ECONFRAME®

ECONFRAME BERHAD

Registration No. 201901042935 (1352265-T)
(Incorporated in Malaysia under the Companies Act, 2016)

ANNUAL REPORT 2020

ECONFRAME BERHAD

Registration No. 201901042935 (1352265-T)

CONTENTS

CORPORATE STRUCTURE

ECONFRAME BERHAD
Registration No. 201901042935 (1352265-T)

100%	100%
ECONFRAME MARKETING SDN BHD 200101021288 (557046-U)	**ECONFRAME PRE-HUNG DOORS SDN BHD** 201001002657 (887237-V)

Through our subsidiaries, our core business activities are:

(i) Design and manufacturing of metal door frames;
(ii) Manufacturing of fire resistant door sets;
(iii) Manufacturing of metal doors; and
(iv) Trading of wooden doors and ironmongery.

CORPORATE INFORMATION

BOARD OF DIRECTORS

ROBERT KOONG YIN LEONG
Independent Non-Executive Chairman

LIM CHIN HORNG
Managing Director

KHOO SOON BENG
Executive Director

LIM SAW NEE
Non-Independent Non-Executive Director

TAN HOCK SOON
Independent Non-Executive Director

ILHAM FADILAH BINTI SUNHAJI
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

TAN HOCK SOON (Chairman)
ROBERT KOONG YIN LEONG (Member)
ILHAM FADILAH BINTI SUNHAJI (Member)

NOMINATION COMMITTEE

ILHAM FADILAH BINTI SUNHAJI (Chairperson)
ROBERT KOONG YIN LEONG (Member)
TAN HOCK SOON (Member)

REMUNERATION COMMITTEE

ROBERT KOONG YIN LEONG (Chairman)
TAN HOCK SOON (Member)
ILHAM FADILAH BINTI SUNHAJI (Member)

COMPANY SECRETARIES

CHUA SIEW CHUAN (MAICSA 0777689)
SSM PC No. 201908002648

CHENG CHIA PING (MAICSA 1032514)
SSM PC NO. 202008000730

REGISTERED OFFICE

Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights, 50490 Kuala Lumpur

Telephone number: 03-2084 9000
Fax number: 03-2094 9940 / 03-2095 0292

PRINCIPAL PLACE OF BUSINESS

No. 1, Jalan 27A
Kawasan 16, Sungai Rasau Industrial Area
41300 Klang, Selangor

Telephone number: 03-3348 7268
Website: www.econframe.com

AUDITORS

Baker Tilly Monteiro Heng PLT
[LLP number: 201906000600 (LLP0019411-LCA)]
(Firm number: AF 0117)

Baker Tilly Tower, Level 10, Tower 1, Avenue 5
Bangsar South City, 59200 Kuala Lumpur

Telephone number: 03-2297 1000

SHARE REGISTRAR

Securities Services (Holdings) Sdn Bhd
[Registration No. 197701005827 (36869-T)]

Level 7, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, Damansara Heights
50490 Kuala Lumpur

Telephone number: 03-2084 9000
Fax number: 03-2094 9940 / 03-2095 0292

SPONSOR

M&A Securities Sdn Bhd
Level 11, 45 & 47, The Boulevard
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Telephone number: 03-2284 2911

STOCK EXCHANGE LISTING

ACE Market, Bursa Malaysia Securities Berhad
Stock Code: 0227
Stock Name: EFRAME
Sector: Industrial Products and Services

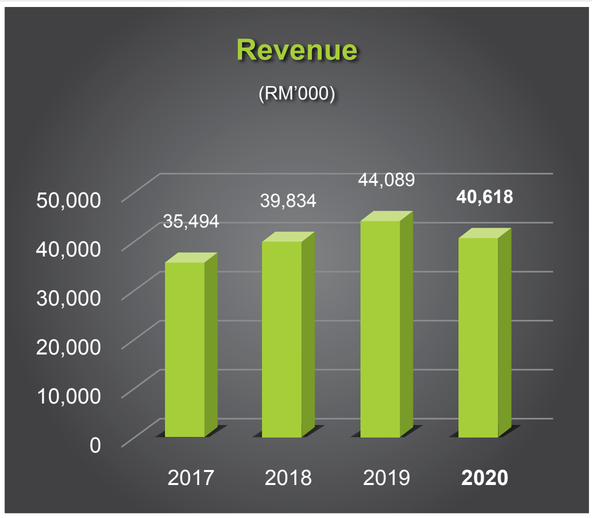
GROUP FINANCIAL HIGHLIGHTS

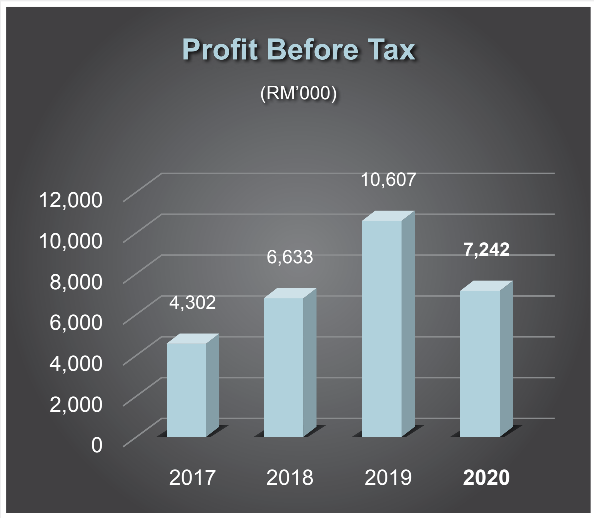
	2017* RM'000	2018* RM'000	2019* RM'000	2020 RM'000
Revenue	35,494	39,834	44,089	40,618
Profit before tax	4,302	6,633	10,607	7,242
Profit attributable to owners of the parent	3,110	5,097	8,135	5,339
Total assets	24,373	29,916	33,208	36,232
Equity attributable to owners of the parent	16,217	21,485	26,009	31,348
EBITDA^	5,038	7,252	11,214	7,769
Net assets per share # (RM)	0.06	0.08	0.10	0.12
Earnings per share # (sen)	1.20	1.96	3.13	2.05

* *Shown (for comparison purposes) on the basis of combined group i.e, our Company completed the acquisitions of our subsidiaries, Econframe Marketing Sdn Bhd and Econframe Pre-Hung Doors Sdn Bhd (collectively, the "Acquisitions") on 1 August 2020 and are assumed to be under common control since their incorporation and prior to the Acquisitions.*

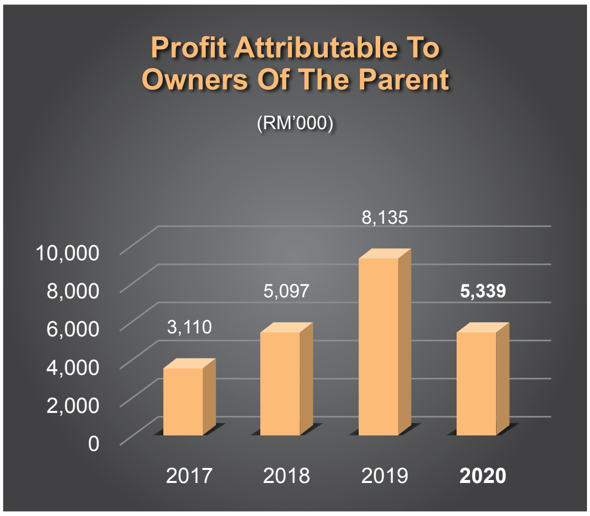
^ *Earnings before interests, depreciation, tax and amortisation.*

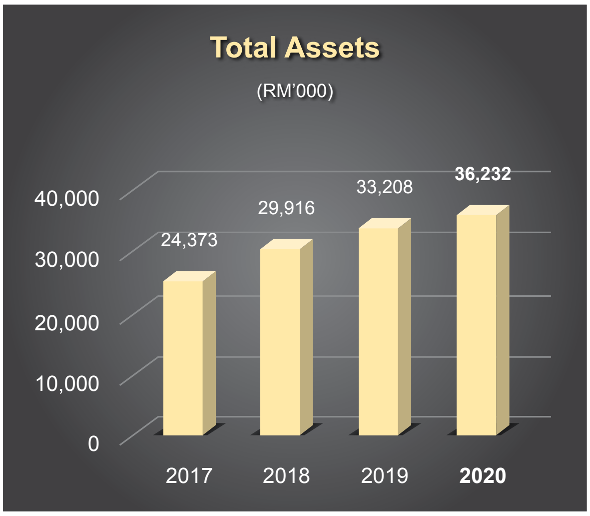
Attributable to owners of the Company.

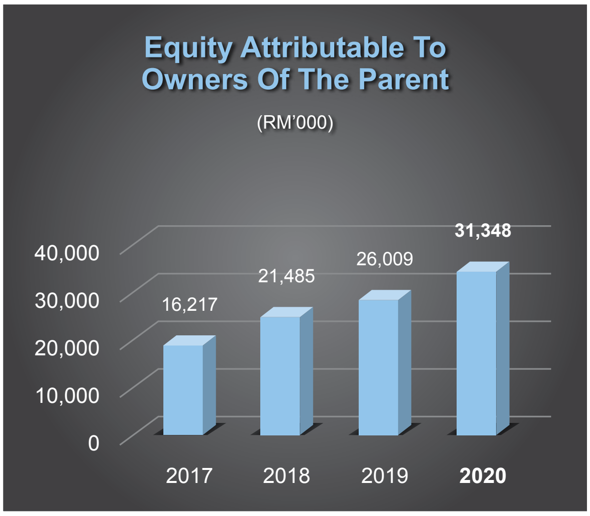


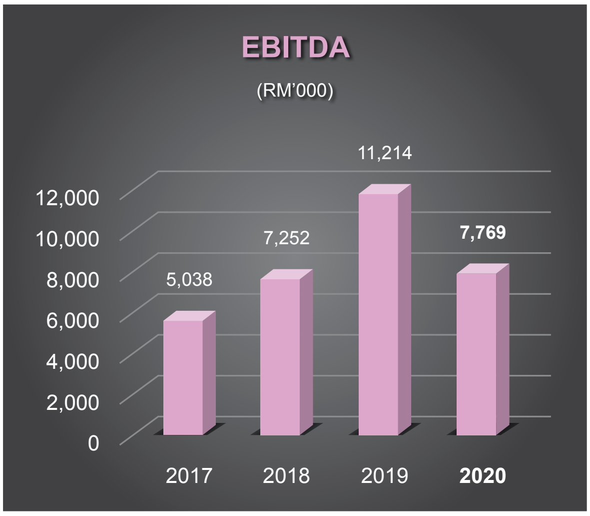


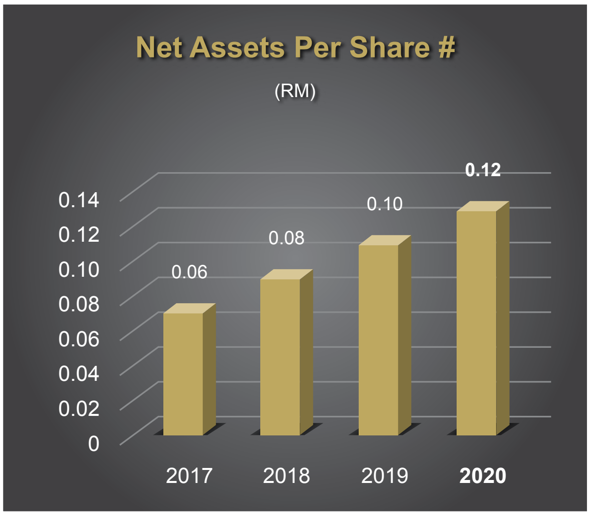
Group Financial Highlights (cont'd)

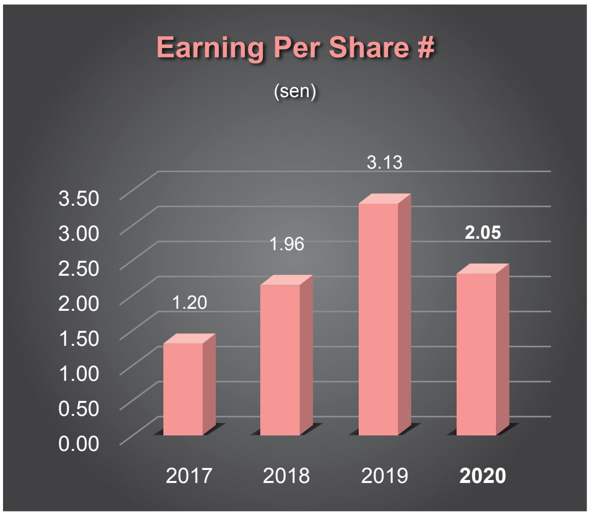












DIRECTORS' PROFILE

ROBERT KOONG YIN LEONG
Independent Non-Executive Chairman

Robert Koong Yin Leong, a Malaysian, male, aged 52, is our Independent Non-Executive Chairman. He was appointed to our Board on 11 February 2020 and he is also the Chairman of our Remuneration Committee. He is also a member of our Audit and Risk Management Committee and Nomination Committee.

He is an Associate Member of the Chartered Institute of Management Accountant, United Kingdom.

He commenced his career with Arthur Andersen & Co in 1990 in the corporate recovery and corporate finance division prior to joining Electroscon Sdn Bhd as Group Finance Manager in 1994. He joined Tanco Resorts Berhad in 1999 as the Finance and Administration Manager. In 2002, he joined Hicom-Teck See Sdn Bhd and was posted to Hicom Automotive Plastics (Thailand) Ltd from 2002 to 2005 as General Manager, Finance, before joining Nakamichi Corporation Berhad as Manager, Finance and Administration in 2005. In 2006, he joined SMIS Corporation Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), as Group Financial Controller, a position he holds until today.

Presently, he is also the Independent Non-Executive Chairman of Systech Bhd.

He has no family relationship with any of our director and/or major shareholders.

LIM CHIN HORNG
Managing Director

Lim Chin Horng, a Malaysian, male, aged 51, is our Managing Director and major shareholder. He was appointed to our Board on 13 February 2020.

He commenced his career in 1990 with Amalgamated Containers Berhad (now known as Parkson Holdings Berhad) in the quality control department prior to joining Era Ace Sdn Bhd as Project Manager for the provision of mechanical and electrical engineering services in 1996. In 1999, he left Era Ace Sdn Bhd and set up Era Ace Engineering and Trading, a sole proprietorship, where he undertook the business of trading in mechanical electronic parts and components, to collaborate with Era Ace Sdn Bhd. Era Ace Engineering and Trading ceased operations in 2004.

In August 2001, he co-founded Econframe Marketing Sdn Bhd to undertake the business of manufacturing of metal door frames and metal window frames. In 2010, he set up Econframe Pre-Hung Doors Sdn Bhd together with Khoo Soon Beng (our Executive Director) for the trading of wooden doors to complement the metal door frames business of Econframe Marketing Sdn Bhd. He leads our Group in the development and implementation of our Group's strategies as well as managing our Group's operational and product development.

He is the spouse of Lai Shu San and brother of Lim Saw Nee.

Directors' Profile (cont'd)

KHOO SOON BENG
Executive Director

Khoo Soon Beng, a Malaysian, male, aged 51, is our Executive Director. He was appointed to our Board on 13 February 2020.

In 1992, he graduated with a NCC (National Computing Centre) Diploma in Computer Studies from Informatics Institute, Klang, Malaysia (which has since ceased operation). He also obtained a Diploma in Business Studies issued by the Institute of Commercial Management, England from Institute Wawasan, Klang, Malaysia (which has since ceased operation) in 1994.

He commenced his career in 1990 as a Production Planner with Amalgamated Containers Berhad (now known as Parkson Holdings Berhad), before leaving in 1994 to join Forenede Plast (Malaysia) Sdn Bhd, as a Production Controller. In 2002, he joined Nakagawa (M) Sdn Bhd, as a Production Planning Executive and left in 2003 to re-join Forenede Plast (Malaysia) Sdn Bhd as a Sales Executive.

In July 2006, he commenced his employment with Econframe Marketing Sdn Bhd and in 2010, he co-founded Econframe Pre-Hung Doors Sdn Bhd with Lim Chin Horng (our Managing Director). He is responsible for overseeing the sales and marketing activities of our Group.

He has no family relationship with any of our director and/or major shareholders.

LIM SAW NEE
Non-Independent Non-Executive Director

Lim Saw Nee, a Malaysian, female, aged 53, is our Non-Independent Non-Executive Director and major shareholder. She was appointed to our Board on 13 February 2020.

She obtained her Diploma in Interior Design at the Modern Institute of Interior Design, Petaling Jaya, Malaysia (which has since ceased operation) in 1988.

She commenced her career with Sun Swee Productions Sdn Bhd as a Junior Production Designer in 1988 and left in 1989 to join United Tradewind Trading Sdn Bhd, a company co-founded by her spouse. She has remained at United Tradewind Trading Sdn Bhd since 1989 and currently holds the position of General Manager, where she oversees various departments including the human resource department and procurement department.

She is the sister of Lim Chin Horng and sister-in-law of Lai Shu San.

Directors' Profile (cont'd)

TAN HOCK SOON

Independent Non-Executive Director

Tan Hock Soon, a Malaysian, male, aged 48, is our Independent Non-Executive Director. He was appointed to our Board on 11 February 2020 and he is the Chairman of our Audit and Risk Management Committee. He is also a member of our Remuneration Committee and Nomination Committee.

He is a Fellow Member of the Malaysian Institute of Certified Public Accountants as well as a Member of the Malaysian Institute of Accountants.

He commenced his career with KPMG in 1992 before leaving to join the Corporate Finance Division of Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank Berhad) in 1996. He left in 1999 to set up his own business. From 2001 to 2004, he was an Executive Director of Merces Holdings Berhad (now known as Y&G Corporation Berhad) a company listed on the then Second Board of Bursa Securities. From 2003 to 2008, he was also an Independent Non-Executive Director and Audit Committee Chairman of NTPM Holdings Berhad, a company listed on the Main Market of Bursa Securities. In 2004, he obtained his Investment Representative license and co-founded Strategic Capital Advisory Sdn Bhd, a Licensed Investment Advisory company which specialises in Corporate Finance.

Presently, he is an Executive Director of Systech Bhd, Independent Non-Executive Director of SMIS Corporation Bhd and Director of Leinet Technology Berhad, a public company.

He has no family relationship with any of our director and/or major shareholders.

ILHAM FADILAH BINTI SUNHAJI

Independent Non-Executive Director

Ilham Fadilah Binti Sunhaji, a Malaysian, female, aged 38, is our Independent Non-Executive Director. She was appointed to our Board on 11 February 2020 and she is the Chairperson of our Nomination Committee. She is also a member of our Audit and Risk Management Committee and Remuneration Committee.

She completed her Bachelor of Arts majoring in International Studies (Global Security) and Political Science from the University of Wisconsin-Madison, United States of America in 2005. In 2014, she obtained her Masters of Business Administration in Strategic Management from the International Islamic University Malaysia.

She commenced her career in 2005 with Solid Partners Sdn Bhd in the sales and marketing department, before leaving in 2006, to join Accenture Malaysia as an Analyst. In 2012, she left Accenture Malaysia and joined Performance Management and Delivery Unit ("PEMANDU"), an agency of the Prime Minister's Department as Manager. In 2017, she left PEMANDU and joined Pemandu Associates Sdn Bhd, a private management consultancy firm, as Senior Vice President, a position she holds until today, where she is responsible for strategic planning and development and execution of organisation transformation plans.

Presently, she is an Independent Non-Executive Director of Ocean Vantage Holdings Berhad and director of a private limited company.

She has no family relationship with any of our director and/or major shareholders.

CONFLICT OF INTEREST

There is no conflict of interest between our directors and our Group.

CONVICTION FOR OFFENCES

None of our directors have been convicted for any offences (except traffic offences) within the past 5 years or have any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT'S PROFILE

YONG WAI KIN

Chief Financial Officer

Yong Wai Kin, a Malaysian, male, aged 51, is our Chief Financial Officer.

He is a Member of the Association of Chartered Certified Accountants, United Kingdom and Malaysian Institute of Accountants.

He commenced his career at Moore Stephens Ismail Chong Gomez in 1990.

Between 1993 and June 2002, he was with various firms. In July 2002, he joined Dceil Sdn Bhd as a Senior Group Accountant and was subsequently promoted to Finance Director of the listed entity, Dceil International Bhd.

Between July 2004 and January 2005, he was Chief Financial Officer at Mal Wah Construction Products Sdn Bhd.

Subsequently, in February 2005, he joined Muafakat Kekal Sdn Bhd as Property Marketing Manager until June 2006.

In 2007, he joined Topaz Evergreen Sdn Bhd as a General Manager-Finance, and left the company in July 2009.

In August 2009, he joined MSM Metal Industries Sdn Bhd as the Chief Financial Officer and was appointed in 2010 as Executive Director of MSM Metal Industries Sdn Bhd's holding company, Mann Seng Metal International Ltd ("Mann Seng") and group Chief Financial Officer.

