture and fittings RM	Office equipment RM	Container RM	Equipment and infrastrcture RM	Renovation RM	Signboard RM	Capital work-in-progress RM	Total RM
Group													
Cost													
At 1 November 2021	16,490,824	4,780,000	6,439,391	4,493,865	957,190	830,292	2,455,124	23,470	668,413	685,850	4,900	2,257,763	40,087,082
Additions	5,922,890	-	1,465,276	853,437	-	261,982	415,408	-	38,208	6,845	-	485,792	9,449,838
Written off	-	-	(14,735)	(6,000)	-	-	(454,669)	-	-	-	-	-	(475,404)
Reclassification	-	2,743,555	-	-	-	-	-	-	-	-	-	(2,743,555)	-
At 31 October 2022	22,413,714	7,523,555	7,889,932	5,341,302	957,190	1,092,274	2,415,863	23,470	706,621	692,695	4,900	-	49,061,516
Additions	-	-	238,020	27,125	-	67,466	118,015	5,000	2,200	-	-	93,133	550,959
Disposal	-	-	-	-	-	-	(10,650)	-	-	-	-	-	(10,650)
Foreign currency translation	-	-	-	399	-	40	1,184	-	-	-	-	-	1,623
At 31 October 2023	22,413,714	7,523,555	8,127,952	5,368,826	957,190	1,159,780	2,524,412	28,470	708,821	692,695	4,900	93,133	49,603,448
Accumulated depreciation													
At 1 November 2021	-	573,600	4,970,184	2,577,491	845,174	564,589	1,514,541	16,563	370,487	296,367	4,086	-	11,733,082
Charges for the financial year	-	150,471	290,848	327,819	28,000	59,493	173,811	837	64,625	62,737	250	-	1,158,891
Written off	-	-	(14,730)	(6,000)	-	-	(447,127)	-	-	-	-	-	(467,857)
At 31 October 2022	-	724,071	5,246,302	2,899,310	873,174	624,082	1,241,225	17,400	435,112	359,104	4,336	-	12,424,116
Charges for the financial year	-	150,471	358,038	362,967	28,000	65,465	180,722	962	61,590	61,452	250	-	1,269,917
Disposal	-	-	-	-	-	-	(7,266)	-	-	-	-	-	(7,266)
Foreign currency translation	-	-	-	12	-	4	163	-	-	-	-	-	179
At 31 October 2023	-	874,542	5,604,340	3,262,289	901,174	689,551	1,414,844	18,362	496,702	420,556	4,586	-	13,686,946
Carrying amount													
At 31 October 2023	22,413,714	6,649,013	2,523,612	2,106,537	56,016	470,229	1,109,568	10,108	212,119	272,139	314	93,133	35,916,502
At 31 October 2022	22,413,714	6,799,484	2,643,630	2,441,992	84,016	468,192	1,174,638	6,070	271,509	333,591	564	-	36,637,400

The freehold lands and buildings are pledged to licensed banks as securities for banking facilities granted amounted to RM22,413,714 and RM6,649,013 (2022: RM22,413,714 and RM6,799,484) respectively.

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5. Right-of-use assets

	Leasehold lands RM	Plant and machineries RM	Motor vehicles RM	Equipment and infrastructure RM	Hostel RM	Warehouse RM	Shoplot RM	Total RM
Group								
Cost								
At 1 November 2021	154,652	2,316,228	823,710	1,095,985	78,073	-	-	4,468,648
Additions	-	679,500	-	-	304,780	375,459	-	1,359,739
Expiration of lease contracts	-	-	-	-	(29,370)	-	-	(29,370)
At 31 October 2022	154,652	2,995,728	823,710	1,095,985	353,483	375,459	-	5,799,017
Additions	-	-	-	-	417,108	533,574	64,738	1,015,420
Disposal	-	-	(195,121)	-	-	-	-	(195,121)
Early termination of lease contracts	-	-	-	-	(119,699)	(71,719)	-	(191,418)
Modification of lease contracts	-	-	-	-	4,492	-	-	4,492
Foreign currency translation	-	-	-	-	-	10,121	-	10,121
At 31 October 2023	154,652	2,995,728	628,589	1,095,985	655,384	847,435	64,738	6,442,511
Accumulated depreciation								
At 1 November 2021	98,805	215,886	337,453	255,730	24,474	-	-	932,348
Charge for the financial year	-	239,178	164,740	109,598	95,395	25,540	-	634,451
Expiration of lease contracts	-	-	-	-	(29,370)	-	-	(29,370)
At 31 October 2022	98,805	455,064	502,193	365,328	90,499	25,540	-	1,537,429
Charge for the financial year	-	299,965	123,632	109,598	141,585	202,715	26,974	904,469
Disposal	-	-	(61,788)	-	-	-	-	(61,788)
Early termination of lease contracts	-	-	-	-	(66,499)	(25,199)	-	(91,698)
Foreign currency translation	-	-	-	-	-	2,811	-	2,811
At 31 October 2023	98,805	755,029	564,037	474,926	165,585	205,867	26,974	2,291,223
Carrying amount								
At 31 October 2023	55,847	2,240,699	64,552	621,059	489,799	641,568	37,764	4,151,288
At 31 October 2022	55,847	2,540,664	321,517	730,657	262,984	349,919	-	4,261,588

6. Investment in subsidiaries

	Company 2023 RM	Company 2022 RM
Unqouted shares, at cost		
In Malaysia	21,864,816	21,722,000

Details of the subsidiaries are as follows:

Name of company	Place of business / Country of incorporation	Effective interest 2023 %	Effective interest 2022 %	Principal activities
Direct holdings:				
Kean Beng Lee Industries (M) Sdn. Bhd. ("KBL")	Malaysia	100	100	Manufacturing and trading of flower pots, garden accessories, planting soils and moulding products and planting of vegetables.
Era-I Enterprise (M) Sdn. Bhd. ("Era-I")	Malaysia	100	100	Traders in flower pots, all other plastic gardening accessories and organic food.
Baba Eco (Thailand) Co., Ltd. ("BET")*	Thailand	45	-	Trading and distribution of organic fertiliser, organic pesticide, organic potting mix, biodegradable plastic flower pots and gardening accessories.
Held through KBL:				
Baba Borneo Sdn. Bhd. ("BBSB")	Malaysia	60	60	Traders in flower pots, all other plastic gardening accessories and organic food.

