ECONFRAME®

ECONFRAME BERHAD

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

ANNUAL REPORT 2021

ECONFRAME®

ECONFRAME BERHAD
Registration No. 201901042935 (1352265-T)

CONTENTS

CORPORATE STRUCTURE

ECONFRAME BERHAD

Registration No. 201901042935 (1352265-T)

100%

ECONFRAME MARKETING SDN BHD

200101021288 (557046-U)

- Design and manufacturing of metal door frames;
- Manufacturing of fire resistant door sets;
- Manufacturing of metal doors and wooden doors; and
- Trading of ironmongery.

100%

EFRAME TECHNOLOGY SDN BHD

202001043222 (1399543-K)

- Trading of electronics and electrical systems and accessories.

60%

EFRAME SOLARTECH SDN BHD

202101009659 (1409958-V)

- Trading and provision of installation services of solar energy products and system.

100%

ECONFRAME PRE-HUNG DOORS SDN BHD

201001002657 (887237-V)

- Trading of wooden doors.

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

LIM FOO SENG
Non-Independent Non-Executive Director

TAN HOCK SOON
Senior Independent Non-Executive Director

ILHAM FADILAH BINTI SUNHAJI
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Tan Hock Soon

Member
Robert Koong Yin Leong
Ilham Fadilah Binti Sunhaji

NOMINATION COMMITTEE

Chairperson
Ilham Fadilah Binti Sunhaji

Member
Robert Koong Yin Leong
Tan Hock Soon

REMUNERATION COMMITTEE

Chairman
Robert Koong Yin Leong

Member
Tan Hock Soon
Ilham Fadilah Binti Sunhaji

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

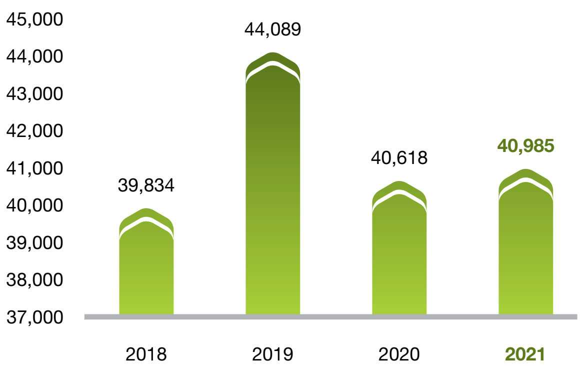
	2018* RM'000	2019* RM'000	2020 RM'000	2021 RM'000
Revenue	39,834	44,089	40,618	40,985
Profit before tax	6,633	10,607	7,242	7,184
Profit attributable to owners of the Company	5,097	8,135	5,339	5,110
Total assets	29,916	33,208	36,232	59,035
Equity attributable to owners of the Company	21,485	26,009	31,348	53,924
EBITDA^	7,252	11,214	7,769	7,387
Net assets per share # (RM)	0.08	0.10	0.12	0.17
Earnings per share # (Sen)	1.96	3.13	2.05	1.62

* Shown (for comparison purposes) on the basis of combined group i.e, the Company completed the acquisitions of the 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.

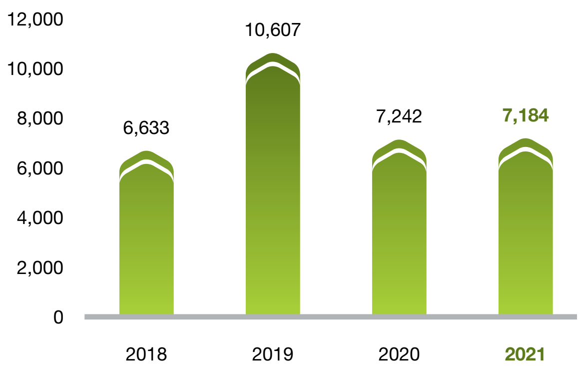
^ Earnings before interests, tax, depreciation and amortisation.

\# Attributable to owners of the Company.

Revenue
(RM'000)

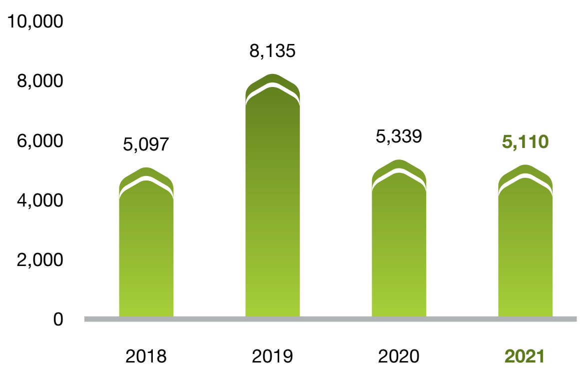


Profit Before Tax
(RM'000)