He left Mann Seng in March 2011 and joined Federal Paint Manufacturing (M) Sdn Bhd as Chief Financial Officer in April 2011. In 2014, he left Federal Paint Manufacturing (M) Sdn Bhd to join Green Ocean Corporation Berhad as the Chief Financial Officer, a position he held until 6 August 2018.

He joined our Group on 15 May 2019, where he is responsible for our Group's financial, tax and accounting matters as well as corporate finance related matters.

He has no family relationship with any of our director and/or major shareholders.

Key Senior Management's Profile (cont'd)

LAI SHU SAN
Senior Operation Manager

Lai Shu San, a Malaysian, female, aged 49, is our Senior Operation Manager.

In 1992, she graduated with a NCC (National Computer Centre) Diploma in Computer Studies from Informatics Institute, Klang, Malaysia (which has since ceased operation).

She commenced her career with Amalgamated Steel Mills Berhad in 1992 as a Computer Programmer. prior to joining Omega Securities Sdn Bhd as an Administration Supervisor in 1993. She joined Sitt Tatt Logistics Sdn Bhd in 1994 as Personal Assistant to the Managing Director. From 1996 to 2000, she was Sales Secretary at MBT (Malaysia) Sdn Bhd.

In 2001, she joined Econframe Marketing Sdn Bhd to assist her spouse, Lim Chin Horng, in the setting up of the human resource and other administrative departments. She currently holds the position of Senior Operation Manager since 1 January 2002 and is responsible for overseeing the human resource and overall administrative functions of our Group.

She is the spouse of Lim Chin Horng and sister-in-law of Lim Saw Nee.

YONG CHAW ANG
Production Manager

Yong Chaw Ang, a Malaysian, female, aged 39, is our Production Manager.

She completed an accounting course at ALC College, (now known as Peninsula College) Malaysia and earned a Higher Diploma in Accounting in 2002.

She commenced her career with Kwangly Auto Sdn Bhd in 2003, as an Administrative and Accounts Executive, prior to joining Econframe Marketing Sdn Bhd as an Administrative Executive in June 2006. She was re-designated to Production Manager on 1 June 2017 and is responsible for overseeing the production of metal door and window frames produced by our Group as well as procurement of ironmongery.

She has no family relationship with any of our director and/or major shareholders.

SOI WEN LI
Purchasing Manager

Soi Wen Li, a Malaysian, female, aged 43, is our Purchasing Manager.

After completing her 6th-form education, she commenced her career with Arm Shield Sdn Bhd in 1998 as a Production Clerk, prior to joining Triplast Plastic Industries Sdn Bhd, as a Production Planner in 2010. In 2013, she joined Econframe Marketing Sdn Bhd as a Purchasing Executive and was subsequently re-designated to Purchasing Manager on 1 August 2017, where she is responsible for the procurement of raw materials for the production activities of our Group.

She has no family relationship with any of our director and/or major shareholders.

Key Senior Management's Profile (cont'd)

ANG SZE CIE
Production Controller

Ang Sze Cie, a Malaysian, female, aged 28, is our Production Controller.

After completing her secondary school education in 2009, she commenced her career with Herald Remittance Sdn Bhd in 2009, as a General Clerk, prior to joining Econframe Marketing Sdn Bhd as an Administrative Executive in 2012. She was re-designated to Production Controller on 1 November 2017 and is responsible for overseeing the production of the fire resistant doors and metal doors produced by our Group.

She has no family relationship with any of our director and/or major shareholders.

DIRECTORSHIP IN PUBLIC COMPANIES AND LISTED CORPORATIONS

None of our Key Senior Management have any directorship in public companies and listed corporations.

CONFLICT OF INTEREST

There is no conflict of interest between our Key Senior Management and our Group.

CONVICTION FOR OFFENCES

None of our Key Senior Management have been convicted for any offences (except traffic offences) within the past 5 years or have any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Valued Shareholders,

On behalf of our Board of Directors, I am pleased to present the inaugural review of Econframe Berhad ("Econframe" or "Company") and our subsidiaries' ("our Group") financial and operational performance for the financial year ended 31 August 2020 ("FYE 2020"), following our successful listing on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 27 October 2020.

BUSINESS AND OPERATIONS

The year of 2020 was a landmark year for our Group as we took a huge step forward and was listed on the ACE Market of Bursa Securities on 27 October 2020. Our initial public offering of 65.00 million new ordinary shares and offer for sale of 32.50 million existing shares by way of private placement at an issue price of RM0.28 per share were strongly received.

The listing exercise enables our Group to tap into the equity capital market for future fund raising and providing financial flexibility to pursue future growth opportunities as and when they arise. Additionally, the listing of Econframe on Bursa Securities is in line with our strategy in levelling up our Group's image, strengthening confidence of our stakeholders, as well as improving our ability to attract as well as retain potential clients, hence enhancing our overall value.

Established in 2001, our Group is a distinguished one-stop total door system solution provider for residential, commercial, mixed and industrial properties in Malaysia. Our total door system solution comprises metal door frames, fire resistant door sets, doors and ironmongery.

Econframe's in-house brands, ECONFRAME® and DUROE® are well-recognised by notable property developers, architects, and other professionals in the construction industry. Our Group's products are mainly sold on project basis to main contractors and building materials trading arms of property developers in Malaysia.

ECONFRAME® Metal Door & Window Frame

DUROE® Quality Ironmongery

Econframe's in-house brands

BUSINESS ACTIVITIES

Through our subsidiaries, our Group is principally involved in:

(i) Design and manufacturing of metal door frames
(ii) Manufacturing of metal doors
(iii) Manufacturing of fire resistant door sets
(iv) Trading of wooden doors and ironmongery

FINANCIAL

The second half of the financial year 2020 has seen our Group weathering a difficult environment due to the COVID-19 pandemic. Notwithstanding the above, our Group achieved revenue of RM40.62 million for FYE 2020, a slight decrease of 7.9% as compared to the preceding financial year ended 31 August 2019 ("FYE 2019")'s revenue of RM44.09 million. The decrease in revenue was mainly due to the sudden suspension of businesses arising from the government's imposition of the Movement Control Order ("MCO") nationwide, which had also impacted our business. Despite the unprecedented uncertainty in the global economy due to the COVID-19 pandemic, our Group remains focus on our core business.

FINANCIAL PERFORMANCE

The key financial highlights of our Group for FYE 2020 as compared to FYE 2019 are as follows:-

Profitability	FYE 2020 RM'000	FYE 2019(*) RM'000	VARIANCE RM'000	%
Revenue	40,618	44,089	(3,471)	(7.9)
Gross profit	12,913	14,614	(1,701)	(11.6)
Profit before tax	7,242	10,607	(3,365)	(31.7)
Profit attributable to owners of the parents	5,339	8,135	(2,796)	(34.4)

Financial Position	FYE 2020 RM'000	FYE 2019(*) RM'000	VARIANCE RM'000	%
Shareholder equity	31,348	26,009	5,339	20.5
Total assets	36,232	33,208	3,024	9.1
Inventories	3,639	2,909	730	25.1
Trade receivables	12,927	15,029	(2,102)	(14.0)
Total borrowings	794	2,252	(1,458)	(64.7)
Gearing (times)	0.03	0.09	(0.06)	(66.7)

* *Shown (for comparison purposes) on the basis of combined group i.e, assuming our Company had completed the acquisitions of our subsidiaries, Econframe Marketing Sdn Bhd and Econframe Pre-Hung Doors Sdn Bhd and which are assumed to be under common control since their incorporation and prior to their acquisitions.*

Our Group's financial performance for FYE 2020 experienced a decline as compared to FYE 2019 mainly due to the suspension of business during the MCO. The decrease in revenue was due to the delay in the scheduled deliveries of customers' unfulfilled purchase orders, where deliveries are dependent on the progress of the construction of the property developments, which was halted during the MCO. The lower profit before taxation for FYE 2020 was due to the listing expenditure of RM0.80 million having been expensed out pursuant to our initial public offering ("IPO") exercise, and increase in staff cost by RM0.69 million to cater for further business expansion.

Management Discussion and Analysis (cont'd)

The increase in our Group's inventories as at 31 August 2020 was mainly due to lower production activities as a result of the suspension of business during the MCO. The decrease in our Group's trade receivables was in tandem with the decrease in revenue for the FYE 2020.

The lower total borrowings and improvement in gearing ratio from 0.09 times as at 31 August 2019 to 0.03 times as at 31 August 2020 was due to the periodic repayment of existing borrowings and lower utilisation of bankers' acceptances facilities. The lower utilisation of bankers' acceptances facilities was attributed to the lower volume of purchases of raw materials as a result of lower production activities arising from the MCO.

With a low gearing ratio of 0.03 times, this provides our Group with the flexibility and capability to swiftly seize any good business opportunities that may arise.

As at 31 August 2020, the listing proceeds of RM18.2 million from our IPO exercise have yet to be factored in. The proceeds will further strengthen our Group's balance sheet.

CORPORATE PROPOSAL

To facilitate our listing on the ACE Market of Bursa Securities, on 12 February 2020, our Company entered into the following share sale agreements:

(a) The share sale agreement between Econframe and the vendors of Econframe Marketing Sdn Bhd for the acquisition of 100% equity interest in Econframe Marketing Sdn Bhd, for a purchase consideration of RM24,230,000 which was satisfied entirely by the issuance of 242,300,000 new ordinary shares in our Company at an issue price of RM0.10 per ordinary share; and

(b) The share sale agreement between Econframe and the vendors of Econframe Pre-Hung Doors Sdn Bhd for the acquisition of 100% equity interest in Econframe Pre-Hung Doors Sdn Bhd, for a purchase consideration of RM1,769,990 which was satisfied entirely by the issuance of 17,699,900 new ordinary shares in our Company at an issue price of RM0.10 per ordinary share.

The acquisitions of Econframe Marketing Sdn Bhd and Econframe Pre-Hung Doors Sdn Bhd were completed on 1 August 2020.

On 5 October 2020, our Company issued our prospectus in conjunction with our listing on the ACE Market of Bursa Securities where we had undertaken an IPO comprising:-

(i) Public issue of 65,000,000 new ordinary shares in our Company at an issue price of RM0.28 per share allocated in the following manner:-
- 16,250,000 new shares available for application by the Malaysian Public;
- 3,250,000 new shares available for application by the eligible directors and employees;
- 13,000,000 new shares by way of private placement to selected investors; and
- 32,500,000 new shares by way of private placement to identified bumiputera investors approved by the Ministry of International Trade and Industry Malaysia.

(ii) Offer for sale of 32,500,000 existing shares by way of private placement to selected investors at an offer price of RM0.28 per share.

Our enlarged share capital of 325,000,000 shares was listed on 27 October 2020.

KEY RISKS

Our Group is mindful of several key risks that we are exposed to as we carry out our business operations:

(a) Exposure to fluctuations in raw materials prices

Our metal door frames segment contributes approximately 50% of our Group's revenue. The key raw material used in the manufacturing of metal door frames is steel coils. The price of steel coils fluctuates according to global steel prices, which are subjected to amongst others, the supply and demand conditions of steel in the global market. An increase in global steel prices may cause material increases in the price of steel coils, and this may lead to an increase in our Group's cost of production as well as carrying cost of inventories. If our Group is unable to pass on the increase in cost of production to our customers, this will affect our profitability.

We minimize our exposure by practicing back-to-back ordering. Upon receiving purchase orders from customers, we will then lock in orders for raw materials such as steel coils. Generally, our Group does not hold high inventory levels of steel coils. In addition, the selling prices quoted to customers are constantly updated based on the latest market prices of steel coils.

(b) Lack of long-term contracts

Sales are derived from purchase orders as the nature of our Group's business is based on specific requirements of our customers. The absence of long-term contracts may result in the fluctuation of our Group's revenue and overall financial performance as the orders from our customers are generally on a project-to-project basis. Any adverse economic conditions, or slowdown in the industries in which our customers operate in may negatively impact our revenue, which will subsequently result in a decline in our financial performance.

We have our own marketing team who works closely with main contractors and property developers. Our marketing team plans potential sales over the next 12 months in advance.

(c) Products certifications and approvals

Our Group's fire resistant door sets have been certified by SIRIM and approved by BOMBA to be compliant with MS 1073 : Part 3 : 1996 (AMD.1 : 2003). If we fail to renew or maintain the certifications and approvals, our Group's fire resistant door sets will not be allowed to be sold, which will then materially and adversely affect our Group's financial performance.

Management actively engages with authorities and relevant business associations to provide feedback and to gain understanding on any requirements for the products certifications and approvals. Our Group strives to make sure that we are able to manufacture and source the raw materials of our fire resistant door sets within the required specifications.

Management Discussion and Analysis (cont'd)

(d) Interruptions in business operations

Our Group's manufacturing activities are dependent on various machineries and equipment such as shearing, stamping, CNC bending, wood cutting, and wood press machines, amongst others. These machineries, may on occasion, breakdown or be out of service as a result of unanticipated maintenance or failures sustained during normal business operations which may affect our production operations. Furthermore, our Group's manufacturing plant is also subject to unexpected events such as the MCO, electricity outage, floods and fires.

Any prolonged interruptions to our Group's business operations due to the above, will affect production schedules and timely delivery of products to customers, which may cause cancellation of purchase orders and may consequently have an adverse impact on our Group's operations and financial performance.

Nonetheless, there has been no major breakdown in the past that has materially disrupted the manufacturing process as our Group has more than 1 unit of machines for each manufacturing process. Our Group also conducts routine maintenance for our machines.

(e) Dependence on human capital

While our Group has semi-automated some of our manufacturing processes over the years, there is still a certain degree of dependency on manual labour. Although machineries such as shearing machines, stamping machines, CNC bending machines, cutting machines and pressing machines have semi-automated the manufacturing process, manual labour still remains critical for the operation of our machineries, to transfer intermediary products from one machine to be fed into another machine for different manufacturing processes.

Currently, the profile forming and welding process in the metal door frame manufacturing process is performed by our skilled workers manually. Manual welding is labour intensive and takes up significant manufacturing time.

With that in mind, Econframe will be focusing on automating manual labour with robotic technology to increase productivity of welding and profile forming processes. Our Group intends to channel part of our proceeds raised from the IPO to purchase 4 robotic welding lines and 2 CNC bending machines, which will potentially reduce dependency on manual labour.

(f) Dependence on key personnel

Econframe's success is dependent, to a significant extent, upon the abilities and effects of our management team. The loss of key personnel may adversely affect our Group's operations and business, if we are not able to find a successor in a timely manner.

Our Group aims to mitigate this risk by taking a proactive approach by having a management succession plan in place. Apart from that, our Group's middle management is constantly being exposed to various aspects of the business to ensure they are fully equipped to carry out their duties effectively while instilling a sense of leadership.

OUTLOOK

Moving forward, we will continue our cautious and pragmatic strategy in executing our expansion plans in view of the adverse effect of the COVID-19 pandemic and implementation of the MCO on the economic growth and gross domestic product.

We intend to improve our manufacturing efficiency and upgrade our manufacturing technology to support the long-term growth of our business. With the funds raised from our IPO exercise, we intend to acquire a new piece of land and subsequently construct a manufacturing plant to house all our facilities under one roof. This will significantly improve our operational efficiency and productivity as compared to having four separate factories currently. Apart from that, we will be investing in automation as a means to further improve our operating efficiency. Our Group plans to accomplish this by equipping our facilities with advanced robotic technology in the welding and profile forming processes.

In addition, our Group is looking into expanding our production capabilities to include wooden doors which are currently sourced from third party suppliers. By leveraging on our experience and skills in manufacturing fire resistant doors, our Group is confident that the expansion will be a smooth and successful one.

On a brighter note, our Group has been busy over the past few months since the resumption of economic activities. Our Group foresees more property launches to follow through as major property developers continue to introduce new property projects. Econframe's growth will continue to be driven by our fire-resistant door sets, ironmongery, and wooden doors segments while supported by steady demand in our metal door frames segment.

We are also actively participating in overseas exhibitions in order to enhance our ECONFRAME® and DUROE® brands profiles and awareness to eventually make inroads into the overseas markets.

Moving ahead, the operating environment is expected to remain challenging as we face various headwinds such as global economic uncertainties due to COVID-19 pandemic, prevailing soft construction activities, weak consumer sentiments, and intense competition, to name a few. Nonetheless, our Group strongly believes that we can navigate through these uncertain times, backed by our extensive experience in the total door solution industry and our Group's ongoing expansion plans.

Supported by the IPO proceeds, we will continue to pursue the expansion strategies outlined above to strengthen our market share.

DIVIDEND

Currently, our Company does not have any formal dividend policy. Any payment of dividends will depend on the financial condition, capital expenditure plans, business expansion plans and liquidity of our Group.

Our Board of Directors do not recommend any dividend payment for FYE 2020.

ACKNOWLEDGMENT

My deepest appreciation goes to members of our Board of Directors for their wise counsel and guidance. I would also like to acknowledge the vigorous efforts of our loyal management and employees for their continued hard work, perseverance and dedication.

My sincerest thanks also go to our stakeholders that include, amongst others, shareholders, customers, business partners, bankers and relevant authorities for their enduring support and trust in us.

Looking ahead, we remain steadfastly committed to pursuing growth as we chart our course towards establishing Econframe as a leading quality total door solution provider.

Thank you.

Mr Lim Chin Horng
Managing Director

SUSTAINABILITY STATEMENT

Our Board in compliance to the requirements of ACE Market Listing Requirements ("ACE LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), is adopting the recommendations by providing a Sustainability Statement of our Group in respect of Economic, Environment, Social and Governance.

ECONOMIC

Our Group have formulated sustainability practices which aim to generate long-term benefits to all stakeholders in terms of business continuity and value. Our Group is mindful that our activities should take into account the impact on the economic conditions of our stakeholders and the impact on economic systems as follows:

- To create positive economic impact from our business operations.
- To ensure product quality and safety and to provide committed after sales service to our customers.
- To ensure our Group's procurement system is fair and geared to achieve high quality of goods, services and workmanship.
- To remunerate our employees with good working benefits and salary packages which are competitive among local employers in our vicinity as our employees are our greatest asset.

ENVIRONMENTAL

As a responsible corporate entity, we have a responsibility to protect and conserve the environment we operate in. Our Group is committed to identify, manage and minimise the environment impact by our business operations in a manner that is environmental friendly. We are determined to carry out the actions progressively and consistently to accomplish the intended goals as follows:

- To comply with environmental regulatory and legal requirements.
- To protect, conserve and enhance the surrounding environment and natural resources.
- To provide a safe and hygienic workplace and ensure that our personnel are properly trained with appropriate safety procedures and control actions.
- To ensure the efficient use of water and energy. Our Group's employees have made concerted efforts to manage energy consumption by implementing seemingly small initiatives of power management:-
  - Reduce electricity consumption of lighting by gradually retrofitting to LED lights.
  - Office signage that reminds staff to switch off lights when not in use.
  - Reduce electricity consumption of air-conditioners by conducting regular maintenance and setting the temperature to optimum level and reminders to switch off air-conditioners when not in use.
  - Reduce electricity consumption of computers and printers by using energy-saving features and shutting down computers when not in use.

WORKPLACE, COMMUNITY AND SOCIAL INTERACTION

Employee wellness

Our Group places great attention on the well-being and benefits of the workforce. Occupational Safety and Health Committee is tasked to develop policies and guidelines as well as to provide and maintain a safe and healthy workplace for all employees, contractors and visitors. Throughout the years, additional benefits were introduced to enhance the safety and quality of the workplace such as greater medical protection scheme and better facilities and practices.

Community development

Our Group strongly believes in giving back to society. Pursuant to this, we have made donation in kind to various welfare homes in 2020. We have from time to time made donations to various charitable organisations as helping the less fortunate members of our community is our way of giving back to society.

GOVERNANCE

An effective governance structure and risk management system forms the backbone of our business operations. Our Group incorporates proper control and good corporate governance features into all management functions and processes, which includes Whistleblowing Policy, Anti Bribery and Anti-Corruption Policy, strategic planning, authority controls and approvals and emphasise accountability across all levels of management.

MOVING FORWARD

Our Group is committed to ensure the sustainability of our businesses through constant improvements to our sustainability practices within our Group. We will continue to develop our formal sustainability approach to meet the challenging business world moving forward. In addition, we will work towards ensuring that the notion of sustainability is embedded within our Group's corporate culture in a more prominent manner.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Our Board acknowledges the importance of the principles and recommendations as set out in the Malaysian Code on Corporate Governance ("MCCG"). In line with this, our Board is committed to the policy of managing the affairs of our Company and our subsidiaries ("Group") with transparency, integrity and accountability by ensuring that a sound framework of the best corporate practices is in place at all levels of our Group's businesses and thus, discharging our principal responsibility towards protecting and enhancing long-term shareholders' value and stakeholders' interests. The ensuing paragraphs in this Corporate Governance Overview Statement ("Statement") describe the extent our Group has applied and complied with the practices and guidance as set out in the MCCG.