6. Investment in subsidiaries (Cont'd)

Details of the subsidiaries are as follows: (Cont'd)

Name of company	Place of business / Country of incorporation	Effective interest 2023 %	2022 %	Principal activities
Held through KBL: (Cont'd)				
The Nineties Organic Sdn. Bhd. ("TNOSB")	Malaysia	40	-	Wholesale, retail sale and educate, promote on organic farming of fresh and preserved vegetables, fruits, grains, herbs and other agricultural food products.

* Subsidiary not audited by TGS TW PLT

(a) Incorporation of a subsidiary

On 21 October 2022, the Company incorporated a subsidiary in Thailand, BET, for total cash consideration of Thailand Baht ("BAHT") 10,349,000 (equivalent to RM142,816). The Company considers that it controls BET even though it owns less than fifty percent (50%) of the voting rights. This is due to the Company having control over the Board and the power to govern the relevant activities of the entity.

(b) Acquisition of a subsidiary

On 1 December 2022, the Group through its wholly owned subsidiary, KBL had invested 40% equity interest in TNOSB of 667 ordinary shares for total consideration of RM150,075. The Group considers that it controls TNOSB even though it owns less than fifty percent (50%) of the voting rights. This is due to the Company having control over the Board and the power to govern the relevant activities of the entity.

6. Investment in subsidiaries (Cont'd)

(b) Acquisition of a subsidiary (Cont'd)

Goodwill arising from business combination

The following summaries the major classes of consideration transferred, and the recognised amounts of assets acquired assumed at the acquisition date:

	1.12.2022 RM
Fair value of consideration	150,075
Fair value of identifiable asset acquired assumed	
Cash and bank balances	60,430
Total identified net asset	60,430
Goodwill on consolidation *	89,645

* During the financial year, written off of goodwill amounting of RM89,645 (2022: RMNil) has been recognised within other expenses in the statements of profit or loss and other comprehensive income due to the subsidiary had just incorporated and incurred losses during the financial year.

Net cash outflow arising from acquisition of a subsidiary

	1.12.2022 RM
Fair value of consideration paid	150,075
Cash and cash equivalents acquired	(60,430)
Contribution paid on behalf for NCI	(89,645)
Contribution received from NCI	1,000
	1,000

Impact of the acquisition on the statement of profit or loss and other comprehensive income

From date of acquisition, the acquired subsidiary has contributed RM394,798 to the Group's revenue and loss before tax of RM40,836 for current financial year.

If TNOSB had been acquired on the date of incorporation, revenue and loss before tax of the Group for financial year 2023 would remain the same due to TNOSB had only commencement of its business on 3 January 2023.

6. **Investment in subsidiaries (Cont'd)**

(c) NCI in subsidiaries

Material party-owned subsidiaries

Set out below is the Group's subsidiaries that have material NCIs:

Name of company	Proportion of ownership interests voting rights held by NCI		Total profit for the financial year allocated to NCI		Accumulated NCI	
	2023	2022	2023	2022	2023	2022
	%	%	RM	RM	RM	RM
BBSB	40	40	(2,824)	98,996	540,912	543,736
BET	55	-	(209,745)	-	(46,043)	-
TNOSB	60	-	(34,633)	-	56,012	-
			(247,202)	98,996	550,881	543,736

Summarised financial information for the subsidiaries that have NCIs that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

	BBSB		BET		TNOSB	
	2023	2022	2023	2022	2023	2022
	RM	RM	RM	RM	RM	RM
Summarised statement of financial position						
Non-current assets	317,553	428,108	471,652	-	90,390	-
Current assets	1,333,166	1,353,619	869,135	-	91,983	-
Non-current liabilities	(210,711)	(286,634)	(589,010)	-	(5,575)	-
Current liabilities	(87,727)	(135,752)	(835,492)	-	(83,445)	-
Net assets/(liabilities)	1,352,281	1,359,341	(83,715)	-	93,353	-

6. Investment in subsidiaries (Cont'd)

(c) NCI in subsidiaries (Cont'd)

Summarised financial information for the subsidiaries that have NCIs that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations. (Cont'd)

	BBSB		BET		TNOSB	
	2023	2022	2023	2022	2023	2022
	RM	RM	RM	RM	RM	RM
Summarised statement of profit or loss and other comprehensive income						
Revenue	2,230,340	3,371,353	48,865	-	468,106	-
(Loss)/Profit for the financial year	(7,060)	247,489	(381,355)	-	(57,722)	-
Total comprehensive (loss)/income for the financial year	(7,060)	247,489	(401,084)	-	(57,722)	-
Summarised statement of cash flows						
Net cash from/(used in) operating activities	123,523	(315,441)	(195,189)	-	(33,774)	-
Net cash used in investing activities	(7,644)	(69,877)	(77,038)	-	(57,340)	-
Net cash (used in)/from financing activities	(65,405)	(29,200)	793,515	-	122,000	-
Net cash increase/(decrease) in cash and cash equivalents	50,474	(414,518)	521,288	-	30,886	-

7. Amount due from a subsidiary

	Company	
	2023	**2022**
	RM	**RM**
Non-current		
Amount due from a subsidiary	432,791	-
Current		
Amount due from a subsidiary	236,811	-
	236,811	-
	669,602	-

Included in amount due from a subsidiary is non-trade in nature, unsecured and non-interest bearing, except for loan amount of RM513,000 (2022: RMNil) at an interest rate of 9.10% (2022: Nil) per annum and repayable in 60 months.

The foreign currency profile of amount due from a subsidiary is as follows:

	Company	
	2023	**2022**
	RM	**RM**
BAHT	664,702	-

8. Fixed deposits with licensed banks

Fixed deposit pledged with a licensed bank of RM630,941 (2022: RM620,119) are pledged as a security for bank borrowings granted to the Group.

Fixed deposits with a licensed bank more than 3 months to maturity are amounting to RM3,894,644 (2022: RMNil).

The interest rates of fixed deposits with licensed banks range from 2.55% to 5.60% (2022: at 1.75%) per annum.