This Statement is presented pursuant to Rule 15.25(1) of ACE Market Listing Requirements ("ACE LR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

APPLICATION PERIOD

Our Company's financial year is on 31 August 2020 ("FYE 2020") while our Company was listed on the ACE Market of Bursa Securities on 27 October 2020 ("Listing Date"). In view of the incongruence between FYE 2020 and Listing Date (beyond FYE 2020), the objective of this Statement is to provide an overview of the application of the principles set out in the MCCG throughout the FYE 2020 and up to 30 November 2020, being the date of this Statement, where applicable (hereinafter referred to as the "**Application Period**"). The detailed application for each practice and guidance as set out in the MCCG is disclosed in the Corporate Governance Report ("CG Report") which is available on our Company's corporate website at www.econframe.com and through the announcements published on the website of Bursa Securities.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

Part I: Board responsibilities

1) Clear functions, roles and responsibilities of our Board and Management

i) Our Board takes full responsibility for the overall performance of our Group by setting strategic directions and objectives, formulating policies and executing key strategic action plans. Our Board regularly reviews our Group's business operations and maintains full and effective control over its management.

The duties and responsibilities of our Board includes determining our Group's overall strategic plans and performing periodic reviews of business and financial performance, as well as adopting and implementing practical risk management and internal control system.

The roles and duties of the our Board Chairman, Mr. Robert Koong Yin Leong and our Managing Director, Mr. Lim Chin Horng have been clearly identified in the Board Charter and separated to ensure effective operations of our Group.

Our Board has also delegated certain responsibilities to other Board Committees which operate within clearly defined terms of reference. The standing Board Committees include the Audit and Risk Management Committee ("ARMC"), the Nomination Committee ("NC") and the Remuneration Committee ("RC"). It is the general policy of our Group that all major decisions be considered by our Board.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part I: Board responsibilities (cont'd)

1) Clear functions, roles and responsibilities of our Board and Management (cont'd)

ii) Our Board reviewed the sustainability, effectiveness and implementation of the strategic plans for the year and provided guidance and input to Management. In order to ensure the effective discharge of its functions and duties, the principal responsibilities of our Board include, among others, the following:-

(a) To provide leadership and oversee the overall conduct of our Group's businesses to ensure that the businesses are being properly managed;
(b) To set, review and adopt strategic plans, values and standards for our Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;
(c) To review and adopt corporate governances, best practices in relation to risk management, legal and compliance management and internal control systems to safeguard our Group's reputation, the employees and assets and to ensure compliance with applicable laws and regulations;
(d) To ensure that our Company has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by MCCG;
(e) To review and approve the annual business plans, financial statements and annual reports;
(f) To supervise and assess management performance to determine whether the business is being properly managed;
(g) To monitor the relationship between our Group and Management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for our Group;
(h) To ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board member(s) and senior management;
(i) To ensure the integrity of our Group's financial and non-financial reporting; and
(j) To appoint the Board Committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by our Board Committees and deliberate on the recommendations thereon.

iii) Role of Company Secretaries

Our Board is supported by two (2) professional Chartered Company Secretaries (outsourced) who carry out the responsibilities of the company secretarial function for our Group. The main duties of the Company Secretaries, among others, are as follows:-

- Manage all Board and Board Committees meeting logistics, attend and record minutes of all Board and Board Committees meetings and facilitate board communications;
- Advise our Board on its roles and responsibilities;
- Facilitate the orientation of new Directors and assist in Director training and development;
- Advise our Board on corporate disclosures and compliance with company and securities regulations and listing requirements;
- Manage processes pertaining to shareholders' meeting;
- Monitor corporate governance developments and assist our Board in applying governance practices to meet our Board's needs and stakeholders' expectations; and
- Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

Both Company Secretaries have the requisite credentials and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016. Further details on the qualifications and experiences of the Company Secretaries are outlined in the CG Report, which are available for viewing on our Company's corporate website at www.econframe.com.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part I: Board responsibilities (cont'd)

1) Clear functions, roles and responsibilities of our Board and Management (cont'd)

iv) Access to information and advice

Our Board shall be supplied with appropriate and timely information to enable it to discharge its duties.

The Notice of the scheduled Board meeting is served to the Directors at least seven (7) days prior to the Board meeting. Unless there is an exceptional case for convening of Special Meeting of the Board to address emergency issue, shorter notice is allowed with the consent of all Directors.

Our Board strives to circulate the Board papers at least seven (7) days in advance of the meeting day. The Board papers are to be comprehensive and include all necessary information so that informed decisions could be made. Our Board may also request for additional information whenever it is deemed necessary or appropriate. Management is invited to our Board meetings to furnish clarification on certain issues.

Our Directors have access to the professional advice and services of our Company Secretaries in the course of discharging their duties and responsibilities on matters relating to procedures governing our Company which include the Companies Act 2016, ACE LR and other applicable laws, rules and regulations, either as a full Board or in their individual capacity.

Our Directors may seek independent professional advice, whenever necessary and in appropriate circumstances, either individually or collectively on any matter concerning with the discharge of their responsibilities at the expense of our Company.

Subsequent to the Board meetings, the Minutes will be circulated to our Board for confirmation to ensure that deliberations and decisions of our Board are accurately recorded. The Company Secretaries would ensure that a statement of declaration of interest or abstention from voting and deliberation are recorded in the Minutes. The Chairman of our Board meeting signs the minutes as a correct record of the proceedings and thereafter, the said Minutes of all proceedings are kept in the statutory book at the registered office of our Company to be made available for inspection under the Companies Act 2016.

2) Demarcation of responsibilities

i) Board Charter

The Board Charter sets out the roles, duties and responsibilities of our Board and the application of principles and practices of good corporate governance. The Board Charter was adopted by our Board on 28 February 2020.

The Board Charter would be periodically reviewed and updated in accordance with the needs of our Company and any new regulation that may have an impact on the discharge of our Board's responsibilities. Any subsequent amendments to the Board Charter can only be approved by our Board.

The Board Charter is available on our Company's corporate website at www.econframe.com.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part I: Board responsibilities (cont'd)

3) Good business conduct and corporate culture

i) Code of Conducts and Ethics

The Code of Conduct and Ethics of our Company was adopted on 7 September 2020 and applies to all Directors, Management, employees and stakeholders during the conduct of businesses of our Group.

In addition, all Executive Directors, Management and employees of our Group are required to observe and comply with the Code of Conduct for workplace which is issued by the Human Resources department.

All Directors shall be accountable for full compliance of the Code of Conduct and Ethics. In the event of any violation of the Code of Conduct and Ethics, our Board shall take necessary actions to rectify on the non-compliance or violation.

The Code of Conduct and Ethics is available on our Company's corporate website at www.econframe.com.

ii) Whistleblowing Policy

Our Board had on 28 February 2020 established and approved a Whistleblowing Policy to uphold our Group's effort and commitment in doing business with ethics of honesty and integrity, henceforth, providing a transparent and confidential process in handling the whistleblowing reports.

The Whistleblowing Policy aims to provide a structured mechanism for its employees, Directors and associates to report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of our Group and to provide reassurance that they shall be protected from reprisals or victimisation for whistleblowing in good faith.

The Whistleblowing Policy is available on our Company's corporate website at www.econframe.com.

The ARMC has been tasked by our Board to perform the oversight function over the administration of the Whistleblowing Policy.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part I: Board responsibilities (cont'd)

3) Good business conduct and corporate culture (cont'd)

ii) Whistleblowing Policy (cont'd)

Anyone with genuine concerns in relation to unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements may forward his report to the designated persons as provided below (where applicable):-

For matters relating to financial reporting, unethical or illegal conduct, one can report directly to the following designated person:- **ARMC Chairman** Mr. Tan Hock Soon at email address: info@econframe.com
For employment-related concerns, one can report directly to the following designated person(s):- (1) **Managing Director** Mr. Lim Chin Horng at email address: chlim@econframe.com (2) **Head of Human Resources** Ms. Lai Shu San at email address: susan@econframe.com
For any concerns from the shareholders/stakeholders and/or whistleblowing, one can email to the following designated Director:- **Senior Independent Non-Executive Director** Mr. Tan Hock Soon at email address: info@econframe.com

For the Application Period, none of the designated persons have received any reports or concerns via the abovementioned communication and feedback channels.

iii) Anti-Bribery and Anti-Corruption Policy

Our Board has, in accordance with the requirements of Bursa Securities, adopted the Anti-Bribery and Anti-Corruption Policy on 7 September 2020 to prevent corrupt practices and to provide a measure of assurance and a defence against corporate liability for corruption under section 17A of the Malaysian Anti-Corruption Commission Act 2009.

The Anti-Bribery and Anti-Corruption Policy is available on our Company's corporate website at www.econframe.com.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part II: Board composition

4) Board's objectivity

i) Composition of our Board

Our Board presently has six (6) Board members, comprising of one (1) Managing Director, one (1) Executive Director, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors including the Chairman of our Board, which fulfils the prescribed requirement of one-third (1/3) of the Board to be independent as stated in Rule 15.02(1) of the ACE LR. In addition, our Company also complies with Practice 4.1 of MCCG to have at least half of our Board comprises Independent Non-Executive Directors.

The presence of Independent Non-Executive Directors who come from various fields are invaluable assets to our Company and fulfil the pivotal role in corporate accountability. The role of Independent Non-Executive Directors is particularly important as they provide unbiased and independent views, advices and judgements to take into account of the interests, not only of our Group, but also of the stakeholders.

The profile of each Director is presented in another section of this Annual Report.

ii) Independent Non-Executive Directors, Board diversity and key management

a) Tenure of Independent Non-Executive Director

As at the date of this Statement, none of the Independent Non-Executive Directors had served our Board as Independent Non-Executive Directors for more than nine (9) years.

b) Policy of Independent Non-Executive Director's tenure

Our Company does not have a policy which limits the tenure of our Independent Non-Executive Directors to nine (9) years. However, upon completion of the nine (9) years' term, our Independent Non-Executive Director may continue to serve on our Board subject to the Director's re-designation as a Non-Independent Non-Executive Director.

In the event that the Director is to remain as an Independent Non-Executive Director after the ninth (9th) year, our Company shall first justify the Director's independency and obtain annual shareholders' approval at every Annual General Meeting ("AGM") to retain the Independent Non-Executive Director of our Company who have served our Board for more than nine (9) years.

In the event that our Company continues to retain the Independent Non-Executive Director after the twelfth (12th) year, our Company shall first justify the Director's independency and obtain annual shareholders' approval through a two-tier voting process according to Practice 4.2 of the MCCG.

The NC is responsible to conduct a review to determine whether an Independent Non-Executive Director can continue to be independent if the tenure of the Independent Non-Executive Director exceeds the cumulative term of nine (9) years. Thereafter, the NC shall recommend to our Board for recommendation to the shareholders on the retention of the aforesaid Independent Non-Executive Directors, if he/she so meet the independence guidelines as set out in Chapter 1 of the ACE LR.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part II: Board composition (cont'd)

4) Board's objectivity (cont'd)

ii) Independent Non-Executive Directors, Board diversity and key management (cont'd)

c) Diverse Board and senior management team

Appointment of our Board and senior management are based on objective criteria, merit and due regard for diversity in skills, experience, age, cultural background and gender. Please refer to the Profile of Directors and the key senior management team in other sections of this Annual Report for further information.

The NC is responsible for making recommendations relating to any new appointment of Director to our Board and key senior management personnel. Any new nomination received by the NC is to be assessed and reviewed by the NC with appropriate selection criteria and processes and to identify candidates for directorships of our Company, members of the relevant Board Committees and key senior management personnel prior to the recommendation to our Board for their assessment and approval.

The NC assesses the suitability of the candidates by taking into consideration the mix of skills, knowledge, expertise and experience, competencies, time commitment and professionalism required by our Board.

d) Gender Diversity Policy

Our Board acknowledges the importance of Boardroom diversity, including gender diversity, to the effective functioning of our Board. However, our Board does not have any Gender Diversity Policy and has not set the gender diversity target for FYE 2020.

The recruitment and appointment of suitable female representative on our Board will be considered when vacancies arise or suitable candidates are identified in line with our Group's strategic objectives.

Currently, our Board comprises two (2) female Directors out of six (6) Directors, equivalent to 33% women representation on our Board.

iii) NC

The NC consists of three (3) members, all of whom are Independent Non-Executive Directors and the composition of the NC is as follows:-

Members	Designation	Number of NC meetings attended/held during FYE 2020 and up to the date of this statement
Puan Ilham Fadilah Binti Sunhaji	Chairperson	1/1
Mr. Tan Hock Soon	Member	1/1
Mr. Robert Koong Yin Leong	Member	1/1

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part II: Board composition (cont'd)

4) Board's objectivity (cont'd)

iii) NC (cont'd)

The NC is chaired by Puan Ilham Fadilah Binti Sunhaji, an Independent Non-Executive Director. The Chairperson of the NC is responsible to lead the NC to carry out annual review of effectiveness of our Board as a whole, and the Board Committees, as well as the contribution and performance of each individual Director on an on-going basis in terms of contribution, skills, experience and other qualities.

In addition, the NC also has the function of assessing the effectiveness of our Board, reviewing the skills and competencies of individual Director and the composition of the various Committees of our Board. The objective is to improve our Board's effectiveness, identify gaps, maximise strengths and address weaknesses of our Board.

The terms of reference of the NC, outlining the NC's objectives, composition, proceeding of meetings, circular resolution, authority and duties and responsibilities, is available on our Company's corporate website at www.econframe.com.

Summary of Works

The following works were undertaken by the NC during the FYE 2020 and up to the date of this Statement:-

- Examined the composition of our Board and Board Committees.
- Reviewed the required mix of skills, experience, gender diversity and other qualities of our Board.
- Reviewed the meeting attendance of our Board for FYE 2020 and the sufficiency of time commitment of the Directors in discharging their roles and responsibilities in our Company.
- Reviewed the independence of the Independent Non-Executive Directors and assessed their abilities to bring independent and objective judgement to Board deliberations and proposals.
- Reviewed the training programmes attended by the Directors for FYE 2020.
- Assessed the suitability of the Directors who will be standing for the re-election at the 1st AGM of our Company to be held in 2021 and recommended the same to our Board for approval.

Reinforce independence: Annual assessment of independence of Directors

Our Board adopts the concept of independence in tandem with the definition of Independent Non-Executive Director as prescribed under Rule 1.01 of the ACE LR. Our Board also carries out an annual assessment of the independence of its Independent Non-Executive Directors through the assistance of the NC for the FYE 2020.

Our Board considers that its Independent Non-Executive Directors provide an objective and independent view on various issues dealt with at the Board and Board Committees level. All the Independent Non-Executive Directors are independent of management and are free from any relationship that could materially interfere with the exercise of their independent judgement.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part II: Board composition (cont'd)

4) Board's objectivity (cont'd)

iii) NC (cont'd)

Re-election of Directors

In accordance with Clause 21.7 of our Company's Constitution, at every AGM, one-third (1/3) of the Directors will retire from office unless elected or re-elected at the AGM. The Directors retiring will be those longest in office since their appointment or last election. If the Directors were appointed/elected on the same day, the Directors to retire will be either as agreed between those Directors or by lot. If the total number of Directors is not three (3) or a multiple of it, the number nearest to one-third (1/3) will retire. All the Directors shall retire from office at least once in each three (3) years, but shall be eligible for re-election.

Directors who are appointed by our Board to fill a casual vacancy shall hold office until the next following AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the AGM pursuant to Clause 21.11 of our Company's Constitution.

5) Overall Board effectiveness

i) Annual evaluation of our Board

Our Board, through the NC would undertake the following assessments annually and the results of the evaluations are presented to the NC and our Board:-

a) Board and Board Committees performance evaluation;
b) Self performance evaluation;
c) ARMC performance assessment questionnaires; and
d) Independence of the Independent Non-Executive Directors.

The independency of the Independent Non-Executive Directors of our Company had been fulfilled in accordance with the ACE LR and would not impede their independency in carrying out their duties in the respective Board and Board Committees.

ii) Board meetings

During FYE 2020 and up to the date of this statement, a total of four (4) Board meetings were held and the details of each Director's attendance at the Board meetings are as follows:-

Name of Directors	No. of meetings attended	% of attendance
Mr. Robert Koong Yin Leong	4/4	100
Mr. Tan Hock Soon	4/4	100
Puan Ilham Fadilah Binti Sunhaji	4/4	100
Mr. Lim Chin Horng	4/4	100
Madam Lim Saw Nee	4/4	100
Mr. Khoo Soon Beng	4/4	100

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part II: Board composition (cont'd)

5) Overall Board effectiveness (cont'd)

ii) Board meetings (cont'd)

In the intervals between the Board meetings, Board approvals are obtained via circular resolutions for exceptional matters requiring urgent Board decisions which are supported by the relevant information in order to form an informed decision. In order to facilitate the Directors' planning and time management, an annual meeting calendar is prepared and given to the Directors before the beginning of each financial year.

Our Board is satisfied with the time commitment given by the Directors. All of the Directors do not hold more than five (5) directorships in public listed companies as stipulated under the ACE LR. If any Director wishes to accept a new directorship in the public listed companies, the Chairman will be informed beforehand together with indication of time that will be spent on the new appointment.

iii) Directors' training

All Directors have attended the Mandatory Accreditation Programme and are committed for continuous improvements of knowledge and skill sets.

During the Application Period, the Directors had attended the following training programmes:-

Directors	Training(s) Attended
Mr. Robert Koong Yin Leong	• Malaysian Anti-Corruption Commission Amendment Act 2018 – update on Section 17A and Corporate Liability • How Chief Financial Officers can help businesses manage in the "New Normal" • The New Normal – Expected Trends in Tax, Economic and Corporate Transactions
Mr. Tan Hock Soon	• Malaysian Anti-Corruption Commission Amendment Act 2018 – update on Section 17A and Corporate Liability
Puan Ilham Fadilah Binti Sunhaji	• Post-Listing Obligation under the Listing Requirement of Bursa Securities for ACE Market
Mr. Lim Chin Horng	• Mandatory Accreditation Programme for Directors of Public Listed Companies
Madam Lim Saw Nee	• Mandatory Accreditation Programme for Directors of Public Listed Companies
Mr. Khoo Soon Beng	• Mandatory Accreditation Programme for Directors of Public Listed Companies

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part III: Remuneration

6) Remuneration

The remuneration package of the Directors, Managing Director and Key Senior Management are linked to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities assumed in the Board Committees, their attendances, special skills and expertise that they bring to our Board.

7) RC

The main function of the RC is to assist our Board in fulfilling its responsibilities on matters relating to our Group's compensation, bonuses, incentives and benefits. The RC assists our Board in assessing the remuneration packages of the Directors, Managing Director and Key Senior Management with a view to ensure that a competitive remuneration package is offered to attract and retain the talented individuals to serve our Group, reviews the Directors' fees and benefits and proposed to our Board for approval and recommendation to the shareholders for approval at the AGM.

The RC consists of three (3) members, all of which are Independent Non-Executive Directors, and the composition of the RC is as follows:-

Members	Designation	Number of RC meetings attended/held during FYE 2020 and up to the date of this statement
Mr. Robert Koong Yin Leong	Chairman	1/1
Mr. Tan Hock Soon	Member	1/1
Puan Ilham Fadilah Binti Sunhaji	Member	1/1

The terms of reference of the RC, outlining the RC's objectives, composition, proceeding of meetings, circular resolution, authority and duties and responsibilities, is available on our Company's corporate website at www.econframe.com.

Summary of Works

The following works were undertaken by the RC during the FYE 2020 and up to the date of this Statement:-

- Reviewed the Directors' fees payable to the Directors of our Company for the FYE 2020 and recommended the same for our Board for consideration.
- Reviewed the benefits payable to the Directors of our Company for the FYE 2020 and recommended the same to our Board for consideration.
- Reviewed the Directors' fees payable to the Directors of our Company for the financial year ending 31 August 2021 and recommended the same for our Board for consideration.
- Reviewed the benefits payable to the Directors of our Company for the financial year ending 31 August 2021 and until the next AGM of our Company to be held in year 2022 and recommended the estimated quantum to our Board for consideration.
- Reviewed the remuneration package of the top five (5) senior management of our Group for the financial year ending 31 August 2021.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part III: Remuneration (cont'd)

8) Directors' remuneration

The details of remuneration of Directors of our Company comprising remuneration received/receivable from our Company and our subsidiaries during FYE 2020 are as follows:

(a) Company

Name of Directors	Fees RM'000	Salaries RM'000	Bonuses RM'000	Benefits-in-kind, EPF and allowances RM'000	Total RM'000
Independent Non-Executive Directors					
Mr. Robert Koong Yin Leong	12	–	–	3	15
Mr. Tan Hock Soon	12	–	–	3	15
Puan Ilham Fadilah Binti Sunhaji	9	–	–	3	12
Non-Independent Non-Executive Director					
Madam Lim Saw Nee	–	–	–	–	–
Executive Directors					
Mr. Lim Chin Horng	–	–	–	–	–
Mr. Khoo Soon Beng	–	–	–	–	–

(b) Group

Name of Directors	Fees RM'000	Salaries RM'000	Bonuses RM'000	Benefits-in-kind, EPF and allowances RM'000	Total RM'000
Independent Non-Executive Directors					
Mr. Robert Koong Yin Leong	12	–	–	3	15
Mr. Tan Hock Soon	12	–	–	3	15
Puan Ilham Fadilah Binti Sunhaji	9	–	–	3	12
Non-Independent Non-Executive Director					
Madam Lim Saw Nee	10	–	–	–	10
Executive Directors					
Mr. Lim Chin Horng	222	–	–	–	222
Mr. Khoo Soon Beng	–	88	29	16	133

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Part III: Remuneration (cont'd)

9) Remuneration of top five (5) key senior management

Our Board is of the view that the disclosure of the top five (5) key management's remuneration will be counterproductive due to the competitive environment for talent in the industry that our Group operates in. Our Board is also of the opinion that the Senior Management's remuneration disclosed in the Annual Report in the financial statement section is sufficient, complies with the Malaysian Financial Reporting Standards and achieves the objective that stakeholders are able to assess whether the remuneration of Directors and Senior Management commensurate with their individual performance, taking into consideration our Group's performance.