The foreign currency profile of fixed deposits with licensed banks are as follows:

	2023	**2022**
	RM	**RM**
United States Dollar ("USD")	2,446,454	-
Singapore Dollar ("SGD")	1,448,190	-

9. Deferred tax (assets)/liabilities

	Group	
	2023	2022
	RM	RM
At beginning of the financial year	3,260,000	2,670,644
Recognised in profit or loss	259,660	589,356
Foreign currency translation	(25)	-
At end of the financial year	3,519,635	3,260,000

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group	
	2023	2022
	RM	RM
Deferred tax assets	(52,365)	(29,000)
Deferred tax liabilities	3,572,000	3,289,000
	3,519,635	3,260,000

The components and movements of deferred tax assets and liabilities are made up of temporary differences arising from:

	Group	
	2023	2022
	RM	RM
Contract liabilities	(29,000)	(50,000)
Property, plant and equipment	3,593,635	3,343,000
Provision	(44,000)	(33,000)
Unutilised capital allowances	(1,000)	-
	3,519,635	3,260,000

10. Inventories

	Group	
	2023	2022
	RM	RM
Raw materials	1,115,315	3,019,666
Work-in-progress	57,835	95,591
Finished goods	1,217,395	1,215,052
Trading goods	1,754,295	2,367,348
	4,144,840	6,697,657

10. Inventories (Cont'd)

	Group 2023 RM	Group 2022 RM
Recognised in profit or loss:		
Inventories recognised as cost of sales	13,072,308	21,266,758

As at 31 October 2023, there are raw materials amounting to RM102,053 was held by the Group's warehouse on consignment basis. The raw materials are legally owned by a third party and the Group has no control or ownership over the raw materials until the goods have been billed by the third party.

11. Trade receivables

	Group 2023 RM	Group 2022 RM
Trade receivables	5,687,486	6,539,417
Less: Allowance for ECLs	(184,049)	(137,078)
	5,503,437	6,402,339

Trade receivables are non-interest bearing and are generally on cash basis to 90 days (2022: cash basis to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of RMNil (2022: RM134) due from a company in which certain Directors of the Group and of the Company have interests.

Movements in the allowance for ECLs are as follows:

	Group 2023 RM	Group 2022 RM
At beginning of the financial year	137,078	160,029
Additional for the financial year	50,480	-
Reversal for the financial year	(3,509)	(22,951)
At end of the financial year	184,049	137,078

11. Trade receivables (Cont'd)

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

	Gross amount RM	ECLs RM	Net amount RM
Group			
2023			
Not past due	4,238,371	-	4,238,371
Past due:			
Less than 30 days	762,638	-	762,638
31 to 60 days	123,480	-	123,480
61 to 90 days	141,024	-	141,024
	5,265,513	-	5,265,513
Credit impaired			
Past due more than 90 days	421,973	(184,049)	237,924
	5,687,486	(184,049)	5,503,437
2022			
Not past due	5,050,438	-	5,050,438
Past due:			
Less than 30 days	719,201	-	719,201
31 to 60 days	188,597	-	188,597
61 to 90 days	179,602	-	179,602
	6,137,838	-	6,137,838
Credit impaired			
Past due more than 90 days	401,579	(137,078)	264,501
	6,539,417	(137,078)	6,402,339

The foreign currency profile of trade receivables are as follows:

	Group	
	2023 RM	2022 RM
USD	267,787	381,321
SGD	989,682	1,218,265

12. Other receivables

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Non-trade receivables	67,394	185,892	11,246	11,246
Deposits	860,142	290,554	-	-
Prepayments	152,279	328,994	540	540
Advances to suppliers	53,916	84,581	-	-
	1,133,731	890,021	11,786	11,786

Non-trade receivables are unsecured, non-interest bearing and repayable on demand.

Included in the deposits are an amount of RM617,467 (2022: RMNil) paid for purchase of plant and equipment.

The foreign currency profile of other receivables are as follows:

	Group 2023 RM	Group 2022 RM
USD	55,888	163,295
Euro Dollar ("EUR")	-	4,377

13. Other investments

	Group 2023 RM	Group 2022 RM
Current		
At FVTPL		
Unit trust	9,347,569	3,180,519

The fair value of the financial asset at FVTPL is classified as at Level 2 fair value item for the purpose of fair value hierarchy disclosures.

14. Cash and bank balances

The foreign currency profile of cash and bank balances are as follows:

	Group 2023 RM	Group 2022 RM
USD	651,428	2,257,650
SGD	1,029,627	1,483,920
EUR	2,074	3,973
Others	22,103	59,072

15. Share capital

	Group and Company			
	Number of ordinary shares		Amount	
	2023 Units	2022 Units	2023 RM	2022 RM
Issued and fully paid				
At beginning/end of the financial year	224,720,020	224,720,020	23,237,161	23,237,161

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

16. Merger deficit

The merger deficit arises as and when the combination takes place, it comprises the difference between the cost of merger and the nominal value of shares acquired in KBL and Era-I.

17. Foreign currency translation reserve

Translation reserve of the Group represents foreign exchange differences arising from the translation of the financial statements of foreign subsidiary whose functional currencies are different from that of the Group's functional currency.

18. Lease liabilities

	Group 2023 RM	Group 2022 RM
Non-current	1,388,967	1,907,658
Current	1,206,907	1,249,011
	2,595,874	3,156,669

The maturity analysis of lease liabilities of the Group the end of the reporting period:

	Group 2023 RM	Group 2022 RM
Within 1 year	1,276,303	1,380,211
Between 1 - 5 years	1,443,866	1,970,427
More than 5 years	45,000	51,700
	2,765,169	3,402,338
Less: Future finance charges	(169,295)	(245,669)
Present value of lease liabilities	2,595,874	3,156,669

The Group leases warehouse, shoplot and hostel. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

19. Loans and borrowings

	Group 2023 RM	Group 2022 RM
Secured		
Term loans	5,012,822	1,425,416
Bankers' acceptance	1,959,838	2,611,000
	6,972,660	4,036,416

19. Loans and borrowings (Cont'd)

	Group 2023 RM	Group 2022 RM
Non-current		
Term loans	4,600,452	1,239,587
Current		
Term loans	412,370	185,829
Bankers' acceptance	1,959,838	2,611,000
	2,372,208	2,796,829
	6,972,660	4,036,416

The above loans and borrowings are secured by the followings:

(i) Joint & several guarantee executed by one of the Directors of the Group and of the Company;
(ii) Legal charges over certain properties of the Group;
(iii) Fixed deposits with licensed banks as disclosed in Note 8 to the financial statements;
(iv) Letter of offer;
(v) Master facility agreements; and
(vi) Corporate guarantee by the Company.