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

10) ARMC

The ARMC consists of three (3) Independent Non-Executive Directors which complied with Rule 15.09(1)(b) of the ACE LR whereby the ARMC shall only consist of Non-Executive Directors and majority of whom are Independent Non-Executive Directors. The Chairman of the ARMC, Mr. Tan Hock Soon, is not the Chairman of our Board.

For detailed information on the ARMC with regards to its composition, activities and its report, please refer to the ARMC Report in this Annual Report.

None of the ARMC members was a former key audit partner of our Company's auditors. In line with the MCCG, our Board has adopted the terms of reference of the ARMC that no former key audit partner could be appointed as a member of the ARMC before observing a cooling-off period of at least two (2) years.

All members of the ARMC are financially literate and have the relevant accounting, finance and/or related financial experience and expertise to effectively discharge their duties. The qualification and experience of the individual ARMC member are disclosed in the Directors' Profile in this Annual Report.

11) Suitability, objectivity and independence of the external auditors

Our Board, through the ARMC, maintains a formal and transparent relationship with its External Auditors in seeking professional advice. The ARMC meets with the External Auditors without the presence of the Executive Board members and Management staff at least twice a year regarding audit planning, adequacy of controls, and other relevant audit and accounting issues.

The ARMC is assigned to assess, review and supervise the performance, suitability and independence of the External Auditors. Evaluation of the External Auditors is carried out on a yearly basis to determine its continuance suitability and independence via a formal assessment form. The ARMC remains confident that the objectivity and independence of the External Auditors are not in any way impaired by reason of the non-audit services provided to our Group.

The External Auditors confirmed that independence check and confirmation procedures were carried out and there is no conflict of interest for the audit and non-audit services engagement.

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

12) Risk management and internal control

Our Board is responsible for the overall and oversight of risk management of our Group, covering the systems of risk management and internal control for financial, operational and compliance while the Executive Directors together with the senior management team are primary responsible for managing risks in our Group.

The Statement on Risk Management and Internal Control is set out in this Annual Report detailing the state and fundamentals of the risk management and internal control systems in our Group as well as the review mechanism of our Board. Our Board has expressed in the said statement that they are satisfied with the effectiveness and adequacy of the existing level of systems of risk management and internal control.

The Internal Audit Function is outsourced to an internal audit consulting firm. The Internal Audit Function is headed by a director who is assisted by a manager and supported by an audit executive. Further details of Internal Audit Function are reported in the CG Report.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

13) Corporate reporting

In presenting the annual financial statements and quarterly announcements of its results, our Board is committed to provide a balanced, fair and comprehensive assessment of our Group's state of affairs in relation to its financial performance. In order to achieve the above, adequate financial processes are in place, aimed at keeping our Group's accounting records and transactions in accordance with accepted accounting standards.

The ARMC assists our Board by reviewing the financial statements with Management and the External Auditors to ensure the accuracy and adequacy of all the information to be disclosed as well as to ensure its compliance with the requirements of the rules and regulations of the regulators and approved accounting standards. The Chief Financial Officer also presented to our ARMC and our Board the detailed presentations on the financial results.

The Statement of Directors' Responsibility pursuant to the ACE LR on its responsibilities in preparing the audited financial statements is set out in another section of this Annual Report.

14) Communication with stakeholders

Information on our Group's business and corporate development, annual reports, circulars, general meetings, press releases, quarterly financial results and timely announcements on material corporate exercises are the primary modes of disseminating information on our Group's business activities and financial performance. These form an important channel of communication to reach the stakeholders.

Our Managing Director is the designated spokesperson for all matters related to our Group and dedicated personnel are tasked to prepare and verify material information for timely disclosure upon approval by our Board.

In addition, our Company maintains a website at www.econframe.com for shareholders, investors and general public to access information on, amongst others, our Group's corporate profile, products, financial performance announcements published on Bursa Securities' website, Board Charter and Board Committees' terms of reference and corporate information.

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

15) Conduct of general meetings

Participation at AGM

To encourage shareholders participation, adequate notice period for the AGM and annual reports of not less than twenty-eight (28) days is communicated to all the shareholders.

The Chairman of our Board and the Chairpersons of the respective Board Committees as well as the Board members will be present at the 1st AGM to respond to the shareholders' queries. Healthy dialogues and interactions with the shareholders are greatly encouraged and there is no time limitation for shareholders to raise questions pertaining to the resolutions being proposed and the operations of our Group.

Our Board is supported by the External Auditors, the Company Secretaries, legal and financial advisers, and senior management staff, where applicable, who will also present at the 1st AGM to communicate with the shareholders, investors and media as well as to respond to the queries raised.

Poll voting

Our Company will conduct poll voting on all resolutions for all general meetings in compliance with the ACE LR which requires that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll.

Depending on the cost effectiveness, our Board will consider and explore the suitability and feasibility of adopting electronic poll voting in coming years to facilitate greater shareholders participation at general meeting.

Voting in absentia and Remote Shareholders' Participation at General Meeting(s)

Prior to implementing the voting in absentia and remote shareholders' participation at general meeting(s), our Board noted several factors/conditions that need to be fulfilled prior to making such considerations:-

- Availability of technology and infrastructure;
- Affordability of the technology and infrastructure;
- Sufficient number of shareholders residing/locating at particular remote location(s); and
- Age profiles of the shareholders.

COMPLIANCE WITH MCCG

Our Board is satisfied that during the Application Period, our Company has substantially complied with the best practices in MCCG on the application of the principles and best practices in corporate governance, except for the following:-

- Practice 7.2: The remuneration of top five (5) key Senior Management; and
- Practice 12.3: To facilitate voting in absentia and remote shareholders' participation at General Meetings.

The departures of the above practices will be addressed in the CG Report.

This Statement and the CG Report are made in accordance with a resolution of the Directors passed on 30 November 2020.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

Our Company was listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 27 October 2020 ("**Listing**"). As part of the Listing exercise, our Company has undertaken a public issue of 65,000,000 new ordinary shares at an issue price of RM0.28 per share, raising gross proceeds of RM18.20 million ("**IPO Proceeds**").

As at 30 November 2020, the utilisation of the IPO proceeds is as follows:-

	Proposed Utilisation	Actual Utilised	Percentage Utilised	Estimated timeframe for utilisation from Listing
	RM'000	RM'000	%	
Land acquisition and construction of new manufacturing facility	5,000	–	–	Within 24 months
Automation of manufacturing process	4,000	–	–	Within 24 months
Working capital	6,200	–	–	Within 6 months
Estimated listing expenses	3,000	3,000	100.0	Within 1 month
	18,200	3,000	16.5	

2. AUDIT AND NON-AUDIT FEES

During the financial year ended 31 August 2020 ("FYE 2020"), Messrs. Baker Tilly Monteiro Heng PLT, the External Auditors have rendered audit and non-audit services to our Company and our Group. The breakdown of the fees payable to the External Auditors is as follows:-

	Company (RM)	Group (RM)
Audit services rendered	60,000	100,000
Non-audit services rendered Special audit for Listing exercise	3,000	34,000
Total	63,000	134,000

Additional Compliance Information (cont'd)

3. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts entered into by our Company and our subsidiaries involving the interests of the Directors and major shareholders of our Company that is still subsisting at the end of FYE 2020.

In conjunction with our Company's listing exercise on the ACE Market of Bursa Securities, our Company had on 12 February 2020, entered into the following share sale agreements:

(a) The share sale agreement between our Company and the vendors of Econframe Marketing Sdn Bhd (Lim Chin Horng and Lim Saw Nee) for the acquisition of 100% equity interest in Econframe Marketing Sdn Bhd, for a purchase consideration of RM24,230,000 which was satisfied entirely by the issuance of 242,300,000 new ordinary shares of the Company at an issue price of RM0.10 each; and

(b) The share sale agreement between our Company and the vendors of Econframe Pre-Hung Doors Sdn Bhd (Lim Chin Horng and Khoo Soon Beng) for the acquisition of 100% equity interest in Econframe Pre-Hung Doors Sdn Bhd, for a purchase consideration of RM1,769,990 which was satisfied entirely by the issuance of 17,699,900 new ordinary shares of the Company at an issue price of RM0.10 per each.

As at 12 February 2020, Lim Chin Horng, Lim Saw Nee and Khoo Soon Beng are not the Directors of our Company.

The acquisitions of Econframe Marketing Sdn Bhd and Econframe Pre-Hung Doors Sdn Bhd were completed on 1 August 2020.

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT") AND RELATED PARTY TRANSACTIONS ("RPT")

There were no RRPT or RPT entered into by our Company or our subsidiaries which involve the Directors' and/or major shareholders' interest, either still subsisting at the end of FYE 2020 or entered into since the end of the previous financial year.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Our Board is pleased to present the Audit and Risk Management Committee ("**ARMC**" or "**Committee**") Report to provide insights on the discharge of the ARMC's functions during the financial year ended 31 August 2020 ("FYE 2020").

The ARMC Report is made in accordance with a resolution of the Directors passed on 30 November 2020.

1. CONSTITUTION

The ARMC of our Company was established since 25 February 2020.

2. COMPOSITION OF THE ARMC AND MEETINGS ATTENDANCE

The Committee comprises three (3) members, which consist of all Independent Non-Executive Directors. This meets the requirements of Rule 15.09 of the ACE LR.

All of the members of the ARMC satisfied the test of independence under the ACE Market Listing Requirements ("ACE LR") and also met the requirements of the Malaysian Code on Corporate Governance ("**MCCG**"). Furthermore, in adopting the Step-Up Practice 8.4 of the MCCG, the ARMC comprises solely of Independent Directors.

The Chairman of the ARMC, Mr. Tan Hock Soon, is an Independent Non-Executive Director. In this respect, our Company complies with Rule 15.10 of the ACE LR. Furthermore, in compliance with the Practice 8.1 of the MCCG, the Chairman of the ARMC is not the Chairman of our Board.

In addition, Mr. Tan Hock Soon, is a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and Malaysian Institute of Accountants ("MIA"). In this respect, our Company complies with Rule 15.09(1)(c) of the ACE LR.

During the FYE 2020 and up to the date of this ARMC Report, the ARMC held a total of two (2) meetings. The members of the ARMC and their attendance at the meetings are set out below:

Name	Designation	Directorship	Attendance	Percentage
Mr. Tan Hock Soon	Chairman	Independent Non-Executive Director	2/2	100%
Mr. Robert Koong Yin Leong	Member	Independent Non-Executive Chairman	2/2	100%
Puan Ilham Fadilah Binti Sunhaji	Member	Independent Non-Executive Director	2/2	100%

Prior to the establishment of the ARMC, each individual ARMC member have been evaluated by our Board. Upon our Company being listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), the terms of office and performance of the ARMC would be reviewed by the NC to determine whether the ARMC have carried out their duties in accordance with the Terms of Reference of ARMC in accordance with Rule 15.20 of the ACE LR.

3. SUMMARY OF WORKS FOR THE FYE 2020

During the FYE 2020 and up to the date of this ARMC statement, the summary of works carried out by the ARMC were as follows:

(i) Overview of Financial Performance and Reporting

- Reviewed the unaudited quarterly financial results for the quarters ended 31 May 2020 and 31 August 2020 and recommended the same for our Board's approval.
- Reviewed the identified significant matters pursuant to Rule 15.12(1)(g)(ii) of the ACE LR on quarterly basis.
- Reviewed the draft audited financial statements for the FYE 2020 and recommended the same for our Board's approval.
- Reviewed our Group's compliance with the accounting standards and relevant regulatory requirements.

(ii) Oversight of External Auditors

- Received the Audit Review Memorandum prepared by the External Auditors for the FYE 2020, covering audit scope and approach, significant audit findings, key audit matters and significant outstanding information/documents from the audit field works.
- Met once with the External Auditors without the presence of the Executive Directors and management personnel.
- Reviewed the effectiveness, suitability and independence of the External Auditors vide a formalised "Assessment on External Auditors" and upon reviewed and being satisfied with the results of the said assessment, the same has been recommended to our Board for approval.
- Review and discussed with the External Auditors, the applicability and the impact of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board, including any significant issues and concerns arising from the audit.
- Reviewed the statutory audit fees for FYE 2020.

(iii) Oversight of Internal Audit Function

- Reviewed the profile and proposal of the outsourced service providers for provision of internal audit services for our Group for financial year ending 31 August 2021. Thereafter, recommended to our Board for the appointment of Wensen Consulting Asia (M) Sdn Bhd as the outsourced Internal Auditors of our Group for the financial year ending 31 August 2021.
- Reviewed the Internal Audit Plan for our Group for the financial year ending 31 August 2021.

(iv) Oversight of Internal Control Matters

- Reviewed and confirmed the minutes of the ARMC Meetings.
- Reviewed the disclosures in ARMC Report, Statement on Risk Management and Internal Control and Corporate Governance Overview Statement for inclusion in the Annual Report for FYE 2020.

(v) Review of Related Party Transactions

- Reviewed the related party transactions and conflict of interest situation that arise within our Group on quarterly basis, including any transaction, procedure or course of conduct that raises questions on management integrity.

4. TERMS OF REFERENCE

The Terms of Reference of the ARMC was adopted on 25 February 2020.

The Terms of Reference of the ARMC is available for viewing at our Company's website at http://www.econframe.com.

5. INTERNAL AUDIT FUNCTION ("IAF")

The IAF plays an important role to provide our Board, through the ARMC, reasonable assurance of the effectiveness of the system of internal control in our Group.

The IAF is independent and performs audit assignments with impartiality, proficiency and due professional care.

Upon recommendation of the ARMC, our Board had resolved to appoint Wensen Consulting Asia (M) Sdn Bhd as the Internal Auditors of our Group for the financial year ending 31 August 2021. The Internal Auditors reports directly to the ARMC, provides our Board with a reasonable assurance of adequacy, efficiency, and effectiveness of our Company and subsidiaries' internal control system. The IAF is responsible to conduct reviews in accordance with the internal audit plan or other ad-hoc assignments which are approved by the ARMC.

The engagement team personnel from Wensen Consulting Asia (M) Sdn Bhd have affirmed to the ARMC that in relation to our Group, they were free from any relationships or conflicts of interest, which could impair their objectivity and independency.

The internal audit reporting format can broadly be segregated into two (2) main areas as follows:-

(i) Internal Audit Plan of our Group

At the beginning of the financial year, the Internal Audit Plan of our Group is presented to the ARMC by Wensen Consulting Asia (M) Sdn Bhd for discussion and adoption. The ARMC would then report the same to our Board for notation.

(ii) Regular Internal Audit Reports and Follow-up Reports

Internal Audit reports are reviewed and adopted by the ARMC on a half-yearly basis to review the internal audit findings and to discuss on the corrective action plans in order to ensure that the control weaknesses highlighted in the Internal Audit Reports are appropriately addressed by Management.

In addition, the Wensen Consulting Asia (M) Sdn Bhd would carry out follow-up visits to ensure that all agreed corrective action plans are satisfactorily implemented by Management. The progression status of the corrective action plans would also be reported to the ARMC on a half-yearly basis.

In view that Wensen Consulting Asia (M) Sdn Bhd was appointed after the FYE 2020, there are no Internal Audit reports and Follow-up Reports reviewed by the ARMC during the FYE 2020.

Our Company has, however, incurred a fee of RM50,000 in respect of internal audit review for the pre-initial public offering exercise.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Rule 15.26(b) of the ACE Market Listing Requirements ("ACE LR") and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and the Malaysian Code on Corporate Governance, our Board is pleased to provide the following Statement on Risk Management and Internal Control of our Group in this Annual Report.

BOARD RESPONSIBILITY

Our Board acknowledges our responsibility for maintaining a sound risk management and internal control systems as well as adequacy and effectiveness of those systems to safeguard our stakeholders' interests and to protect our Group's assets. The system of risk management and internal control covers not only financial controls but risk management, organisational, operational, fraud prevention and compliance controls. It is designed to manage our Group's risks within an acceptable risk profile rather than eliminate the risk of failure in order to achieve the goals and objectives of our Group. Hence, the system of risk management and internal control could only provide reasonable but not absolute assurance against material misstatement, fraud and potential losses.

Our Board affirms that our Group has in place an on-going process of identifying, evaluating, monitoring and managing the principal risks affecting the achievement of its business objectives throughout the financial year under review. Our Board has delegated the review of adequacy and effectiveness of the internal control system to the ARMC. Our Board is kept informed of all significant control issues brought to the attention of the ARMC by Management, the IAF and also the External Auditors. Our Board is working closely with the ARMC in reviewing and improving the internal controls as well as addressing the potential risks of our Group from time to time.

RISK MANAGEMENT FRAMEWORK AND PROCESS

Our Board recognizes the importance of risk management to safeguard shareholders' investment and our Group's assets. Accordingly, as facilitated by a professional services firm, it has deployed a process, during the financial year under review, to identify and evaluate significant business risks faced by our Group with a view to manage them. Management is entrusted to identify such risks for onward reporting to the ARMC so that remedial measures may be taken to mitigate the risks as appropriate. For each risk identified, the risk management process includes assessing the likelihood of its occurrence and the impact thereof. The significant risks faced by our Group, including action plans to mitigate risks within acceptable levels, shall be reported by ARMC to our Board at least once a year.

As part of our Group's Risk Management Process, ARMC, chaired by an Independent Non-Executive Director, has been established to perform, amongst others, the following:

- overseeing the risk management structure;
- reviewing and recommending risk management strategies, policies and framework for identifying, measuring, monitoring and controlling risks;
- developing and implementing internal compliance and control systems and procedures to manage risks; and
- monitoring and communicating risk assessment results to our Board.

All significant risks identified and relevant controls and mitigation plans taken by Management are documented in the risk management reports and the same shall be compiled and tabled to the ARMC and our Board for deliberations.

To further enhance the risk management processes within our Group and pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009, our Board has also adopted the Anti-Bribery and Anti-Corruption Policy on 7 September 2020.

INTERNAL AUDIT FUNCTION ("IAF")

As part of the pre-listing requirements, an internal control due diligence review was conducted on the key management areas, the objective was to ascertain and assess the effectiveness and adequacy of the key internal control procedures. Subsequent to the review and prior to the listing, follow-up reviews were performed to ensure that the key areas of improvement were fully implemented.

Separately, our Board also derives its comfort on the state of internal control in our Group through implementing IAF. IAF is carried out by external professional firm based on the Internal Audit Plan approved by the ARMC.

The scope of works of the IAF includes but not limited to the following:

- Review and assess the adequacy, efficiency and effectiveness of our Group's internal control system.
- Review the extent of compliance of our Group with the policies, standard operating procedures and other laws and regulations which could possibly cause a significant impact to the business operations of our Group.
- Report significant issues in relation to the business operations and activities of our Group and make recommendations for improvements in the internal audit reports to the ARMC.
- Conduct follow-up visits to ensure that all agreed corrective action plans are satisfactorily implemented by Management and reports the same to the ARMC.
- Highlight any irregularities to the ARMC.

OTHER KEY ELEMENTS OF INTERNAL CONTROL PROCESSES

In addition to the risk management and internal audit, our Group has established various controls to review the adequacy, effectiveness and integrity of the internal control system. Such controls include:

- Budgets are prepared by the operating business segments for subsequent monitoring and tracking of performance.
- Documented Quality Management System accredited by International Organisation for Standardisation (ISO) certification body on subsidiary's quality management system on various manufacturing activities.
- Quarterly review of financial results and operational matters by the ARMC and our Board.
- Policies and standard procedures of various operating business units within our Group are properly documented for operational guidance and compliance. These policies and procedures are reviewed and updated when necessary to maintain its effectiveness at all times.
- Corporate finance and treasury matters are controlled centrally and monitored on a weekly, monthly and quarterly basis.
- Formal authorisation limit for various levels of personnel is established in order to minimise the risk of unauthorised transactions.
- Monthly key operational performance report on key business indicators and performance results on each subsidiary is reported to Management for review and decision making.

Statement on Risk Management and Internal Control (cont'd)

ASSURANCE BY MANAGEMENT

Our Board has received assurance from our Managing Director and Chief Financial Officer that our Company's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management model and internal control system adopted by our Group.