The repayments terms of terms loans are repayable by 53 - 180 (2022: 84 - 180) monthly instalments whereas the bankers' acceptance are repayable by 114 - 126 (2022: 114 - 126) days.

The average effective interest rates per annum are as follows:

	Group 2023 %	Group 2022 %
Term loans	4.19 - 7.82	3.97 - 7.32
Bankers' acceptance	3.15 - 4.15	2.59 - 4.62

20. Amount due to a Director/a Director of a subsidiary

Amount due to a Director/a Director of a subsidiary are non-trade in nature, unsecured, non-interest bearing and are repayable on demand except for amounts of RM1,833,121 and RMNil (2022: RM1,962,074 and RM2,118,810) respectively which are bearing interest rate at 6.97% (2022: 6.97%) per annum.

20. Amount due to a Director/a Director of a subsidiary (Cont'd)

Interest calculated as fair value adjustment of the amount due to a Director and amount due to a Director of a subsidiary using prevailing market rates at the inception of the loans, is deemed to be discount on loans from a Director and a Director of a subsidiary. Thereafter, the amount due to a Director and amount due to a Director of a subsidiary will gradually increase back to their nominal value as the discount reflecting the time value of money unwinds and are reflected as finance cost in statements of profit or loss. The effects are as disclosed in Note 25 to the financial statements.

	Group	
	2023	**2022**
	RM	**RM**
Amount due to a Director		
Current	117,295	78,728
Non-current		
Between 1 to 5 years	1,733,826	1,166,378
More than 5 years	-	716,968
	1,733,826	1,883,346
	1,851,121	1,962,074
Amount due to a Director of a subsidiary		
Current	-	235,464
Non-current		
Between 1 to 5 years	-	1,166,378
More than 5 years	-	716,968
	-	1,883,346
	-	2,118,810

21. Other payables

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Non-current				
Non-trade payables	1,784,052	-	-	-

21. Other payables (Cont'd)

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Current				
Non-trade payables	630,566	645,790	3,863	-
Accruals	918,525	994,900	18,000	15,000
Deposits received	100,328	4,903	-	-
Sales and service tax payable	117,298	183,483	-	-
	1,766,717	1,829,076	21,863	15,000
	3,550,769	1,829,076	21,863	15,000

Included in the non-trade payables amount of RM1,883,347 (2022: RMNil) are subject to interest bearing of 6.97% (2022: Nil) per annum.

Interest calculated as fair value adjustment of the amount due to non-trade payables using prevailing market rates at the inception of the loans, is deemed to be a discount on loans from non-trade payables. Thereafter, the amount due to non-trade payables will gradually increase back to its nominal value as the discount reflecting the time value of money unwinds and is reflected as finance cost in statements of profit or loss. The effect is as disclosed in Note 25 to the financial statements.

The foreign currency profile of other payables are as follows:

	Group	
	2023	**2022**
	RM	**RM**
USD	40,137	-

22. Trade payables

The normal trade credit terms granted to the Group ranged from 30 to 60 days (2022: 30 to 60 days) depending on the terms of the contracts.

Included in trade payables is an amount of RMNil (2022: RM36,247) due to a company in which the certain Directors of the Group have interests.

22. Trade payables (Cont'd)

The foreign currency profile of trade payables are as follows:

	Group	
	2023	2022
	RM	RM
SGD	41,700	23,627
EUR	23,203	-

23. Contract liabilities

	Group	
	2023	2022
	RM	RM
Current		
Sales deposit received	136,878	208,814

Points transactions

	Group	
	2023	2022
	RM	RM
At beginning of the financial year	208,814	755,977
Addition during the financial year	169,788	154,239
Recognised as revenue during the financial year	(241,724)	(701,402)
At end of the financial year	136,878	208,814

The contract liabilities refer to sales deposit received from customers which will be set off against future revenue made with the Group.

24. Revenue

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Revenue from contracts with customers:				
Sales of goods	33,905,239	46,453,613	-	-
Other revenue:				
Dividend income	-	-	800,000	1,600,000
	33,905,239	46,453,613	800,000	1,600,000
Timing of revenue recognition:				
At a point in time	33,905,239	46,453,613	-	-

25. Profit before tax

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

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Auditors' remuneration:				
- TGS TW PLT				
- Current financial year	66,000	58,000	18,000	15,000
- Overprovision in prior financial year	-	1,680	-	-
- Other auditors				
- Current financial year	32,522	-	-	-
Depreciation of property, plant and equipment	1,269,917	1,158,891	-	-
Depreciation of ROU assets	904,469	634,451	-	-
Lease expenses related to:				
- Short-term leases (a)	127,966	179,616	-	-
- Low value assets (a)	2,125	900	-	-
Fair value gain on other investments	(167,050)	(68,886)	-	(19,055)

25. Profit before tax (Cont'd)

Profit before tax is determined after charging/(crediting) amongst other, the following items: (Cont'd)

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Realised gain on foreign exchange	(443,587)	(405,648)	-	-
Unrealised gain on foreign exchange	(369,071)	(744,879)	-	-
Property, plant and equipment written off	-	7,547	-	-
Loss on disposal of property, plant and equipment	2,884	-	-	-
Gain on disposal of ROU assets	(18,512)	-	-	-
Gain on early termination of lease contracts	(2,665)	-	-	-
Government grant (b)	(145,600)	-	-	-
Goodwill on consolidation written off	89,645	-	-	-
Loss on modification of lease contract	240	-	-	-
Allowance for ECLs on trade receivables	50,480	-	-	-
Reversal of allowance for ECLs on trade receivables	(3,509)	(22,951)	-	-
Rental income	(26,100)	(38,300)	-	-
Interest income on:				
- Fixed deposit pledged with a licensed bank	(10,822)	(10,723)	-	-
- Fixed deposits with a licensed bank with 3 months to maturity	(74,392)	-	-	-
- Cash and bank balances	(77,598)	(13,912)	-	-
- Amount due from a subsidiary	-	-	(3,822)	-

25. **Profit before tax (Cont'd)**

Profit before tax is determined after charging/(crediting) amongst other, the following items: (Cont'd)

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Interest expenses on:				
- Commitment fees	17,001	17,001	-	-
- Unwinding of discount on loan:				
- a Director	237,047	261,065	-	-
- a Director of a subsidiary	217,293	261,066	-	-
- other payables	19,754	-	-	-
- Term loans	228,414	74,796	-	-
- Bankers' acceptance	97,474	140,338	-	-
- Bank overdrafts	120	120	-	-
- Lease liabilities	200,089	149,437	-	-

(a) The Group leases various staff quarters, photostat machine and forklifts with contract terms of not more than one year. These leases are short-term and/or leases of low value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

(b) The Group was entitled to an intervention fund program introduced by the Malaysian Investment Development Authority ("MIDA") in response to the national economy recovery plan.

26. **Taxation**

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Tax expenses recognised in profit or loss				
Current tax				
Current financial year provision	1,013,544	1,681,734	-	-
(Over)/Under provision in prior financial years	(111,025)	(561,600)	3,321	-
	902,519	1,120,134	3,321	-

26. **Taxation (Cont'd)**

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Tax expenses recognised in profit or loss (Cont'd)				
Deferred tax				
Origination and reversal of temporary differences	(50,340)	131,900	-	-
Under provision in prior financial years	310,000	457,456	-	-
	259,660	589,356	-	-
	1,162,179	1,709,490	3,321	-

A reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to tax expenses at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Profit before tax	3,430,776	7,202,559	691,366	1,433,415
At Malaysian statutory tax rate of 24% (2022: 24%)	823,386	1,728,614	165,928	344,020
Income not subject to tax	(389,589)	(212,080)	(192,917)	(388,573)
Expenses not deductible for tax purposes	517,407	297,100	26,989	44,553
(Over)/Under provision of tax expenses in prior financial years	(111,025)	(561,600)	3,321	-
Movement of deferred tax assets not recognised	12,000	-	-	-
Under provision of deferred tax in prior financial years	310,000	457,456	-	-
	1,162,179	1,709,490	3,321	-

26. **Taxation (Cont'd)**

Unrecognised deferred tax assets

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

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Property, plant and equipment	(13,000)	-	-	-
Contract liabilities	17,000	-	-	-
Unutilised business losses	28,000	-	-	-
Unutilised capital allowances	18,000	-	-	-
	50,000	-	-	-

In accordance with the provision of Finance Act 2018, the unutilised business losses could be carried forward for a maximum of seven consecutive years of assessment. Any balance of the unutilised business losses at the end of the seventh year shall be disregarded.

The Finance Act 2022 stated that the time frame to carry forward unutilised business losses for year of assessment 2019 and subsequent years of assessment be extended from seven to ten consecutive years of assessment. The other temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset.

27. **Earnings per share**

(a) Basic earnings per share

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2023	**2022**
	RM	**RM**
Profit attributable to owners of the Company	2,515,799	5,394,073
Weighted average number of ordinary shares in issue (units)	224,720,020	224,720,020
Basic earnings per ordinary shares (in sen)	1.12	2.40

27. Earnings per share (Cont'd)

(b) Diluted earnings per share

There is no diluted earnings per share as the Group does not have any dilutive potential ordinary shares outstanding as at the end of the reporting date.

28. Dividends

	Group and Company	
	2023	2022
	RM	RM
Dividends recognised as distribution to owners of the Company:		
An interim single-tier dividend of RM0.0067 per share in respect of the financial year ended 31 October 2021 declared on 29 December 2021 and paid on 17 January 2022	-	1,505,624
An interim single-tier dividend of RM0.0033 per share in respect of the financial year ended 31 October 2022 declared on 30 December 2022 and paid on 17 January 2023	741,576	-

The Company had on 29 December 2023 declared a first interim single tier dividend of RM0.0019 per share amounting to RM426,968 and payable on 18 January 2024. This dividend is not reflected in the financial statements for the current financial year and will be accounted for as an appropriation of retained earnings in the financial year ending 31 October 2024.

29. Staff costs

	Group	
	2023	2022
	RM	RM
Salaries, wages and other emoluments	6,427,692	6,958,704
Defined contribution plans	729,559	750,417
Social security contributions	97,722	92,881
Other benefits	887,232	1,371,682
	8,142,205	9,173,684

29. Staff costs (Cont'd)

Included in staff costs is aggregate amount of remuneration received and receivable by the Directors of the Group during the financial year as below:

	Group	
	2023	2022
	RM	RM
Executive Directors		
Salaries, wages and other emoluments	427,786	333,114
Defined contribution plans	63,933	50,940
Social security contributions	4,174	1,926
	495,893	385,980

30. Commitments and corporate guarantee

	Group	
	2023	2022
	RM	RM
Capital expenditure		
Authorised and contracted for:		
- Factory	2,383,370	-
- Mould, machine, tools and equipment	32,340	124,292
	2,415,710	124,292

Operating lease commitments - As lessee

The future contractual operating lease commitments are as follows:-

	Group	
	2023	2022
	RM	RM
Within one year	10,000	10,000

30. Commitments and corporate guarantee (Cont'd)

Operating lease commitments represent rental payables for the rental of staff quarters. Leases are negotiated for term of 1 year.