BOARD'S COMMENTS ON THE ADEQUACY AND EFFECTIVENESS OF OUR GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Our Board, through its ARMC, has reviewed the adequacy and operating effectiveness of the risk management and internal control system of our Group and that relevant actions have been or are being taken, as the case may be, to remedy internal control weaknesses identified from the review, which was largely based on the outcome of observations raised by the internal auditors directly to the ARMC.

Our Board is of the view that there have been no weaknesses in the system of risk management and internal control that resulted in material losses, contingencies or uncertainties that would require mention in our Company's Annual Report. Our Board, through Management, continues to take measures to strengthen our Group's risk management and internal control system from time to time based on recommendations of the IAF as well as the External Auditors.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of the ACE LR, the External Auditors have reviewed this statement for inclusion in the our Company's Annual Report. Their review was performed in accordance with Audit and Assurance Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of our Group's risk and control procedures. Based on their review, the External Auditors have reported to our Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process and the review adopted by our Board on the adequacy and integrity of the risk management and internal control of our Group.

This statement is made in accordance with a resolution of the Directors passed on 30 November 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITY

PREPARATION OF THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2020 ("FYE 2020")

Our Directors are required by the Companies Act 2016 ("the Act") to lay before our shareholders at the Annual General Meeting, the Audited Financial Statements (which include the Consolidated Statements of Financial Position and the Consolidated Statements of Profit or Loss and other Comprehensive Income) of our Company and subsidiaries ("our Group") for each financial year, prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provision of the Act and the ACE Marekt Listing Requirements.

Our Directors are responsible for ensuring that the Audited Financial Statements of our Group are prepared in accordance with the accounting records of our Group so as to give a true and fair view of the state of affairs as at 31 August 2020, and of the results of their operations and cash flows for the financial year ended on that date.

In preparing the Audited Financial Statements for the FYE 2020, our Directors have reviewed and consistently applied the suitable accounting policies throughout the financial year. In the cases where judgements and estimations were made, they were based on reasonableness and prudence assumptions.

Our Directors also have a general responsibility for taking such steps that are available to them to safeguard the assets of our Group and to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Directors passed on 30 November 2020.

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year/period ended 31 August 2020.

PRINCIPAL ACTIVITIES

The Company was incorporated on 27 November 2019 under the Companies Act 2016 as a private limited company, and domiciled in Malaysia. The Company was converted to a public company limited by shares and assumed its present name on 21 February 2020.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year/period, net of tax	5,339,078	(925,135)
Attributable to:		
Owners of the Company	5,339,078	(925,135)

DIVIDENDS

No dividend has been paid or declared by the Company since the date of incorporation.

The directors do not recommend the payment of any dividends in respect of the financial period ended 31 August 2020.

RESERVES OR PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and that no allowance for doubtful debts was necessary.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off for any debts or to make any allowance for doubtful debts in respect of the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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/period which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group and of the Company which has arisen since the end of the financial year/period.

In the opinion of the directors, no contingent or other liabilities of the Group and of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year/period which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year/period and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year/period in which this report is made.

ISSUE OF SHARES AND DEBENTURES

The Company issued 1 ordinary share at issue price of RM1 per ordinary share to the subscriber on the date of incorporation.

During the financial period, the Company:

(i) issued 99 new ordinary shares at a price of RM1 per ordinary share for working capital purposes; and

(ii) issued 259,999,900 new ordinary shares at a price of RM0.10 per ordinary share for a total consideration of RM25,999,990 for the acquisition of 100% equity interest in Econframe Marketing Sdn. Bhd. and Econframe Pre-Hung Doors Sdn. Bhd. pursuant to the conditional share sale agreements dated 12 February 2020. The acquisition were completed on 1 August 2020.

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

During the financial period, no new issue of debentures was made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The directors in office since the date of incorporation and during the period from the end of the financial period to the date of the report are:

Tham Kok Leong	(First Director, resigned on 11 February 2020)
Ilham Fadilah Binti Sunhaji	(Appointed on 11 February 2020)
Tan Hock Soon	(Appointed on 11 February 2020)
Robert Koong Yin Leong	(Appointed on 11 February 2020)
Khoo Soon Beng *	(Appointed on 13 February 2020)
Lim Chin Horng *	(Appointed on 13 February 2020)
Lim Saw Nee *	(Appointed on 13 February 2020)

* Directors of the Company and certain subsidiaries

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial period in shares in the Company and its related corporations during the financial period were as follows:

Interest in the Company

	Number of ordinary shares				
	At 27.11.2019 (Date of incorporation)	**Allotted**	**Bought**	**Sold**	**At 31.08.2020**
Direct interests:					
Tham Kok Leong	1	99	–	(100)	–
Lim Chin Horng	–	132,412,635	100	–	132,412,735
Khoo Soon Beng	–	6,194,965	–	–	6,194,965
Lim Saw Nee	–	121,392,300	–	–	121,392,300

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Lim Chin Horng, Khoo Soon Beng and Lim Saw Nee are deemed to have an interest in the ordinary shares of the subsidiaries to the extent the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial period had any interest in ordinary shares or debentures of the Company and its related corporations during the financial period.

DIRECTORS' BENEFITS

Since the date of incorporation, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 20 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.

Neither during, nor at the end of the financial period, was the Company a party to any arrangement where the object 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 TO DIRECTORS AND OFFICERS

During the financial period, there was no indemnity coverage and insurance premium paid for the directors and officers of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

The available auditors' reports on the accounts of the subsidiaries did not contain any qualifications.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR/PERIOD

Details of significant events during the financial year/period are disclosed in Note 28 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR/PERIOD

Details of significant events during the financial year/period are disclosed in Note 29 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 19 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors.

LIM CHIN HORNG
Director

KHOO SOON BENG
Director

Date: 30 November 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 AUGUST 2020

	Note	Group 2020 RM	Group Unaudited 2019 RM (Note 31)	Company 2020 RM
ASSETS				
Non-current assets				
Property, plant and equipment	**5**	9,633,210	9,730,613	–
Investment property	**6**	300,000	323,674	–
Investment in subsidiaries	**7**	–	–	25,999,990
Total non-current assets		**9,933,210**	**10,054,287**	**25,999,990**
Current assets				
Inventories	**8**	3,638,550	2,909,084	–
Trade and other receivables	**9**	13,951,199	15,363,258	700,143
Cash and short-term deposits	**10**	8,709,506	4,881,319	100
Total current assets		**26,299,255**	**23,153,661**	**700,243**
TOTAL ASSETS		**36,232,465**	**33,207,948**	**26,700,233**
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	**11**	26,000,090	1,100,000	26,000,090
Other reserves	**12**	(21,608,523)	4,227,028	–
Retained earnings/(Accumulated losses)		26,956,685	20,682,046	(925,135)
TOTAL EQUITY		**31,348,252**	**26,009,074**	**25,074,955**
Non-current liabilities				
Loans and borrowings	**13**	510,951	633,955	–
Deferred tax liabilities	**14**	1,430,004	1,496,546	–
Total non-current liabilities		**1,940,955**	**2,130,501**	**–**
Current liabilities				
Loans and borrowings	**13**	282,640	1,617,646	–
Current tax liabilities		157,643	883,730	–
Trade and other payables	**15**	2,502,975	2,566,997	1,625,278
Total current liabilities		**2,943,258**	**5,068,373**	**1,625,278**
TOTAL LIABILITIES		**4,884,213**	**7,198,874**	**1,625,278**
TOTAL EQUITY AND LIABILITIES		**36,232,465**	**33,207,948**	**26,700,233**

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR/PERIOD ENDED 31 AUGUST 2020

	Note	Group 1.09.2019 to 31.08.2020 RM	Group Unaudited 1.09.2018 to 31.08.2019 RM (Note 31)	Company 27.11.2019 to 31.08.2020 RM
Revenue	**16**	40,618,396	44,088,863	–
Cost of sales		(27,705,191)	(29,474,852)	–
Gross profit		**12,913,205**	**14,614,011**	**–**
Other income	**17**	286,543	619,357	–
Distribution expenses		(1,238,173)	(1,209,644)	–
Administrative expenses		(4,658,733)	(3,290,425)	(925,135)
Operating profit/(loss)		**7,302,842**	**10,733,299**	**(925,135)**
Finance costs	**18**	(60,431)	(125,794)	–
Profit/(Loss) before tax	**19**	**7,242,411**	**10,607,505**	**(925,135)**
Income tax expense	**21**	(1,903,333)	(2,472,083)	–
Profit/(Loss) for the financial year/period		**5,339,078**	**8,135,422**	**(925,135)**
Other comprehensive income/(loss), net of tax				
Item that will not be reclassified subsequently to profit or loss				
Surplus on revaluation of property, plant and equipment		–	1,388,668	–
Other comprehensive income/(loss) for the financial year/period		**–**	**1,388,668**	**–**
Total comprehensive income/(loss) for the financial year/period		**5,339,078**	**9,524,090**	**(925,135)**
Profit/(Loss) attributable to:				
Owners of the Company		5,339,078	8,135,422	(925,135)
Total comprehensive income/(loss) attributable to:				
Owners of the Company		5,339,078	9,524,090	(925,135)
Earnings per share attributable to owners of the Company (sen)				
- Basic and diluted	**22**	0.02	0.03	

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR/PERIOD ENDED 31 AUGUST 2020

		Attributable to owners of the Company				
	Note	Share capital RM	Revaluation reserve RM	Reorganisation reserve RM	Retained earnings RM	Total equity RM
Group						
At 1 September 2018 (unaudited)		1,100,000	2,848,786	–	17,536,198	21,484,984
Total comprehensive income for the financial year						
Profit for the financial year		–	–	–	8,135,422	8,135,422
Realisation of revaluation reserve		–	(10,426)	–	10,426	–
Other comprehensive income for the financial year		–	1,388,668	–	–	1,388,668
Total comprehensive income		–	1,378,242	–	8,145,848	9,524,090
Transaction with owners						
Dividend paid on shares	**23**	–	–	–	(5,000,000)	(5,000,000)
At 31 August 2019 (unaudited)		1,100,000	4,227,028	–	20,682,046	26,009,074
Total comprehensive income for the financial year						
Profit for the financial year		–	–	–	5,339,078	5,339,078
Realisation of revaluation reserve		–	(10,426)	–	10,426	–
Total comprehensive income		–	(10,426)	–	5,349,504	5,339,078
Transaction with owners						
Shares issued upon incorporation	**11**	1	–	–	–	1
Issuance of ordinary shares	**11**	99	–	–	–	99
Shares issued for acquisition of subsidiaries	**11**	25,999,990	–	(25,825,125)	925,135	1,100,000
Adjustment on the acquisition of subsidiaries	**11**	(1,100,000)	–	–	–	(1,100,000)
Total transaction with owners		24,900,090	–	(25,825,125)	925,135	100
At 31 August 2020		26,000,090	4,216,602	(25,825,125)	26,956,685	31,348,252

Statements of Changes in Equity (cont'd)

	Note	Attributable to owners of the Company Share capital RM	Retained earnings RM	Total equity RM
Company				
At 27 November 2019 (Date of incorporation)		1	–	1
Loss for the financial period, representing total comprehensive loss for the financial period		–	(925,135)	(925,135)
Transaction with owners				
Issuance of ordinary shares	**11**	99	–	99
Shares issued for acquisition of subsidiaries	**11**	25,999,990	–	25,999,990
Total transaction with owners		26,000,089	–	26,000,089
At 31 August 2020		26,000,090	(925,135)	25,074,955

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR/PERIOD ENDED 31 AUGUST 2020

	Note	Group 1.09.2019 to 31.08.2020 RM	Group Unaudited 1.09.2018 to 31.08.2019 RM (Note 31)	Company 27.11.2019 to 31.08.2020 RM
Cash flows from operating activities				
Profit before tax		7,242,411	10,607,505	(925,135)
Adjustments for:				
Depreciation of property, plant and equipment		539,417	500,790	–
Bad debts recovered		–	(4,930)	–
Reversal of impairment loss on property, plant and equipment		(10,000)	–	–
Reversal of impairment loss on trade receivables		(30,672)	–	–
Impairment loss on trade receivables		–	30,672	–
Impairment loss on property, plant and equipment		–	10,000	–
Bad debts written off		–	2,597	–
Fair value loss/(gain) on investment property		23,674	(400,000)	–
Finance costs		60,431	125,794	–
Finance income		(72,296)	(20,691)	–
Operating profit before changes in working capital		**7,752,965**	**10,851,737**	**(925,135)**
Changes in working capital:				
Inventories		(729,466)	(151,651)	–
Trade and other receivables		1,442,731	(2,603,894)	(700,143)
Trade and other payables		(64,022)	(55,747)	105,000
Net cash generated from operations		**8,402,208**	**8,040,445**	**(1,520,278)**
Income tax paid		(2,695,962)	(2,546,787)	–
Interest paid		–	(1,837)	–
Net cash flows from/(used in) operating activities		**5,706,246**	**5,491,821**	**(1,520,278)**
Cash flows from investing activities				
Purchase of property, plant and equipment	(a)	(381,508)	(369,284)	–
Proceeds from disposal of property, plant and equipment		10,000	–	–
Change in pledged deposits		(989,994)	(1,140,691)	–
Interest income		72,296	20,691	–
Net cash flows used in investing activities		**(1,289,206)**	**(1,489,284)**	**–**

Statements of Cash Flows (cont'd)

	Note	Group 1.09.2019 to 31.08.2020 RM	Group Unaudited 1.09.2018 to 31.08.2019 RM (Note 31)	Company 27.11.2019 to 31.08.2020 RM
Cash flows from financing activities	**(b)**			
Interest paid		(60,431)	(123,957)	–
Repayment of term loans		(125,067)	(47,077)	–
Repayment of lease liabilities/finance lease liabilities		(128,449)	(344,617)	–
Net repayment of bankers' acceptance		(1,265,000)	(483,000)	–
Net change in amount owing to a director		–	1,295,920	–
Net change in amount owing to a subsidiary		–	–	1,520,278
Dividend paid	(c)	–	(1,800,000)	–
Proceeds from issuance of ordinary shares		100	–	99
Net cash flows (used in)/from financing activities		**(1,578,847)**	**(1,502,731)**	**1,520,377**
Net increase in cash and cash equivalents		2,838,193	2,499,806	99
Cash and cash equivalents at the beginning of the financial year/period		3,176,862	677,056	1
Cash and cash equivalents at the end of the financial year/period	**10**	**6,015,055**	**3,176,862**	**100**

(a) Purchase of property, plant and equipment:

	Note	Group 1.09.2019 to 31.08.2020 RM	Group Unaudited 1.09.2018 to 31.08.2019 RM (Note 31)
Purchase of property, plant and equipment	**5**	423,356	469,284
Financed by way of finance lease arrangements		–	(100,000)
Operating lease recognised as right-of-use assets		(41,848)	–
Cash payments on purchase of property, plant and equipment		381,508	369,284

Statements of Cash Flows (cont'd)

(b) Changes in liabilities arising from financing activities comprise of net changes in loan and borrowings, amount owing to a director and a subsidiary and proceeds from issuance of ordinary shares during the financial year/ period. There have been no non-cash changes in liabilities arising from financing activities.

(c) Dividend paid:

		Group	
	Note	1.09.2019 to 31.08.2020 RM	Unaudited 1.09.2018 to 31.08.2019 RM (Note 31)
Dividend declared	**23**	–	5,000,000
Dividend in specie		–	(3,200,000)
Cash payments on dividend		–	1,800,000

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Econframe Berhad (the "Company") was incorporated on 27 November 2019 under the Companies Act 2016 as a private company, and domiciled in Malaysia. The Company was converted to a public company limited by shares and assumed its present name on 21 February 2020. The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur W.P., Kuala Lumpur. The principal place of business of the Company is located at No. 1 & 3, Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 7.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 November 2020.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and Company have adopted the following new MFRS, amendments/ improvements to MFRSs and new IC Int that are mandatory for the current financial year/period:

New MFRS

MFRS 16	Leases

Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investments in Associates and Joint Ventures

New IC Int

IC Int 23	Uncertainty Over Income Tax Treatments

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (cont'd)

The adoption of the above new MFRS, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 Leases and IC Int 4 Determining whether an Arrangement contains a Lease.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group and the Company have applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 September 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group and the Company have elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 September 2019. Existing lease contracts that are still effective on 1 September 2019 will be accounted for as lease contracts under MFRS 16.

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (cont'd)

MFRS 16 Leases (cont'd)

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group and the Company have complied with in the current financial period, the application of this standard does not have any significant effect on the financial statements of the Group and of the Company, except for those as discussed below.

(i) Classification and measurement

As a lessee, the Group and the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group and to the Company.

On adoption of MFRS 16, for all its leases other than short-term and low value asset leases, the Group and the Company:

- recognised the right-of-use assets and lease liabilities in the statement of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial period; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statement of cash flows for the current financial period.

<u>For leases that were classified as operating lease under MFRS 117</u>

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application.

The right-of-use assets were measured at either:

(a) their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the Group's and the Company's incremental borrowing rate at the date of initial application. The Group and the Company applied this approach to its largest property leases; or
(b) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group and the Company applied this approach to all other leases.

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (cont'd)

MFRS 16 Leases (cont'd)

Impact of the adoption of MFRS 16 (cont'd)

(i) Classification and measurement (cont'd)

For leases that were classified as operating lease under MFRS 117 ***(cont'd)***

The Group and the Company also applied the following practical expedients wherein it:

(a) applied a single discount rate to a portfolio of leases with similar characteristics;
(b) adjusted the right-of-use assets by the amount of MFRS 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;
(c) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
(d) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
(e) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117

The Group and the Company recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease and low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new, such as office equipment. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. BASIS OF PREPARATION (CONT'D)

2.2 Adoption of new MFRS, amendments/improvements to MFRSs and new IC Int (cont'd)

MFRS 16 Leases (cont'd)

Impact of the adoption of MFRS 16 (cont'd)

The effects of adoption of MFRS 16 as at 1 September 2019 are as follows:

	Adjustments	Increase RM
Assets		
Non-current assets		
Property, plant and equipment	(i)	18,658
Total non-current assets		**18,658**
Total assets		**18,658**
Non-current liabilities		
Loans and borrowings	(i)	8,662
Total non-current liabilities		**8,662**
Current liabilities		
Loans and borrowings	(i)	9,996
Total current liabilities		**9,996**
Total liabilities		**18,658**

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 September 2019 is 4.26%.

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRS and amendments/ improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of MFRSs	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2020/ 1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 June 2020*/ 1 January 2022^
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRSs 2018-2020*

* *Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020*

\# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (cont'd)

2.3.1 The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below.

Annual Improvements to MFRSs 2018-2020

Annual Improvements to MFRSs 2018-2020 covers amendments to:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRSs.

Amendments to MFRS 3 Business Combinations

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments also update by replacing a reference to an old version of the *Conceptual Framework for Financial Reporting* with a reference to the latest version which was issued by MASB in April 2018.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (cont'd)

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures

The Malaysian Accounting Standards Board has issued *Interest Rate Benchmark Reform* (Amendments to MFRS 9, MFRS 139 and MFRS 7).

The *Interest Rate Benchmark Reform* amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rates reform. In applying the amendments, companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Applying the amendments, entities are not required to apply the MFRS 139 retrospective assessment but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80% - 125% range during the period of uncertainty arising from the reform.

Amendment to MFRS 16 Leases

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Coronavirus ("COVID-19") pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the *Conceptual Framework for Financial Reporting*. Consequently, the amendments align the definition of material across MFRSs and other publications.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (CONT'D)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (cont'd)

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while an entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

2.4 Functional and presentation currency

The financial statements of the Group and of Company are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's and the Company's functional currency.

2.5 Basis of measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

2.6 Use of estimates and judgement

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to the financial year/period presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The acquisitions of Econframe Marketing Sdn. Bhd. and Econframe Pre-Hung Doors Sdn. Bhd. have been accounted for as a business combination amongst entities under common control. Accordingly, the financial statements of Econframe Berhad have been consolidated using the merger method of accounting.

Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer.

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

(a) Subsidiary and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

Acquisition of entities under a reorganisation scheme does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Company are a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Company and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(a) Subsidiary and business combination (cont'd)

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.10(b).

3.3 Foreign currency transactions

Translation of foreign currency transactions

Foreign currency transactions are translated to the functional currencies of the Group and the Company using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss, respectively).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments

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

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

(a) Subsequent measurement (cont'd)

(i) Financial assets (cont'd)

Debt instruments

Subsequent measurement of debt instruments depends on the the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.10(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income (FVOCI)**

  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.10(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- **Fair value through profit or loss (FVPL)**

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

(a) Subsequent measurement (cont'd)

The Group and the Company categorise the financial instruments as follows (cont'd):

(i) Financial assets (cont'd)

Equity instruments

The Group and the Company subsequently measures all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liablities are derecognised and through the amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

(b) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit itself to purchase or sell an asset).