	Group 2023 RM	Group 2022 RM
Corporate guarantee		
Guarantee given to an utility company in respect of utilities usage granted to the Group	140,000	140,000

	Company 2023 RM	Company 2022 RM
Corporate guarantee		
Guarantee given to financial institutions for credit facilities granted to a subsidiary	6,972,660	4,036,416

31. Reconciliation of liabilities arising from financing activities

The table below show the details changes in the liabilities of the Group arising from financing activities:

	At 1.11.2022 RM	Reclassification RM	Drawdown RM	Repayments RM	Early termination of lease contract RM	Modification of lease contract RM	Unwinding interest RM	Foreign currency translation RM	At 31.10.2023 RM
Group									
Term loans	1,425,416	-	3,898,000	(310,594)	-	-	-	-	5,012,822
Bankers' acceptance	2,611,000	-	6,233,600	(6,884,762)	-	-	-	-	1,959,838
Lease liabilities	3,156,669	-	1,015,420	(1,485,999)	(102,385)	4,732	-	7,437	2,595,874
Amount due to a Director	1,962,074	-	-	(348,000)	-	-	237,047	-	1,851,121
Amount due to a Director of a subsidiary	2,118,810	(1,893,593)	-	(442,510)	-	-	217,293	-	-

	At 1.11.2021 RM	Reclassification RM	Drawdown RM	Repayments RM	Early termination of lease contract RM	Modification of lease contract RM	Unwinding interest RM	Foreign currency translation RM	At 31.10.2022 RM
Group									
Term loans	1,592,213	-	-	(166,797)	-	-	-	-	1,425,416
Bankers' acceptance	4,066,000	-	11,665,857	(13,120,857)	-	-	-	-	2,611,000
Lease liabilities	2,854,952	-	1,359,739	(1,058,022)	-	-	-	-	3,156,669
Amount due to a Director	2,130,012	-	-	(429,003)	-	-	261,065	-	1,962,074
Amount due to a Director of a subsidiary	2,117,234	-	-	(259,490)	-	-	261,066	-	2,118,810

32. Related party disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel comprises the Directors and management personnel of the Group and of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	Group		**Company**	
	2023 RM	**2022 RM**	**2023 RM**	**2022 RM**
Dividends from subsidiaries	-	-	800,000	1,600,000
Sales to a company in which certain Directors have interests	-	7,124	-	-
Production overhead charged by a company in which a person connected to a Director of a subsidiary have interests	33,038	681,336	-	-
Rental income received from a company in which a person connected to a Director of a subsidiary have interests	26,100	38,300	-	-

32. **Related party disclosures (Cont'd)**

(b) Significant related party transactions (Cont'd)

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows: (Cont'd)

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
Interest received from a subsidiary	-	-	(3,822)	-

(c) Remuneration of key management personnel

The Group and the Company do not have any key management personnel remuneration during the financial year.

33. **Segment information**

For management purposes, the Group is organised into business units based on their products and services, and has two reportable segments as follows:

Manufacturing :	Manufacturing and trading of biodegradable flower pots, planting media, and other plastic-injection-moulding products.
Merchandising :	Processing and trading of organic fertilisers and natural pesticides, as well as trading of gardening accessories, seeds and agricultural products.

Other non-reportable segments which are below the quantitative thresholds for determining reportable segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

33. Segment information (Cont'd)

	Note	Manufacturing RM	Merchandising RM	Others RM	Adjustments and eliminations RM	Consolidated RM
2023						
Revenue						
External customers		22,447,915	10,637,898	819,426	-	33,905,239
Inter-segment	A	11,687,487	2,843,759	3,410,714	(17,941,960)	-
Total revenue		34,135,402	13,481,657	4,230,140	(17,941,960)	33,905,239
Results						
Interest income		99,751	66,883	-	(3,822)	162,812
Interest expenses		(340,733)	(206,187)	-	3,822	(543,098)
Depreciation of property, plant and equipment		(815,900)	(454,017)	-	-	(1,269,917)
Depreciation of ROU assets		(414,588)	(489,881)	-	-	(904,469)
Other non-cash items	B	52,929	(24,082)	4,262	(89,645)	(56,536)
Tax expense		(550,212)	(611,967)	-	-	(1,162,179)
Segment profit	C	2,697,171	1,279,456	104,119	(957,769)	3,122,977
Segment assets						
Additions to property, plant and equipment		257,718	293,241	-	-	550,959
Additions to ROU assets		212,095	803,325	-	-	1,015,420
Segment assets	D	62,936,430	14,089,113	23,227,751	(23,506,993)	76,746,301
Segment liabilities	E	11,469,272	5,440,675	442,748	(1,063,682)	16,289,013

33. Segment information (Cont'd)

	Note	Manufacturing RM	Merchandising RM	Others RM	Adjustments and eliminations RM	Consolidated RM
2022						
Revenue						
External customers		31,677,684	13,532,215	1,243,714	-	46,453,613
Inter-segment	A	17,259,899	6,831,620	1,600,000	(25,691,519)	-
Total revenue		48,937,583	20,363,835	2,843,714	(25,691,519)	46,453,613
Results						
Interest income		18,335	6,300	-	-	24,635
Interest expenses		(283,821)	(97,871)	-	-	(381,692)
Depreciation of property, plant and equipment		(1,024,190)	(134,701)	-	-	(1,158,891)
Depreciation of ROU assets		(611,076)	(23,375)	-	-	(634,451)
Other non-cash items	B	213,032	74,951	19,055	-	307,038
Tax expense		(817,194)	(892,296)	-	-	(1,709,490)
Segment profit	C	3,088,468	3,134,999	1,955,546	(1,806,756)	6,372,257
Segment assets						
Additions to property, plant and equipment		9,370,325	79,513	-	-	9,449,838
Additions to ROU assets		984,280	375,459	-	-	1,359,739
Segment assets	D	59,698,059	12,665,374	23,280,988	(22,181,918)	73,462,503
Segment liabilities	E	13,630,473	1,180,919	15,000	(193,162)	14,633,230

33. **Segment information (Cont'd)**

Adjustments and eliminations

A. Inter-segment revenues are eliminated on consolidation.

B. Other material non-cash items consist of the following as presented in the respective notes to the financial statements:

	2023 RM	2022 RM
Fair value gain on other investments	167,050	68,886
Goodwill on consolidation written off	(89,645)	-
Loss on disposal of property, plant and equipment	(2,884)	-
Gain on disposal of ROU assets	18,512	-
Gain on early termination of lease contracts	2,665	-
Loss on modification of lease contract	(240)	-
Property, plant and equipment written off	-	(7,547)
Unwinding of discount on loan from:		
- a Director	(237,047)	(261,065)
- a Director of a subsidiary	(217,293)	(261,066)
- other payables	(19,754)	-
Unrealised gain on foreign exchange	369,071	744,879
Allowance for ECLs on trade receivables	(50,480)	-
Reversal of ECLs on trade receivables	3,509	22,951
	(56,536)	307,038

C. The following items are added to/(deducted from) segment profit to arrive at profit after tax reported in the consolidated statements of profit or loss and other comprehensive income.

	2023 RM	2022 RM
Segment profit	3,122,977	6,372,257
Interest income	162,812	24,635
Finance costs	(1,017,192)	(903,823)
Profit after tax	2,268,597	5,493,069

33. Segment information (Cont'd)

Adjustments and eliminations (Cont'd)

D. The following items are added to segment assets to arrive at total assets reported in the consolidated statements of financial position.

	2023 RM	2022 RM
Segment assets	76,746,301	73,462,503
Deferred tax assets	52,365	29,000
Tax recoverable	463,325	129,186
Total assets	77,261,991	73,620,689

E. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statements of financial position.

	2023 RM	2022 RM
Segment liabilities	16,289,013	14,633,230
Deferred tax liabilities	3,572,000	3,289,000
Tax payable	-	69,971
Total liabilities	19,861,013	17,992,201

Geographic information

Revenue based on the geographical location of customers is as follow:

	Group	
	2023 RM	2022 RM
Malaysia	27,098,661	37,795,771
Southeast Asia	4,481,776	5,939,333
Others	2,324,802	2,718,509
	33,905,239	46,453,613

33. Segment information (Cont'd)

Geographic information (Cont'd)

Non-current asset information based on the geographical location of assets are as follow:

	Group 2023 RM	Group 2022 RM
Malaysia	40,279,444	41,548,107
Thailand	471,652	-
	40,751,096	41,548,107

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, fixed deposits pledged with licensed banks and deferred tax assets.

Major customers

There was no single customer that contributed 10% or more of the Group's revenue for the financial years ended 31 October 2023 and 31 October 2022.

34. Financial instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured, and how income and expenses, including fair values gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
At FVTPL				
Financial asset				
Other investments	9,347,569	3,180,519	-	-

34. **Financial instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM	**RM**	**RM**	**RM**
At amortised cost				
Financial assets				
Trade receivables	5,503,437	6,402,339	-	-
Other receivables	927,536	476,446	11,246	11,246
Amount due from a subsidiary	-	-	669,602	-
Fixed deposits with licensed banks	4,525,585	620,119	-	-
Cash and bank balances	12,023,349	14,772,860	684,397	1,547,202
	22,979,907	22,271,764	1,365,245	1,558,448
	32,327,476	25,452,283	1,365,245	1,558,448
At amortised cost				
Financial liabilities				
Loans and borrowings	6,972,660	4,036,416	-	-
Trade payables	1,181,711	1,321,371	-	-
Other payables	3,433,471	1,645,593	21,863	15,000
Amount due to a Director	1,851,121	1,962,074	-	-
Amount due to a Director of a subsidiary	-	2,118,810	-	-
	13,438,963	11,084,264	21,863	15,000

(b) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and of the Company's operations whilst managing their credit, liquidity and market risks. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

34. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet their contractual obligations. The Group's exposure to credit risk arises principally from trade receivables, other receivables, fixed deposits with licensed banks and cash and bank balances. The Company's exposure to credit risk arises principally from other receivables, amount due from a subsidiary and cash and bank balances. There are no significant changes as compared to previous financial year.

The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposits with banks. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans and advances to subsidiaries. It also provides financial guarantees to banks for banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

At each reporting date, the Group and the Company assess whether any of the receivables are credit impaired.

The gross carrying amounts of credit impaired receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk.

There are no significant changes as compared to previous financial year.

34. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers. The Company has no significant concentration of credits risks except for loans to its subsidiary where risks of default have been assessed to be low.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulty in meeting their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group and the Company finance their liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay:

	On demand or within 1 year RM	**1 to 5 years RM**	**More than 5 years RM**	**Total contractual cash flows RM**	**Total carrying amount RM**
Group					
2023					
Non-derivative financial liabilities					
Term loans	649,126	4,430,420	936,193	6,015,739	5,012,822
Bankers' acceptance	1,959,838	-	-	1,959,838	1,959,838
Lease liabilities	1,276,303	1,443,866	45,000	2,765,169	2,595,874
Trade payables	1,181,711	-	-	1,181,711	1,181,711
Other payables	1,977,197	2,270,226	-	4,247,423	3,433,471
Amount due to a Director	327,775	2,220,540	-	2,548,315	1,851,121
	7,371,950	10,365,052	981,193	18,718,195	16,034,837
Financial guarantee*	140,000	-	-	140,000	-

34. Financial instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay: (Cont'd)

	On demand or within 1 year RM	1 to 5 years RM	More than 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Group (Cont'd)					
2022					
Non-derivative financial liabilities					
Term loans	244,272	488,682	1,041,152	1,774,106	1,425,416
Bankers' acceptance	2,611,000	-	-	2,611,000	2,611,000
Lease liabilities	1,380,211	1,970,427	51,700	3,402,338	3,156,669
Trade payables	1,321,371	-	-	1,321,371	1,321,371
Other payables	1,645,593	-	-	1,645,593	1,645,593
Amount due to a Director	273,598	1,830,000	750,000	2,853,598	1,962,074
Amount due to a Director of a subsidiary	464,402	1,830,000	750,000	3,044,402	2,118,810
	7,940,447	6,119,109	2,592,852	16,652,408	14,240,933
Financial guarantee*	140,000	-	-	140,000	-

	On demand or within 1 year RM	Total contractual cash flows RM	Total carrying amount RM
Company			
2023			
Non-derivative financial liability			
Other payables	21,863	21,863	21,863
Financial guarantee			
Corporate guarantee granted to a subsidiary	6,972,660	6,972,660	-
2022			
Non-derivative financial liability			
Other payables	15,000	15,000	15,000
Financial guarantee			
Corporate guarantee granted to a subsidiary	4,036,416	4,036,416	-

34. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

* Based on the maximum amount that can be called for under the financial guarantee contract.

The Group and the Company provide secured financial guarantee to a utility company in respect of utilities usage granted to the Group and monitors on an ongoing basis on the utility's usage and repayment to the utility company. At end of the reporting period, there was no indication that the Group and the Company would default on repayment.