Trade date accounting refers to:

(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire; or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, the Group and the Company have retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

(d) Derecognition (cont'd)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

(e) Offsetting of financial instruments

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3.5 Property, plant and equipment

(a) Recognition and measurement

Land and buildings are measured using the revaluation approach. All other items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Property, plant and equipment (cont'd)

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

Freehold land has unlimited useful life and therefore is not depreciated.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Freehold buildings	50 years
Plant and machineries	10 years
Motor vehicles	5 years
Furniture and fittings	10 years
Office equipment	10 years
Computer hardware and software	5 years
Renovation	10 years

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

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

3.6 Leases

(a) Definition of a lease

<u>Accounting policies applied from 1 September 2019</u>

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

(a) Definition of a lease (cont'd)

Accounting policies applied until 31 August 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

(b) Lessee accounting

Accounting policies applied from 1 September 2019

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group and the Company present right-of-use assets and lease liabilities as separate lines in the statement of financial position.

Right-of-use asset

The right-of-use asset is initially recognised 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 the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group and the Company expect to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

(b) Lessee accounting (cont'd)

Accounting policies applied from 1 September 2019 (cont'd)

Lease liability

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

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "administrative expenses" in the statement of comprehensive income.

The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

(b) Lessee accounting (cont'd)

Accounting policies applied from 1 September 2019 (cont'd)

Short-term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Accounting policies applied until 31 August 2019

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognises the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment or investment property.

For operating leases, the Group and the Company do not capitalize the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangible assets.

(c) Lessor accounting

Accounting policies applied from 1 September 2019

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group and the Company are intermediate lessors, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described in Note 3.6(a), then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

(c) Lessor accounting (cont'd)

Accounting policies applied from 1 September 2019 (cont'd)

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration under the contract to each component.

Accounting policies applied until 31 August 2019

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognsied in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

3.7 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property.

An investment property is derecognised on its disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a first-in first-out basis.
- finished goods: purchase costs on a first-in first-out basis.

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.

3.9 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change of value.

3.10 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of assets (cont'd)

(a) Impairment of financial assets (cont'd)

The Group and the Company consider a financial asset to be in default when:

- the debtor is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 120 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the debtor;
- a breach of contract, such as a default of past due event;
- the lender(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment of assets (cont'd)

(a) Impairment of financial assets (cont'd)

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that 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 source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amount of non-financial assets (except for inventories, deferred tax assets and investment properties measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

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 non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset of a CGU is the higher of its fair value less costs of disposal and its value-in-use. 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 CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds the recoverable amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Share capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.12 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and to the Company.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.13 Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and of the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group and the Company applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group and the Company reasonably expect that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

Revenue from sale of goods are recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

The Group and the Company measure revenue from sale of good at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and services tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Revenue and other income (cont'd)

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the standalone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

Revenue from contract with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customers is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

(a) Sale of goods

The Group manufactures and sells building material and hardware. Revenue from sale of manufactured goods are recognised at the point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with credit term of 30 to 120 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other the passage of time before the payment is due.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income is recognised on an accrual basis.

3.14 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

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

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

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Income tax

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

(a) Current tax

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

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount in the statement of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group and the Company are able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Income tax (cont'd)

(b) Deferred tax (cont'd)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

3.16 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.17 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year/period include the following:

4.1 Determination of lease term

The Group and the Company determine 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.

As disclosed in Note 5, the Group and the Company have several lease contracts that include extension and termination options. The Group and the Company apply judgement in evaluating whether they reasonably certain to exercise the option to renew or terminate the lease. The Group and the Company consider all relevant factors that create an economic incentive for them to exercise the renewal or termination. After the commencement date, the Group and the Company reassess 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.

4.2 Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.5(c), the Group and the Company review the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's and the Company's property, plant and equipment are disclosed in Note 5.

4.3 Measurement of income taxes

Significant judgement is required in determining the Group's and the Company's estimation for current and deferred taxes because the ultimate tax liability for the Group and the Company as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the tax payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of the Group and of the Company is disclosed in Note 21.

4.4 Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rate. The Group and the Company use judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group and the Company use a provisional matrix to calculate expected credit losses for trade receivables. The provision rates are depending on the number of days that a trade receivable is past due. The Group and the Company use the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type and rating, collateral or trade credit insurance.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

4.4 Impairment of financial assets (cont'd)

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The information about the impairment losses on the Group's and the Company's financial assets are disclosed in Note 24(b).

4.5 Write-down of obsolete or slow moving inventories

The Group and the Company write down their obsolete or slow moving inventories based on the assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The carrying amounts of the Group's and the Company's inventories are disclosed in Note 8.

4.6 Impairment of non-financial assets

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be irrecoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The Group and the Company use fair value less cost to sell as the recoverable amount. Fair values are arrived at using comparison method and valuation technique method to suit the assets characteristic of the Group and of the Company.

4.7 Fair value of investment properties

The Group and the Company carry their investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group and the Company engaged an external valuer to determine the fair values. The valuation methods adopted by the valuer include sales comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, visibility, time, terrain, size, present market trends and other differences, income approach, being the projected net income and other benefits that are the subject property can generate over the life of the property capitalised at market derived yields to arrive at the present value of the property. Judgement is made in determining the appropriate valuation methods and the key assumptions used in the valuations. Any changes in these assumptions will have an impact on the carrying amounts of the investment properties.

The carrying amounts of the investment properties are disclosed in Note 6.

Notes to the Financial Statements (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold land RM	Freehold buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Computer software and hardware RM	Renovation RM	Capital work-in-progress RM	Right-of-use assets RM	Total RM
Group												
Cost												
At 1 September 2018 (unaudited)		5,710,000	1,040,000	1,825,681	1,458,798	263,630	244,124	110,002	323,757	198,023	–	11,174,015
Additions		–	–	151,270	159,052	2,000	18,600	9,050	3,661	125,651	–	469,284
Revaluation (deficit)/surplus		(580,000)	2,300,800	–	–	–	–	–	–	–	–	1,720,800
Transfer from accumulated depreciation		–	(20,800)	–	–	–	–	–	–	–	–	(20,800)
Transfer to investment property		–	–	–	–	–	–	–	–	(323,674)	–	(323,674)
Written off		–	–	–	(368,383)	–	–	–	–	–	–	(368,383)
At 31 August 2019, as previously stated (unaudited)		5,130,000	3,320,000	1,976,951	1,249,467	265,630	262,724	119,052	327,418	–	–	12,651,242
Effect of adoption of MFRS 16		–	–	(324,988)	(452,199)	–	–	–	–	–	795,845	18,658
Adjusted balance at 1 September 2019 (unaudited)		5,130,000	3,320,000	1,651,963	797,268	265,630	262,724	119,052	327,418	–	795,845	12,669,900
Additions		–	–	136,419	38,019	–	–	–	207,070	–	41,848	423,356
Transfers		–	–	324,988	341,199	(5,550)	5,550	–	–	–	(666,187)	–
Disposal		(10,000)	–	–	–	–	–	–	–	–	–	(10,000)
At 31 August 2020		5,120,000	3,320,000	2,113,370	1,176,486	260,080	268,274	119,052	534,488	–	171,506	13,083,256

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

	Note	Freehold land RM	Freehold buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Computer software and hardware RM	Renovation RM	Capital work-in-progress RM	Right-of-use assets RM	Total RM
Group												
Accumulated depreciation and impairment loss												
At 1 September 2018 (unaudited)		–	–	1,277,295	975,005	129,452	137,676	105,540	174,054	–	–	2,799,022
Depreciation charge for the financial year	19	–	20,800	128,750	266,472	25,601	21,807	5,552	31,808	–	–	500,790
Transfer to cost upon revaluation		–	(20,800)	–	–	–	–	–	–	–	–	(20,800)
Written off		–	–	–	(368,383)	–	–	–	–	–	–	(368,383)
Impairment loss		10,000	–	–	–	–	–	–	–	–	–	10,000
At 31 August 2019, as previously stated (unaudited)		10,000	–	1,406,045	873,094	155,053	159,483	111,092	205,862	–	–	2,920,629
Effect of adoption of MFRS 16		–	–	(129,995)	(295,159)	–	–	–	–	–	425,154	–
Adjusted balance at 1 September 2019 (unaudited)		10,000	–	1,276,050	577,935	155,053	159,483	111,092	205,862	–	425,154	2,920,629
Depreciation charge for the financial year	19	–	66,400	101,067	154,739	24,995	20,979	2,049	52,056	–	117,132	539,417
Transfers		–	–	154,369	324,139	(4,166)	4,166	–	–	–	(478,508)	–
Reversal of impairment loss		(10,000)	–	–	–	–	–	–	–	–	–	(10,000)
At 31 August 2020		–	66,400	1,531,486	1,056,813	175,882	184,628	113,141	257,918	–	63,778	3,450,046

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

	Note	Freehold land RM	Freehold buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture and fittings RM	Office equipment RM	Computer software and hardware RM	Renovation RM	Capital work-in-progress RM	Right-of-use assets RM	Total RM
Group												
Net carrying amount												
At 31 August 2019 (unaudited)												
- At cost		–	–	570,906	376,373	110,577	103,241	7,960	121,556	–	–	1,290,613
- At revaluation		5,120,000	3,320,000	–	–	–	–	–	–	–	–	8,440,000
		5,120,000	3,320,000	570,906	376,373	110,577	103,241	7,960	121,556	–	–	9,730,613
At 1 September 2019 (adjusted and unaudited)												
- At cost		–	–	375,913	219,333	110,577	103,241	7,960	121,556	–	370,691	1,309,271
- At revaluation		5,120,000	3,320,000	–	–	–	–	–	–	–	–	8,440,000
		5,120,000	3,320,000	375,913	219,333	110,577	103,241	7,960	121,556	–	370,691	9,749,271
At 31 August 2020												
- At cost		–	–	581,884	119,673	84,198	83,646	5,911	276,570	–	107,728	1,259,610
- At revaluation		5,120,000	3,253,600	–	–	–	–	–	–	–	–	8,373,600
		5,120,000	3,253,600	581,884	119,673	84,198	83,646	5,911	276,570	–	107,728	9,633,210

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

(a) Assets under finance lease

The carrying amounts of assets under a finance lease arrangements are as follows:

	Group Unaudited 2019 RM (Note 31)
Plant and machineries	194,993
Motor vehicles	157,040
	352,033

(b) Assets pledged as security

	Group 2020 RM	Group Unaudited 2019 RM (Note 31)
Freehold land	5,120,000	5,120,000
Freehold buildings	3,253,600	3,320,000
	8,373,600	8,440,000

Freehold land and buildings have been pledged as security to secure credit facilities of the Group as disclosed in Note 13.

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

(c) Right-of-use assets

The Group leases several assets including apartments, plant and machineries and motor vehicles.

Information about leases for which entities in the Group is a lessee are presented below:

	Apartments RM	Plant and machineries RM	Motor vehicles RM	Total RM
Group				
Carrying amount				
At 1 September 2019 (unaudited)	18,658	194,993	157,040	370,691
Additions	41,848	–	–	41,848
Depreciation	(19,378)	(24,374)	(73,380)	(117,132)
Transfers	–	(170,619)	(17,060)	(187,679)
At 31 August 2020	41,128	–	66,600	107,728

The Group leases apartments for staff accommodations. The leases for apartments generally have lease term between 1 to 2 years.

The Group also leases plant and machineries and motor vehicles with lease term of 4 to 5 years and has options to purchase the assets at the end of the contract term.

(d) Fair value information

Fair value of freehold land and buildings are categorised as follows:

	Group Level 2 2020 RM	Group Level 2 Unaudited 2019 RM (Note 31)
Freehold land	5,120,000	5,120,000
Freehold buildings	3,320,000	3,320,000
	8,440,000	8,440,000

There are no Level 1 and Level 3 freehold land and buildings or transfers between Level 1, Level 2 and Level 3 during the financial year/period.

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

(d) Fair value information (cont'd)

Level 2 fair value

Level 2 fair value of freehold land and buildings have been derived using the sales comparison approach. Sales price of comparable property in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable property.

Valuation processes applied by the Group

The fair value of freehold land and buildings was determined on 16 July 2019, being the date of valuation, by an external independent property valuer, a member of the Institute of Valuers in Malaysia, with appropriate recognised professional qualifications and recent experience in the location and category of property being valued. There has been no change to the valuation technique during the financial year/ period.

(e) Had the revalued freehold land and buildings been carried at historical cost less accumulated depreciation less accumulated impairment loss, the net carrying amount of the freehold land and buildings that would have been included in the financial statements of the Group are as follows:

	Group	
		Unaudited
	2020	2019
	RM	RM
		(Note 31)
Freehold land	2,646,577	2,646,577
Freehold buildings	432,407	442,782
	3,078,984	3,089,359

6. INVESTMENT PROPERTY

	Group	
		Unaudited
	2020	2019
	RM	RM
		(Note 31)
At fair value:		
At 1 September	323,674	2,800,000
Changes in fair value	(23,674)	400,000
Transfer from property, plant and equipment	–	323,674
Disposal as dividend in specie	–	(3,200,000)
At 31 August	300,000	323,674

Investment property with a carrying amount of RM300,000 (2019: RM323,674) has been pledged as security to secure credit facilities of the Group as disclosed in Note 13.

6. INVESTMENT PROPERTY (CONT'D)

The following are recognised in profit or loss in respect of investment property:

	Group	
		Unaudited
	1.09.2019 to 31.08.2020 RM	1.09.2018 to 31.08.2019 RM (Note 31)
Rental income	–	154,500
Direct operating expenses:		
- income generating investment properties	–	59
- non-income generating investment properties	–	4,637

Fair value information

Fair value of investment property are categorised as follows:

	Level 2 RM	Level 3 RM	Total RM
Group			
At 31 August 2020			
Building	300,000	–	300,000
At 31 August 2019 (unaudited)			
Building	–	323,674	323,674

Level 2 fair value

Level 2 fair value of investment property have been derived using the sales comparison approach. Sales price of comparable property in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable property.

Valuation processes applied by the Group

The fair value of investment property was determined on 30 August 2020, being the date of valuation, by an external independent property valuer, a member of the Institute of Valuers in Malaysia, with appropriate recognised professional qualifications and recent experience in the location and category of property being valued. There has been no change to the valuation technique during the financial year/period.

7. INVESTMENT IN SUBSIDIARIES

	Company 2020 RM
At cost:	
Unquoted shares	25,999,990

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Ownership 2020	Principal activities
Econframe Marketing Sdn. Bhd. ("ECM")	Malaysia	100%	Manufacturing and sales of doors, door and window frames and trading of ironmongery
Econframe Pre-Hung Doors Sdn. Bhd. ("PHD")	Malaysia	100%	Trading of doors

Acquisition of subsidiaries ("Acquisitions")

On 12 February 2020, the Company had entered into two separate conditional share sale agreements to acquire:

(a) the entire issued equity interest of ECM for a total purchase consideration of RM24,230,000 which was wholly satisfied by the issuance of 242,300,000 shares in the Company at RM0.10 per share; and

(b) the entire issued equity interest of PHD for a total purchase consideration of RM1,769,990 which was wholly satisfied by the issuance of 17,699,900 shares in the Company at RM0.10 per share.

The Acquisitions were completed on 1 August 2020 and ECM and PHD became the Company's wholly-owned subsidiaries.

8. INVENTORIES

	Group 2020 RM	Group Unaudited 2019 RM (Note 31)
At cost		
Raw materials	1,223,464	1,552,806
Finished goods	2,415,086	1,356,278
	3,638,550	2,909,084

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM20,560,564 (2019: RM22,549,878).

Notes to the Financial Statements (cont'd)

9. TRADE AND OTHER RECEIVABLES

		Group	Group	Company
			Unaudited	
	Note	2020 RM	2019 RM (Note 31)	2020 RM
Trade				
Trade receivables	(a)	12,926,715	15,060,208	–
Less: Impairment losses		–	(30,672)	–
		12,926,715	15,029,536	–
Non-trade				
Other receivables		17,349	3,349	–
Deposits		76,120	308,944	–
Prepayments		931,015	21,429	700,143
		1,024,484	333,722	700,143
Total trade and other receivables		13,951,199	15,363,258	700,143

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group ranged from 30 days to 120 days from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

The ageing analysis of the Group's trade receivables are as follows:

	Group	Group
		Unaudited
	2020 RM	2019 RM (Note 31)
Neither past due nor impaired	4,977,590	5,615,450
Past due but not impaired:	7,949,125	9,414,086
1 to 30 days past due not impaired	2,937,605	2,803,726
31 to 60 days past due not impaired	2,623,149	2,440,644
61 to 90 days past due not impaired	556,162	2,075,564
91 to 120 days past due not impaired	230,949	1,181,500
More than 120 days past due not impaired	1,601,260	912,652
Impaired	–	30,672
Total trade receivables	12,926,715	15,060,208

9. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables is as follows:

	Note	Group 2020 RM	Group Unaudited 2019 RM (Note 31)
At 1 September		30,672	–
Charge for the financial year			
- Individually assessed	**19**	–	30,672
Reversal of impairment loss		(30,672)	–
At 31 August		–	30,672

The information about the credit exposures are disclosed in Note 24(b).

10. CASH AND SHORT-TERM DEPOSITS

	Group 2020 RM	Group Unaudited 2019 RM (Note 31)	Company 2020 RM
Cash and bank balances	5,779,753	3,176,862	100
Short-term deposits	2,929,753	1,704,457	–
	8,709,506	4,881,319	100

10. CASH AND SHORT-TERM DEPOSITS (CONT'D)

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following:

	Group		Company
		Unaudited	
	2020	2019	2020
	RM	RM	RM
		(Note 31)	
Short-term deposits	2,929,753	1,704,457	–
Less: Pledged deposits	(2,694,451)	(1,704,457)	–
	235,302	–	–
Cash and bank balances	5,779,753	3,176,862	100
	6,015,055	3,176,862	100

Short-term deposits placed with licensed banks of the Group have been pledged to the licensed banks to secure credit facilities granted to the Group as disclosed in Note 13.

11. SHARE CAPITAL

	Group			
	Number of ordinary shares			Unaudited
			Amount	Amount
	2020	2019	2020	2019
	Unit	Unit	RM	RM
Issued and fully paid-up:				
At 1 September	1,100,000	1,100,000	1,100,000	1,100,000
Share issued upon incorporation	1	–	1	–
Adjustment on the acquisition of subsidiary	(1,100,000)	–	(1,100,000)	–
Issuance of ordinary shares	99	–	99	–
Issuance of shares pursuant to acquisition of subsidiaires	259,999,900	–	25,999,990	–
At 31 August	260,000,000	1,100,000	26,000,090	1,100,000

11. SHARE CAPITAL (CONT'D)

	Company	
	Number of ordinary shares 2020 Unit	Amount 2020 RM
Issued and fully paid-up:		
At 27 November (date of incorporation)	1	1
Issuance of ordinary shares	99	99
Issuance of shares pursuant to acquisition of subsidiaires	259,999,900	25,999,990
At 31 August	260,000,000	26,000,090

For the purpose of this report, the total number of shares as at 31 August 2019 represent the aggregate number of issued shares of all entities within the Group. Pursuant to the Pre-Initial Public Offering, the total number of shares as at 31 August 2020 represents the number of issued shares of the Group.

During the financial period, the Company:

(i) issued 1 ordinary share at a price of RM1 per ordinary share to the subscriber on the date of incorporation;

(ii) issued 99 new ordinary shares at a price of RM1 per ordinary share for working capital purpose;

(iii) issued 242,300,000 new ordinary shares at a price of RM0.10 per ordinary share for the acquisition of 100% equity interest in ECM pursuant to the conditional share sale agreement dated 12 February 2020; and

(iv) issued 17,699,900 new ordinary shares at a price of RM0.10 per ordinary share for the acquisition of 100% equity interest in PHD pursuant to the conditional share sale agreement dated 12 February 2020.

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

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 meeting of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

Notes to the Financial Statements (cont'd)

12. OTHER RESERVES

	Group 2020 RM	Group Unaudited 2019 RM (Note 31)
Revaluation reserve	4,216,602	4,227,028
Reorganisation reserve	(25,825,125)	–
	(21,608,523)	4,227,028

Revaluation reserve

	Group 2020 RM	Group Unaudited 2019 RM (Note 31)
At 1 September	4,227,028	2,848,786
Revaluation surplus	–	1,720,800
Deferred tax liabilities	–	(332,132)
Realisation of revaluation reserve	(10,426)	(10,426)
At 31 August	4,216,602	4,227,028

Reorganisation reserve

As detailed in Note 7, the Company has completed its Pre-Initial Public Offering reorganisation on 1 August 2020. Consequently, reorganisation reserve represents the difference between the purchase consideration to acquire ECM and PHD and the share capital of the Company as at 31 August 2020.

13. LOANS AND BORROWINGS

	Note	Group 2020 RM	Group Unaudited 2019 RM (Note 31)
Non-current:			
Term loans	(a)	449,967	568,684
Lease liabilities/Finance lease liabilities	(b)	60,984	65,271
		510,951	633,955
Current:			
Term loans	(a)	236,557	242,907
Lease liabilities/Finance lease liabilities	(b)	46,083	109,739
Bankers' acceptance	(c)	–	1,265,000
		282,640	1,617,646
Total loans and borrowings:			
Term loans	(a)	686,524	811,591
Lease liabilities/Finance lease liabilities	(b)	107,067	175,010
Bankers' acceptance	(c)	–	1,265,000
		793,591	2,251,601

(a) Term loans

Term loans of the Group bear interests ranging from 3.44% to 3.54% (2019: 4.84% to 4.94%) per annum and is repayable by monthly instalments of RM3,364 to RM7,859 over 5 to 7 years commencing from the day of first drawdown and is secured and supported as follows:

(i) Legal charge over the freehold land and buildings of a subsidiary as disclosed in Note 5;
(ii) Legal charge over the freehold buildings of a subsidiary as disclosed in Note 6; and
(iii) Letter of set-off over first party short-term deposits with interest capitalised as disclosed in Note 10.

Notes to the Financial Statements (cont'd)

13. LOANS AND BORROWINGS (CONT'D)

(b) Lease liabilities/Finance lease liabilities

Certain property, plant and equipment of the Group as disclosed in Note 5 are pledged for leases. Such leases do not have terms for renewal which would give the Group an option to purchase at nominal values at the end of the lease term. The effective interest in the leases is 6.28% (2019: 5.80%) per annum.

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	Group	
	2020 RM	Unaudited 2019 RM (Note 31)
Minimum lease payments:		
Not later than one year	50,460	116,476
Later than one year and not later than five years	63,925	70,781
	114,385	187,257
Less: Future finance charges	(7,318)	(12,247)
Present value of minimum lease payments	107,067	175,010

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	Group	
	2020 RM	Unaudited 2019 RM (Note 29)
Present value of minimum lease payment payable:		
Not later than one year	46,083	109,739
Later than one year and not later than five years	60,984	65,271
	107,067	175,010
Less: Amount due within twelve months	(46,083)	(109,739)
Amount due after twelve months	60,984	65,271

(c) Bankers' acceptance

Bankers' acceptance bears interest of 4.10% (2019: 4.10%) and is secured and supported as follows:

(i) Legal charge against freehold land and buildings of a subsidiary as disclosed in Note 5; and
(ii) Letter of set-off over first party short-term deposits with interest capitalised as disclosed in Note 10.

14. DEFERRED TAX LIABILITIES

Deferred tax relates to the following:

	Unaudited As at 1 September 2018 RM (Note 29)	Recognised in profit or loss RM (Note 21)	Other comprehensive income RM (Note 12)	Unaudited As at 31 August 2019 RM (Note 33)	Recognised in profit or loss RM (Note 21)	As at 31 August 2020 RM
Group						
Deferred tax liabilities:						
Property, plant and equipment	356,077	22,524	–	378,601	(40,293)	338,308
Revaluation surplus on property, plant and equipment	785,813	–	332,132	1,117,945	(26,249)	1,091,696
Fair value gain on investment property	27,500	(27,500)	–	–	–	–
	1,169,390	(4,976)	332,132	1,496,546	(66,542)	1,430,004

Notes to the Financial Statements (cont'd)

15. TRADE AND OTHER PAYABLES

	Note	Group 2020 RM	Group Unaudited 2019 RM (Note 31)	Company 2020 RM
Trade				
Trade payables	**(a)**	1,456,215	1,664,320	–
Non-trade				
Other payables		439,862	380,805	–
Accruals		510,863	184,604	105,000
Deposits		96,035	337,268	–
Amount owing to a subsidiary	**(b)**	–	–	1,520,278
		1,046,760	902,677	1,625,278
Total trade and other payables		2,502,975	2,566,997	1,625,278

(a) Trade payables

Trade payables are non-interest bearing and are normally settled within 30 days to 60 days.

(b) Amount owing to a subsidiary

Amount owing to a subsidiary is unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.

For explanation on the Group's and the Company's liquidity risk management processes, refer to Note 24(b)(ii).

16. REVENUE

	Group 1.09.2019 to 31.08.2020 RM	Group Unaudited 1.09.2018 to 31.08.2019 RM (Note 31)
At a point in time:		
Sale of goods	40,618,396	44,088,863

17. OTHER INCOME

	Group	
		Unaudited
	1.09.2019 to 31.08.2020 RM	1.09.2018 to 31.08.2019 RM (Note 31)
Rental income		
- Investment property	–	154,500
- Lorry	18,200	22,750
Interest income	72,296	20,691
Reversal of impairment loss on property, plant and equipment	10,000	–
Bad debts recovered	–	4,930
Reversal of impairment loss on trade receivables	30,672	–
Fair value gain on investment property	–	400,000
Net unrealised foreign exchange gain	4,562	–
Wage Subsidy Program by Government of Malaysia	96,600	–
Others	54,213	16,486
	286,543	619,357

18. FINANCE COSTS

	Group	
		Unaudited
	1.09.2019 to 31.08.2020 RM	1.09.2018 to 31.08.2019 RM (Note 31)
Interest expense on:		
- Term loans	35,691	42,285
- Lease liabilities/finance lease liabilities	7,800	21,657
- Bankers' acceptance	16,940	60,015
- Bank overdraft	–	1,837
	60,431	125,794

19. PROFIT/(LOSS) BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at profit/(loss) before tax:

	Note	Group 1.09.2019 to 31.08.2020 RM	Group Unaudited 1.09.2018 to 31.08.2019 RM (Note 31)	Company 27.11.2019 to 31.08.2020 RM
Auditors' remuneration		134,000	38,000	63,000
Bad debts written off		–	2,597	–
Depreciation of property, plant and equipment	5	539,417	500,790	–
Impairment loss on trade receivables		–	30,672	–
Impairment loss on property, plant and equipment	5	–	10,000	–
Fair value loss on investment property		23,674	–	–
Incorporation fee		–	–	4,000
Net realised foreign exchange loss		111,279	–	–
Employee benefits expense	20	2,468,764	2,238,376	42,000
Rental expense on:				
- Premises		42,450	132,350	–

20. EMPLOYEE BENEFITS EXPENSE

	Group 1.09.2019 to 31.08.2020 RM	Group Unaudited 1.09.2018 to 31.08.2019 RM (Note 31)	Company 27.11.2019 to 31.08.2020 RM
Salaries, allowances and bonuses	2,208,740	1,568,890	42,000
Defined contribution plans	232,135	173,734	–
Other staff related benefits	27,889	495,752	–
	2,468,764	2,238,376	42,000

20. EMPLOYEE BENEFITS EXPENSE (CONT'D)

	Group		Company
		Unaudited	
	1.09.2019 to 31.08.2020 RM	1.09.2018 to 31.08.2019 RM (Note 31)	27.11.2019 to 31.08.2020 RM
Included in employee benefits expenses are directors' remuneration:			
- Directors' fee	265,000	120,000	33,000
- Salaries, allowances and bonuses	125,300	130,600	9,000
- Defined contribution plans	14,639	11,492	–
- Other staff related benefits	898	168,123	–
	405,837	430,215	42,000

21. INCOME TAX EXPENSE

The major components of income tax expense for the financial year/period ended 31 August 2020 and financial year ended 31 August 2019 are as follows:

	Group		Company
		Unaudited	
	1.09.2019 to 31.08.2020 RM	1.09.2018 to 31.08.2019 RM (Note 31)	27.11.2019 to 31.08.2020 RM
Statement of comprehensive income			
Current income tax:			
- Current income tax charge	2,030,242	2,387,059	–
- Adjustment in respect of prior years	12,685	–	–
- Real property gain tax	(73,052)	90,000	–
	1,969,875	2,477,059	–
Deferred tax (Note 14):			
- Origination of temporary differences	8,906	(766)	–
- Adjustment in respect of prior years	(75,448)	(4,210)	–
	(66,542)	(4,976)	–
Income tax expenses recognised in profit or loss	1,903,333	2,472,083	–

21. INCOME TAX EXPENSE (CONT'D)

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid-up capital of RM2,500,000 and below is subject to the statutory tax rate of 17% (2019: 17%) on chargeable income up to RM600,000 (2019: RM500,000). For chargeable income in excess of RM600,000, statutory rate of 24% is still applicable.

The Group and the Company have paid-up capital of more than RM2,500,000 for the financial year ended 31 August 2020. Hence, domestic income tax is calculated at the Malaysian statutory income tax rate of 24% of the estimated assessable profit for the financial year/period.

The reconciliation from the tax amount at the statutory income tax rate to the Group's and the Company's tax expenses are as follows:

	Group		Company
	1.09.2019 to 31.08.2020 RM	Unaudited 1.09.2018 to 31.08.2019 RM (Note 31)	27.11.2019 to 31.08.2020 RM
Profit/(Loss) before tax	7,242,411	10,607,505	(925,135)
Tax at statutory income tax rate of 24%	1,738,180	2,545,801	(222,032)
SME tax saving	–	(70,000)	–
Real property gain tax	(73,052)	90,000	–
Adjustments:			
Income not subject to tax	–	(96,000)	–
Non-deductible expenses	303,979	27,292	222,032
Utilisation of reinvestment allowance claimed	(3,011)	(20,800)	–
Adjustment in respect of current income tax of prior years	12,685	–	–
Adjustment in respect of deferred tax of prior years	(75,448)	(4,210)	–
Income tax expense	1,903,333	2,472,083	–

22. EARNINGS PER SHARE

Basic earnings per ordinary share

Basic earnings per share are based on the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the diluted potential ordinary shares into ordinary shares.

The basic and diluted earnings per share are calculated as follows:

	Group	
		Unaudited
	2020	2019
	RM	RM
		(Note 31)
Profit attributable to owners of the Company	5,339,078	8,135,422
Weighted average number of ordinary shares for basic and diluted earnings per share	260,000,000	260,000,000*
Basic and diluted earnings per ordinary share	0.02	0.03

* In the calculation of earnings per share for the financial year ended 31 August 2019, it is assumed that 260,000,000 ordinary shares were in issue.

The diluted earnings per share of the Group is equivalent to the basic earnings per share as the Company does not have any potential dilutive ordinary shares.

23. DIVIDEND

	Group 1.09.2019 to 31.08.2020 RM	Group Unaudited 1.09.2018 to 31.08.2019 RM (Note 31)
Recognised during the financial year:		
Dividends on ordinary shares:		
- Single-tier interim dividend for the financial year ended 31 August 2017: RM3.00 per ordinary share, paid on 25 October 2018	–	300,000
- Single-tier interim dividend for the financial year ended 31 August 2019: RM1.50 per ordinary share, paid on 21 June 2019	–	1,500,000
- Single-tier interim dividend in specie for the financial year ended 31 August 2019: RM3.20 per ordinary share, paid on 24 August 2019	–	3,200,000
	–	5,000,000

24. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Amortised cost

	Carrying amount RM	Amortised cost RM
31 August 2020		
Financial assets		
Group		
Trade and other receivables less prepayments	13,020,184	13,020,184
Cash and short-term deposits	8,709,506	8,709,506
	21,729,690	21,729,690
Company		
Cash in hand	100	100
Financial liabilities		
Group		
Loans and borrowings	(793,591)	(793,591)
Trade and other payables	(2,502,975)	(2,502,975)
	(3,296,566)	(3,296,566)
Company		
Other payables	(1,625,278)	(1,625,278)
31 August 2019 (unaudited)		
Financial assets		
Group		
Trade and other receivables less prepayments	15,341,829	15,341,829
Cash and short-term deposits	4,881,319	4,881,319
	20,223,148	20,223,148
Financial liabilities		
Group		
Loans and borrowings	(2,251,601)	(2,251,601)
Trade and other payables	(2,566,997)	(2,566,997)
	(4,818,598)	(4,818,598)

24. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks are liquidity risk, credit risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for its shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Company's senior management.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

At the end of the reporting period, the Group and the Company do not have any significant exposure to any individual customers.

The Group and the Company apply the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information. There is no expected credit loss recognised during the financial year/period.

24. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Trade receivables (cont'd)

Credit risk concentration profile (cont'd)

The information about the credit risk exposure in the Group's trade receivables using a provision matrix are as follows:

	Trade receivables						
	Current RM	1 to 30 days past due RM	31 to 60 days past due RM	61 to 90 days past due RM	91 to 120 days past due RM	> 120 days past due RM	Total RM
Group							
At 31 August 2020							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	4,977,590	2,937,605	2,623,149	556,162	230,949	1,601,260	12,926,715
Impairment losses	–	–	–	–	–	–	–
At 31 August 2019 (unaudited)							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	5,615,450	2,803,726	2,440,644	2,075,564	1,181,500	912,652	15,029,536
Impairment losses	–	–	–	–	–	–	–

24. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(i) Credit risk (cont'd)

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 120 days past due in making a contractual payment.

Some intercompany loans between related entities are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the debtor does not have sufficient highly liquid resources when the loan is demanded, the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

As at the end of the report date, the Group and the Company did not recognise any loss allowance for impairment for other receivables and other financial assets.

Refer to Note 3.10(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

24. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arises principally from trade and other payables.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's and the Company's treasury department also ensures that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

		Contractual cash flows			
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
Group					
At 31 August 2020					
Trade and other payables	2,502,975	2,502,975	–	–	2,502,975
Term loans	686,524	252,912	467,587	–	720,499
Lease liabilities	107,067	50,460	63,925	–	114,385
	3,296,566	2,806,347	531,512	–	3,337,859
At 31 August 2019 (unaudited)					
Trade and other payables	2,566,997	2,566,997	–	–	2,566,997
Term loans	811,591	275,904	604,633	–	880,537
Finance lease liabilities	175,010	116,476	70,781	–	187,257
Bankers' acceptance	1,265,000	1,265,000	–	–	1,265,000
	4,818,598	4,224,377	675,414	–	4,899,791
Company					
At 31 August 2020					
Other payables	1,625,278	1,625,278	–	–	1,625,278

24. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd)

(iii) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their long-term loans and borrowings and short-term deposits with floating interest rates.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial year.

	Carrying amount RM	Change in basis point	Effect on profit for the financial year/equity RM
Group			
31 August 2020			
Term loans	(686,524)	+ 50	2,609
		- 50	(2,609)
Short-term deposits	2,929,753	+ 50	(11,133)
		- 50	11,133
31 August 2019 (unaudited)			
Term loans	(811,591)	+ 50	3,084
		- 50	(3,084)
Bankers' acceptance	(1,265,000)	+ 50	4,807
		- 50	(4,807)
Short-term deposits	1,704,457	+ 50	(6,477)
		- 50	6,477

24. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value measurement

The carrying amount of cash and short-term deposits, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

There have been no transfers between Level 1, Level 2 and Level 3 during the financial year/period.

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

		Fair value of financial instruments not carried at fair value			
		Fair value			
	Carrying amount RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group					
31 August 2020					
Financial liability					
Non-current					
Term loans	449,967	–	–	415,118	415,118
31 August 2019 (unaudited)					
Financial liabilities					
Term loans	568,684	–	–	523,239	523,239
Finance lease liabilities	65,271	–	–	64,774	64,774

Level 3 fair value

Fair value of financial instruments not carried at fair value

The fair value of liability component of term loans and lease liabilities/finance lease liabilities are calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities.

25. COMMITMENTS

	Group	
		Unaudited
	2020	2019
	RM	RM
		(Note 31)
Capital expenditures contracted but not provided for:		
- Purchase of property, plant and equipment	–	63,241
Capital expenditures not contracted and not provided for:		
- Purchase of land	5,000,000	–
- Purchase of property, plant and equipment	4,000,000	–
	9,000,000	63,241

26. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Company include:

(i) Key management personnel of the Company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly and indirectly.

(b) Compensation of key management personnel

	Group		Company
		Unaudited	
	1.09.2019 to 31.08.2020	1.09.2018 to 31.08.2019	27.11.2019 to 31.08.2020
	RM	RM	RM
		(Note 31)	
Salaries, allowances and bonuses	813,175	602,740	42,000
Defined contribution plans	58,154	53,941	–
Other staff related benefits	4,254	172,115	–
	875,583	828,796	42,000

27. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial period ended 31 August 2020 and financial year ended 31 August 2019.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The gearing ratio as at 31 August 2020 and 31 August 2019 are as follows:

		Group		**Company**
			Unaudited	
		2020	**2019**	**2020**
	Note	**RM**	**RM**	**RM**
			(Note 31)	
Loans and borrowings	**13**	793,591	2,251,601	–
Less: Cash and short-term deposits	**10**	(8,709,506)	(4,881,319)	(100)
Total net debts		(7,915,915)	(2,629,718)	(100)
Total equity		31,348,252	26,009,074	25,074,955
Gearing ratio (times)		N/A	N/A	N/A

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

The Group and the Company are not subject to externally imposed capital requirements.

28. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

(a) COVID-19 outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus Disease ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the movement control order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown, and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Company operates.

The Group and the Company have performed an assessment of the overall impact of the situation on the Group's and the Company's operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there is no material adverse effects on the financial statements for the financial year/period ended 31 August 2020.

The Group and the Company are unable to reasonably estimate the financial impact of these events on its financial position, results of operations or cash flows in the next financial period due to the uncertainty of the future outcome of the current events. It is however certain that the worldwide measures against the spread of the coronavirus will have direct and indirect effects on its operations. The Group and the Company will continuously monitor the impact of Covid-19 on their operations and financial performance and will be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's and the Company's operations.

(b) Acquisition of ECM

On 12 February 2020, the Company had entered into a conditional share sale agreement to acquire the entire equity interest of ECM for a total purchase consideration of RM24,230,000 which was wholly satisfied by the issuance of 242,300,000 shares in the Company at RM0.10 per share.

The purchase consideration of RM24,230,000 was arrived at on a willing buyer-willing seller basis based on the audited net assets of ECM of RM24,236,552 as at 31 August 2019. The acquisition was completed on 1 August 2020.

(c) Acquisition of PHD

On 12 February 2020, the Company had entered into a conditional share sale agreement to acquire the entire equity interest of PHD for a total purchase consideration of RM1,769,990 which was wholly satisfied by the issuance of 17,699,900 shares in the Company at RM0.10 per share.

The purchase consideration of RM1,769,990 was arrived at on a willing buyer-willing seller basis based on the audited net assets of PHD of RM1,772,522 as at 31 August 2019. The acquisition was completed on 1 August 2020.

29. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL PERIOD

(a) Listing on ACE Market of Bursa Securities

On 5 October 2020, the Company issued its Prospectus and undertook an Initial Public Offering ("IPO") comprising:

(i) Public issue of 65,000,000 new ordinary shares ("Public Issue") in the Company allocated in the following matter:

(a) 16,250,000 new shares available for application by the Malaysian public;

(b) 3,250,000 new shares available for application by the eligible directors and employees of the Group;

(c) 13,000,000 new shares by way of private placement to selected investors; and

(d) 32,500,000 new shares by way of private placement to identified bumiputera investors approved by the Ministry of International Trade and Industry Malaysia; and

(ii) Offer for sale of 32,500,000 existing shares by way of private placement to selected investors at the IPO price of RM0.28 per share.

Following the Company's issuance of the Prospectus on 5 October 2020, the Company has on 27 October 2020 successfully listed its enlarged issued share capital, comprising 325,000,000 shares on the ACE Market of Bursa Securities.

30. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by the directors for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follows:

Segments	**Product and services**
Manufacturing	Manufacture of doors, door and window frames
Trading	Trading of doors and ironmongery

Notes to the Financial Statements (cont'd)

30. SEGMENT INFORMATION (CONT'D)

	Note	Manufacturing RM	Trading RM	Adjustments and eliminations RM	Total RM
31 August 2020					
Revenue:					
Revenue from external customers		32,404,263	8,214,133	–	40,618,396
Inter-segment revenue	A	1,695	35,111	(36,806)	–
		32,405,958	8,249,244	(36,806)	40,618,396
Segment profit		9,867,226	3,045,979	–	12,913,205
Other income					286,543
Unallocated expenses					(5,896,906)
Finance costs					(60,431)
Income tax expense					(1,903,333)
Profit for the financial year					5,339,078
Results:					
Included in the measure of segments profit/(loss) are:					
Employee benefits expense					2,468,764
Depreciation					539,417

30. SEGMENT INFORMATION (CONT'D)

	Note	Manufacturing RM	Trading RM	Adjustments and eliminations RM	Total RM
31 August 2019 (unaudited)					
Revenue:					
Revenue from external customers		36,780,683	7,308,180	–	44,088,863
Inter-segment revenue	A	115,713	282,528	(398,241)	–
		36,896,396	7,590,708	(398,241)	44,088,863
Segment profit		11,931,530	2,682,481	–	14,614,011
Other income					619,357
Unallocated expenses					(4,500,069)
Finance costs					(125,794)
Income tax expense					(2,472,083)
Profit for the financial year					8,135,422
Results:					
Included in the measure of segments profit/(loss) are:					
Employee benefits expense					2,238,376
Depreciation					500,790

31. COMPARATIVE FIGURE

(a) Group

The consolidated financial statements of the Company are a continuation of ECM and PHD, and is accounted for as follows:

(i) The assets and liabilities of ECM and PHD are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to the fair value;
(ii) The retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group;
(iii) The equity structure, however, reflects the equity structure of the Company and the differences arising from the change in equity structure of the Group will be accounted for in other reserves; and
(iv) The comparative information presented in these consolidated financial statements is that of ECM and PHD.