Financial guarantee has not been recognised since the fair value on initial recognition was deemed not material and the probability of the Group and of the Company defaulting in their credit facilities is remote.

(iii) Market risk

(a) Foreign currency risk

The Group and the Company are exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of the Group and of the Company. The currencies giving rise to this risk are primarily USD, SGD, EUR, BAHT and others.

The Group and the Company have not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group and the Company will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's and of the Company's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

			Denominated in		
	USD RM	**SGD RM**	**EUR RM**	**Others RM**	**Total RM**
Group					
2023					
Trade receivables	267,787	989,682	-	-	1,257,469
Other receivables	55,888	-	-	-	55,888
Fixed deposits with licensed banks	2,446,454	1,448,190	-	-	3,894,644
Cash and bank balances	651,428	1,029,627	2,074	22,103	1,705,232
Trade payables	-	(41,700)	(23,203)	-	(64,903)
Other payables	(40,137)	-	-	-	(40,137)
	3,381,420	3,425,799	(21,129)	22,103	6,808,193

34. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(a) Foreign currency risk (Cont'd)

The carrying amounts of the Group's and of the Company's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows: (Cont'd)

	Denominated in				
	USD	**SGD**	**EUR**	**Others**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**
Group (Cont'd)					
2022					
Trade receivables	381,321	1,218,265	-	-	1,599,586
Other receivables	163,295	-	4,377	-	167,672
Cash and bank balances	2,257,650	1,483,920	3,973	59,072	3,804,615
Trade payables	-	(23,627)	-	-	(23,627)
	2,802,266	2,678,558	8,350	59,072	5,548,246

	Denominated in	
	BAHT	**Total**
	RM	**RM**
Company		
2023		
Amount due from a subsidiary	664,702	664,702

34. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(b) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's and of the Company's profit before tax to a reasonably possible change in the USD, SGD, EUR and BAHT exchange rates against RM, with all other variables held constant.

	Change in currency rate	**Effect on profit before tax 2023 RM**	**Effect on profit before tax 2022 RM**
Group			
USD	Strengthened 1% (2022: 1%)	33,814	28,023
	Weakened 1% (2022: 1%)	(33,814)	(28,023)
SGD	Strengthened 1% (2022: 1%)	34,258	26,786
	Weakened 1% (2022: 1%)	(34,258)	(26,786)
EUR	Strengthened 1% (2022: 1%)	(211)	84
	Weakened 1% (2022: 1%)	211	(84)
Others	Strengthened 1% (2022: 1%)	221	591
	Weakened 1% (2022: 1%)	(221)	(591)

	Change in currency rate	**Effect on profit before tax 2023 RM**	**Effect on profit before tax 2022 RM**
Company			
BAHT	Strengthened 1% (2022: 1%)	6,647	-
	Weakened 1% (2022: 1%)	(6,647)	-

34. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk

The Group's fixed deposits with a licensed bank and borrowings are exposed to a risk of change in its fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with a licensed bank by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

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

	Group	
	2023	**2022**
	RM	**RM**
Fixed rate instruments		
Financial asset		
Fixed deposits with licensed banks	4,525,585	620,119
Financial liabilities		
Bankers' acceptance	(1,959,838)	(2,611,000)
Lease liabilities	(1,407,529)	(2,525,331)
Other payables	(1,883,347)	-
Amount due to a Director	(1,833,121)	(1,962,074)
Amount due to a Director of a subsidiary	-	(2,118,810)
	(7,083,835)	(9,217,215)
Net financial liabilities	(2,558,250)	(8,597,096)
Floating rate instrument		
Financial liability		
Term loans	(5,012,822)	(1,425,416)

34. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Interest rate risk (Cont'd)

The interest rate profile of the Group's and Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were: (Cont'd)

	Company	
	2023	**2022**
	RM	**RM**
Fixed rate instrument		
Financial asset		
Amount due from a subsidiary	513,000	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group's profit before tax by RM50,128 (2022: RM14,254) respectively, arising mainly as a result of higher/lower interest expenses on floating rate instruments. This analysis assumes that all other variables remain constant. The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

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

34. Financial instruments (Cont'd)

(c) Fair value of financial instruments (Cont'd)

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position:

	Fair value of financial instruments carried at fair value		**Carrying**
	Level 2	**Level 3**	**amount**
	RM	**RM**	**RM**
Group			
2023			
Financial asset			
Other investments	9,347,569	-	9,347,569
Financial liabilities			
Other payables	-	(1,883,347)	(1,883,347)
Amount due to a Director	-	(1,833,121)	(1,833,121)
	-	(3,716,468)	(3,716,468)
2022			
Financial asset			
Other investments	3,180,519	-	3,180,519
Financial liabilities			
Amount due to a Director	-	(1,962,074)	(1,962,074)
Amount due to a Director of a subsidiary	-	(2,118,810)	(2,118,810)
	-	(4,080,884)	(4,080,884)
Company			
2023			
Financial asset			
Amount due from a subsidiary	-	513,000	513,000

34. **Financial instruments (Cont'd)**

(c) Fair value of financial instruments (Cont'd)

(i) Policy on transfer between levels

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

There were no transfers between levels during the current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

<u>Non-derivative financial instruments</u>

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting year.

(iv) Level 3 fair value

Level 3 fair value for the financial assets and liabilities are estimated using unobservable inputs.

35. **Capital management**

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

35. Capital management (Cont'd)

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debts covenants and regulatory requirements. The gearing ratios at end of the reporting year are as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Lease liabilities (Note 18)	1,407,529	2,525,331	-	-
Loans and borrowings (Note 19)	6,972,660	4,036,416	-	-
Less: Fixed deposits with licensed banks (Note 8)	(4,525,585)	(620,119)	-	-
Cash and bank balances (Note 14)	(12,023,349)	(14,772,860)	(684,397)	(1,547,202)
Net cash	(8,168,745)	(8,831,232)	(684,397)	(1,547,202)
Total equity	56,850,097	55,084,752	23,238,310	23,291,841
Gearing ratio (times)	N/A	N/A	N/A	N/A

N/A - The gearing ratio might not provide a meaningful indicator of the risk of borrowings.

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

36. Date of authorisation for issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 February 2024.