The comparatives are not audited as the Group was not in existence in the previous financial year.

(b) Company

There are no comparative figures presented as this is the Company's first set of audited financial statements since its incorporation on 27 November 2019.

STATEMENT BY DIRECTORS

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

We, **LIM CHIN HORNG** and **KHOO SOON BENG**, being two of the directors of **ECONFRAME BERHAD**, do hereby state that in the opinion of the directors, the accompanying financial statements 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 August 2020 and of their financial performance and cash flows for the financial year/period then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

LIM CHIN HORNG
Director

KHOO SOON BENG
Director

Kuala Lumpur

Date: 30 November 2020

STATUTORY DECLARATION

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

I, **YONG WAI KIN** (MIA membership number: 21813), being the officer primarily responsible for the financial management of **ECONFRAME BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements 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.

YONG WAI KIN

Subscribed and solemnly declared by the above named at Kuala Lumpur in the Federal Territory on 30 November 2020.

Before me,

No. W761
HADINUR MOHD SYARIF
Pesuruhjaya Sumpah
(Commissioner for Oaths)
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ECONFRAME BERHAD (INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Econframe Berhad, which comprise the statements of financial position as at 31 August 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year/period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 121.

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 August 2020 and of their financial performance and cash flows for the financial year/period then ended in accordance with the 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 are independent 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Group

Trade receivables (Note 9 to the financial statements)

The Group has significant trade receivables with overdue balances as at 31 August 2020. We focused on this area because the Group made significant judgements over assumptions about risk of default and expected loss rate.

Our response:

Our audit procedures included, among others:

- developing understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports;
- obtaining confirmation of balances from selected receivables;
- checking subsequent receipts, customer correspondence and considering level of activity with the customer and management explanation on recoverability with significantly past due balances; and
- assessing the reasonableness and calculation of expected credit losses as at the end of the reporting period.

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

Independent Auditors' Report (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 information included in the annual 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 other information 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 other information and, in doing so, consider whether the other information 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 other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the 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.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

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.

Independent Auditors' Report (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:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- 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, related safeguards.

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/period and are therefore the key audit matters. We describe these matters in our auditors' report unless law and regulations 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.

Independent Auditors' Report (cont'd)

Other Matters

1. Without qualifying our report, we draw attention to Note 31 to the financial statements which states that the Group's comparative figures disclosed in the financial statements have not been audited.

2. 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 contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Paul Tan Hong
No. 03459/11/2021 J
Chartered Accountant

Kuala Lumpur

Date: 30 November 2020

LIST OF PROPERTIES
AS AT 31 AUGUST 2020

No.	Registered owner/ Title details/ Postal address	Category of land use / Tenure	Description of property/ Existing use/ Age of building	Land area/ Built-up area	Date of Acquisition/ Revaluation	Audited NBV as at 31 August 2020
				sq ft		RM'000
(i)	**Econframe Marketing Sdn Bhd** No. 1, Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor Held under HS(M) 2255, HS(M) 2256 and HS(M) 2258, PT 12126, PT 12127 and PT 12129 Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial/ Freehold land	2 storey semi-detached factory Currently used as our centralised main office and manufacturing space of our Group 38 years	Land Area: 6,157 sq ft Built-up Area: Approximately 7,807 sq ft	3 February 2012/ 16 July 2019	1,886
(ii)	**Econframe Marketing Sdn Bhd** No. 3, Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor Held under HS(M) 2257 and HS(M) 2259, PT 12128 and PT 12130, Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial/ Freehold land	2 storey semi-detached factory Currently used as manufacturing space of our Group 38 years	Land Area: 5,480 sq ft Built-up area: Approximately 7,130 sq ft	3 February 2012/ 16 July 2019	1,738
(iii)	**Econframe Marketing Sdn Bhd** No. 4, Jalan 27A, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor Held under HS(M) 2277 PT 12148, Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial/ Freehold land	2 storey semi-detached factory Currently used as manufacturing space of our Group 38 years	Land Area: 7,207 sq ft Built-up Area: Approximately 9,271 sq ft	8 August 2014/ 16 July 2019	2,086
(iv)	**Econframe Marketing Sdn Bhd** No. 102, Jalan 27, Kawasan 16, Sungai Rasau Industrial Area, 41300 Klang, Selangor Held under HS(M) 2280 and HS(M) 2281, PT 12151 and PT 12152, Mukim Kapar, Daerah Klang, Negeri Selangor	Industrial/ Freehold land	2 storey semi-detached factory Currently used as warehouse and manufacturing space of our Group 38 years	Land Area: 9,026 sq ft Built-up Area: Approximately 15,386 sq ft	29 September 2009/ 16 July 2019	2,664

List of Properties (cont'd)

No.	Registered owner/ Title details/ Postal address	Category of land use / Tenure	Description of property/ Existing use/ Age of building	Land area/ Built-up area	Date of Acquisition/ Revaluation	Audited NBV as at 31 August 2020
				sq ft		RM'000
(v)	**Econframe Marketing Sdn Bhd** No. B2-23-09, Aras 23, Blok B2 Kenwingston Residence Kenwingston Square Garden Persiaran Bestari, Cyber 9 63000 Cyberjaya, Selangor Erected on part of the land held under HSD 34452, PT48517, Mukim Dengkil, Daerah Sepang, Negeri Selangor (master title)	Residential/ Freehold land	Condominium unit Vacant 3 years	Land Area: N/A Built-up Area: 450 sq ft	27 April 2017/ 30 August 2020	300

ANALYSIS OF SHAREHOLDINGS
AS AT 27 NOVEMBER 2020

No. of issued shares	:	325,000,000
Class of Shares	:	Ordinary Shares
Voting Right	:	One (1) vote per ordinary share

A. SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
Name	**No. of shares**	**%**	**No. of shares**	**%**
Lim Chin Horng	112,912,735	34.74	[1] 400,000	0.12
Lim Saw Nee	108,392,300	33.35	–	–

Note:
(1) Disclosure made pursuant to Section 59(11)(c) of the Companies Act 2016 on interest held by his spouse.

B. ANALYSIS OF SHAREHOLDINGS

Holdings	No. of Holders	%	No. of Holdings	%
Less than 99	0	0.00	0	0.00
100 to 1,000	425	19.08	245,700	0.08
1,001 to 10,000	993	44.59	5,549,800	1.71
10,001 to 100,000	687	30.85	25,545,100	7.86
100,001 to 16,249,999 (*)	120	5.39	72,354,365	22.26
16,250,000 and above (**)	2	0.09	221,305,035	68.09
Total	2,227	100.00	325,000,000	100.00

REMARK : * - LESS THAN 5% OF ISSUED HOLDINGS
**** - 5% AND ABOVE OF ISSUED HOLDINGS**

C. DIRECTORS' SHAREHOLDINGS ACCORDING TO THE REGISTER OF DIRECTOR'S SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Name	**No. of shares**	**%**	**No. of shares**	**%**
Lim Chin Horng	112,912,735	34.74	[1] 400,000	0.12
Lim Saw Nee	108,392,300	33.35	–	–
Khoo Soon Beng	6,594,965	2.03	–	–
Robert Koong Yin Leong	50,000	0.02	–	–
Tan Hock Soon	50,000	0.02	–	–
Ilham Fadilah Binti Sunhaji	50,000	0.02	–	–

Note:
(1) Disclosure made pursuant to Section 59(11)(c) of the Companies Act 2016 on interest held by his spouse.

Analysis of Shareholdings (cont'd)

D. TOP THIRTY (30) SHAREHOLDERS

No	Name	No of shares held	%
1	LIM CHIN HORNG	112,912,735	34.74
2	LIM SAW NEE	108,392,300	33.35
3	KHOO SOON BENG	6,594,965	2.03
4	KENANGA NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN KAI BOON)	6,341,300	1.95
5	CHEW CHIA SERN, JOSHUA	3,450,000	1.06
6	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LIM GAIK ENG)	2,900,000	0.89
7	TENG CHUAN HENG	2,400,000	0.74
8	TAN CHUNG YEAN	2,140,000	0.66
9	ONG SIONG AIK	1,900,000	0.58
10	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR EDRIC YAP SHI YUAN)	1,755,000	0.54
11	KOH KIN LIP	1,650,000	0.51
12	OOI CHIN HEAN	1,500,000	0.46
13	BOO YIN KWAN	1,300,000	0.40
14	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR YAP CHING LOON)	1,013,600	0.31
15	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN KAI BOON)	1,000,000	0.31
16	CHIA MEAH HEA	1,000,000	0.31
17	TAN ENG HOOI	1,000,000	0.31
18	LIM WING SIANG	983,600	0.30
19	CHAN LAI YEE	952,300	0.29
20	YAP CHEE YEE	950,000	0.29
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR SER TOH CHON CHIEN)	920,000	0.28
22	CGS-CIMB NOMINEE (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LIM LIP TAT)	900,000	0.28
23	LIM CHONG KIAW	900,000	0.28
24	TAN LAI TEOW	900,000	0.28
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR BEH AH CHOO)	860,000	0.26
26	YEOH CHIN HOI	829,000	0.26
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LEE LIP KHANG)	800,000	0.25
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR OOI HOCK LAI)	800,000	0.25
29	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR ALEXANDER YAP CHEE ENG)	735,200	0.23
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR CHANG VOON SOON)	700,000	0.22
		268,480,000	82.61

NOTICE OF FIRST (1ST) ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 1st Annual General Meeting ("**AGM**") of the Company will be held at Royal Ballroom, Sultan Abdul Aziz Shah Golf & Country Club, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan on Monday, 25 January 2021 at 10:00 a.m. for the following purposes:-

A G E N D A

Ordinary Business

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 August 2020 together with the Reports of the Directors and Auditors thereon. ***(Refer to Note 2)***

2. To approve the Directors' fees of up to RM204,000/- for the financial year ending 31 August 2021 and Directors' benefits of up to RM70,000/- for the financial year ending 31 August 2021 and until the next AGM to be held in year 2022, payable to the Directors of the Company. ***Resolution 1***

3. To re-elect the following Directors, who retire pursuant Clause 21.11 of the Company's Constitution, and being eligible, has offered themselves for re-election: -

   (a) Mr. Robert Koong Yin Leong; ***Resolution 2***
   (b) Mr. Lim Chin Horng; ***Resolution 3***
   (c) Mr. Khoo Soon Beng; ***Resolution 4***
   (d) Madam Lim Saw Nee; ***Resolution 5***
   (e) Mr. Tan Hock Soon; and ***Resolution 6***
   (f) Puan Ilham Fadilah binti Sunhaji ***Resolution 7***

4. To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Board of Directors of the Company to determine their remuneration. ***Resolution 8***

Special Business

To consider and, if thought fit, with or without any modification, to pass the following Ordinary Resolution: -

5. **ORDINARY RESOLUTION** ***Resolution 9***
   - AUTHORITY TO ISSUE SHARES PURSUANT TO THE COMPANIES ACT 2016

   "**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016 ("**the Act**"), ACE Market Listing Requirements ("**ACE LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), the Constitution of the Company, and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this Resolution:-

   (a) does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding Treasury Shares, if any) for the time being and the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares to be issued on Bursa Securities;

Notice of 1st AGM (cont'd)

AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until 31 December 2021, being the concession period as empowered by Bursa Securities pursuant to its official letter dated 16 April 2020 to grant additional temporary relief measures to listed corporations ("**the Concession Period**"), notwithstanding Section 76(3) of the Act, be duly varied and adopted by the Directors of the Company pursuant to Section 76(4) of the Act; and

(b) Upon the expiration of the Concession Period, does not exceed ten per centum (10%) if any of the total number of issued shares of the Company (excluding Treasury Shares, if any) for the time being in compliance with the reinstatement of Rule 6.04(1) of the ACE LR of Bursa Securities and the Directors be and empowered to obtain approval for the listing of and quotation for the additional shares to be issued on Bursa Securities;

AND THAT such authority shall be applicable from 1 January 2022, being the day after the expiration of the Concession Period and continue to be in force until the conclusion of the Second AGM of the Company in year 2022."

6. To transact any other business that may be transacted at an AGM, due notice of which shall have been given in accordance with the Act and the Constitution of the Company.

BY ORDER OF THE BOARD

(duly signed)

CHUA SIEW CHUAN (SSM PC No. 201908002648) (MAICSA 0777689)
CHENG CHIA PING (SSM PC No. 202008000730) (MAICSA 1032514)
Company Secretaries

Kuala Lumpur
24 December 2020

Notes:

(1) Information for Shareholders/Proxies

a. For the purpose of determining a member who shall be entitled to attend the AGM, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd in accordance with Clause 18.7(b) of the Constitution of the Company and Section 34(1) of Securities Industry (Central Depositories) Act, 1991 ("**SICDA**") to issue a General Meeting Record of Depositors as at 18 January 2021. Only a depositor whose name appears on the Record of Depositors as at 18 January 2021 shall be entitled to attend the said meeting or appoint proxies to attend and/or speak and/or vote on his/her behalf.

b. A member entitled to attend and vote at the AGM is entitled to appoint a proxy/proxies to attend, speak and vote instead of him. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak and vote at the meeting.

Notes: (cont'd)

(1) Information for Shareholders/Proxies (cont'd)

c. A member may, subject to Notes (d) and (e) below, appoint more than one (1) proxy to attend and vote at the AGM, to the extent permitted by the Act, SICDA, ACE LR of Bursa Securities and the Rules of Bursa Malaysia Depository Sdn Bhd. Where a member appoints two (2) proxies to attend and vote at the AGM, such appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.

d. Where a member of the Company is an authorised nominee as defined under SICDA, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds to which shares in the Company standing to the credit of the said account.

e. Where a member of the Company is an exempt authorised nominee which hold shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

f. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, in the event the appointer is a corporation, the instrument appointing a proxy must be either under the appointer's Common Seal or under the hand of an officer or attorney duly authorised.

g. **Appointment of Proxy(ies)**

A member may obtain the proxy form for the AGM vide the Abridged Annual Report (hard copy) or Annual Report (electronic copy) released to Bursa Securities. The appointment of proxy(ies) may now be made in hard copy or in electronic form:-

(i) **Hard copy**

In the case of appointment made in hard copy, the instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy thereof, must be deposited at the office of the Company's Share Registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, not less than forty-eight (48) hours before the time for holding the AGM or any adjournment thereof.

(ii) **Electronic form**

In the case of appointment made in electronic form, the transmission/ lodgement of proxy form should be made no less than forty-eight (48) hours before the time of the meeting or any adjournment thereof :-

(A) Vide Facsimile (**Fax Number: +603-2094 9940 / +603-2095 0292**); or
(B) Vide designated electronic mail (Email) Address of Share Registrar: **info@sshsb.com.my**

A member may call the support line of Securities Services (Holdings) Sdn Bhd at +603-2084 9000 for assistance/clarification on item 1(g)(ii) above.

Notice of 1st AGM (cont'd)

Notes: (cont'd)

Explanatory Note to Ordinary and Special Business:-

(2) <u>Audited Financial Statements for the financial year ended 31 August 2020</u>

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Act does not require a formal approval for the Audited Financial Statements from the shareholders. Therefore, this Agenda item is not put forward for voting.

(3) <u>Resolution 9 – Authority to Issue Shares pursuant to the Act</u>

Bursa Securities had vide its letter dated 16 April 2020 granted several additional temporary relief measures to listed corporations, amongst others, an increase in general mandate limit for new issues of securities to not more than 20% of the total number of issued shares of the Company (hereinafter referred to as the "**20% General Mandate**").

The Company wishes to obtain the 20% General Mandate. The 20% General Mandate, unless revoked or varied by the Company in a general meeting, would expire at the end of the concession period, i.e. by 31 December 2021. Upon the expiration of the concession period, the 10% limit under Rule 6.04(1) of the ACE LR will be reinstated and until the conclusion of the Second AGM in year 2022.

After having considered all aspects of the 20% General Mandate, the Board was of the opinion that the adoption of the 20% General Mandate would be in the best interest of the Company and its shareholders, as the additional fund raising flexibility through the 20% General Mandate would enable the Company, should it be require to do so, to meet its funding requirements for working capital and operational expenditure or even new business opportunity, expeditiously and efficiently, without burdening the shareholders with a separate general meeting during this challenging period.

<u>Personal data privacy:-</u>

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company –

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing requirements, regulations and/or guidelines (collectively, the "**Purposes**");

(ii) warrants that where the member disclose the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained prior consent of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

<u>Important Notes:-</u>

The Company will be closely monitoring the Covid-19 situation and reserves the right to take further measures or short-notice arrangements as and when appropriate in order to minimise any risk to the AGM and/or its stakeholders. Any material developments will be announced on the Bursa Securities and members are advised to check the Company's announcement(s) made via Bursa Securities regularly for updates in respect of the AGM and/or material developments.

ECONFRAME BERHAD
[Registration No. 201901042935 (1352265-T)]
(Incorporated in Malaysia)

FORM OF PROXY

Number of shares held	
CDS account no.	
Email address	
Contact number.	

*I/We, ... *Registration No./NRIC No./
(full name as per NRIC/Passport/Certificate of Incorporation in capital letters)

Passport No. .... of ....
(full address)

being a member of **ECONFRAME BERHAD** hereby appoint ....
(full name as per NRIC/Passport in capital letters)

*NRIC No./Passport No. .... *and/or failing *him/her ....
(full name as per NRIC/Passport in capital letters)

*NRIC No./Passport No. .... or failing him/her the Chairman of the Meeting as *my/our proxy, to vote for *me/us on *my/our behalf at the First Annual General Meeting ("**AGM**") of the Company to be held at Royal Ballroom, Sultan Abdul Aziz Shah Golf & Country Club, No. 1, Rumah Kelab, Jalan Kelab Golf 13/6, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan on Monday, 25 January 2021 at 10:00 a.m. or at any adjournment thereof, on the following resolutions referred to in the Notice of AGM.

*My/Our proxy(ies) *is/are to vote as indicated below:-

Ordinary Business		**For**	**Against**
Resolution 1	To approve the Directors' fees and Benefits payable to the Directors of the Company		
Resolution 2	To re-elect Mr. Robert Koong Yin Leong as Director		
Resolution 3	To re-elect Mr. Lim Chin Horng as Director		
Resolution 4	To re-elect Mr. Khoo Soon Beng as Director		
Resolution 5	To re-elect Madam Lim Saw Nee as Director		
Resolution 6	To re-elect Mr. Tan Hock Soon as Director		
Resolution 7	To re-elect Puan Ilham Fadilah binti Sunhaji as Director		
Resolution 8	To re-appoint Messrs. Baker Tilly Monteiro Heng PLT as Auditors of the Company and to authorise the Board of Directors to determine their remuneration		
Special Business			
Resolution 9	Authority to issue shares pursuant to the Companies Act 2016		

(Please indicate with an "X" in the appropriate box against each Resolution how you wish your vote to be cast. If no specific direction as to how the proxy shall vote, the proxy shall vote as he/she thinks fit or, at his/her discretion, abstain from voting.)

Signed this .... day of .... , *2020/2021

....
* Signature(s)/Common Seal of Member(s)

*** Delete if not applicable**

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies		
	No. of shares	**Percentage**
Proxy 1		
Proxy 2		
Total		100%

NOTES:

a. For the purpose of determining a member who shall be entitled to attend the AGM, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd in accordance with Clause 18.7(b) of the Constitution of the Company and Section 34(1) of Securities Industry (Central Depositories) Act, 1991 ("**SICDA**") to issue a General Meeting Record of Depositors as at 18 January 2021. Only a depositor whose name appears on the Record of Depositors as at 18 January 2021 shall be entitled to attend the said meeting or appoint proxies to attend and/or speak and/or vote on his/her behalf.

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c. A member may, subject to Notes (d) and (e) below, appoint more than one (1) proxy to attend and vote at the AGM, to the extent permitted by the Act, SICDA, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**ACE LR**") and the Rules of Bursa Malaysia Depository Sdn Bhd. Where a member appoints two (2) proxies to attend and vote at the AGM, such appointment shall be invalid unless the member specifies the proportion of his/her shareholding to be represented by each proxy.

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e. Where a member of the Company is an exempt authorised nominee which hold shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

f. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, in the event the appointer is a corporation, the instrument appointing a proxy must be either under the appointer's Common Seal or under the hand of an officer or attorney duly authorised.

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(B) Vide designated electronic mail (Email) Address of Share Registrar: **info@sshsb.com.my**

A member may call the support line of Securities Services (Holdings) Sdn Bhd at +603-2084 9000 for assistance/ clarification on item 1(g)(ii) above.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 24 December 2020.

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Stamp

ECONFRAME BERHAD
[201901042935 (1352265-T)]
c/o **SECURITIES SERVICES (HOLDINGS) SDN BHD**
[197701005827 (36869-T)]
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

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ECONFRAME BERHAD
Registration No. 201901042935 (1352265-T)
(Incorporated in Malaysia under the Companies Act, 2016)

No. 1, Jalan Sungai Rasau 27A
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www.econframe.com

ECONFRAME®
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