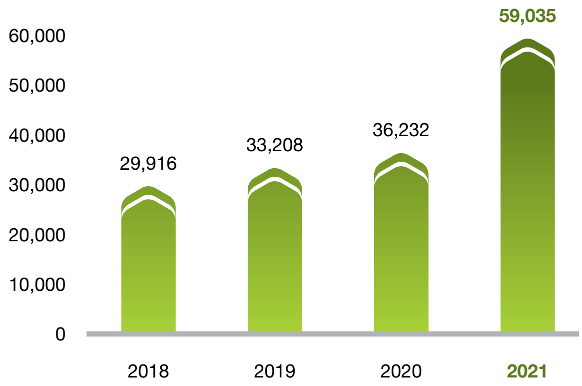


Group Financial Highlights (cont'd)

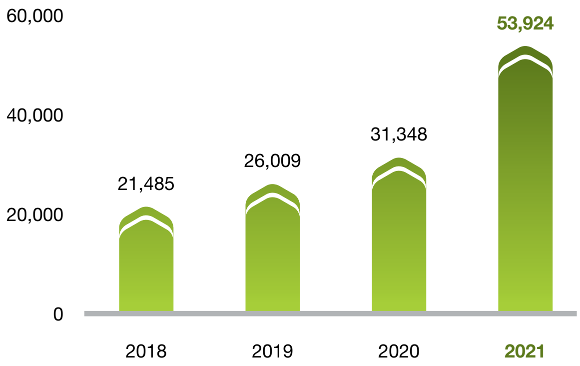
Profit Attributable To Owners Of The Company
(RM'000)



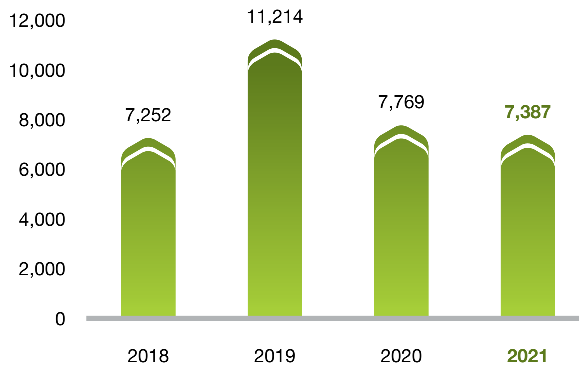
Total Assets
(RM'000)



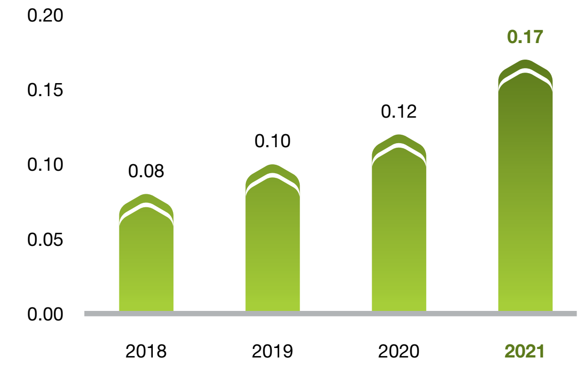
Equity Attributable To Owners Of The Company
(RM'000)



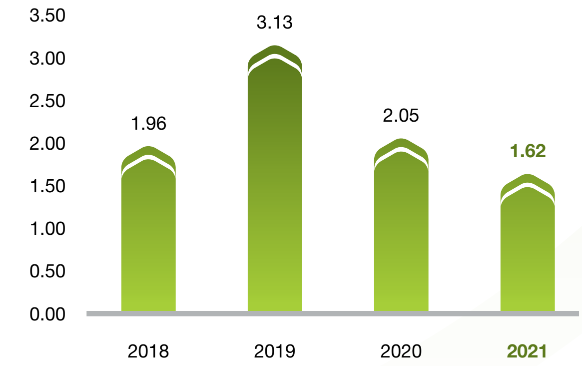
EBITDA
(RM'000)



Net Assets Per Share
(RM)



Earnings Per Share
(Sen)



DIRECTORS' PROFILE

ROBERT KOONG YIN LEONG

Independent Non-Executive Chairman

Robert Koong Yin Leong, a Malaysian, male, aged 53, is the Independent Non-Executive Chairman. He was appointed to the Board on 11 February 2020 and he is also the Chairman of the Remuneration Committee. He is also a member of the 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, a company listed on the ACE Market of Bursa Securities.

He has no family relationship with any of the Director and/or major shareholders.

LIM CHIN HORNG

Managing Director

Lim Chin Horng, a Malaysian, male, aged 52, is the Managing Director and major shareholder. He was appointed to the 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 (the Executive Director) for the trading of wooden doors to complement the metal door frames business of Econframe Marketing Sdn Bhd. He leads the Group in the development and implementation of the Group's strategies as well as managing the 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 52, is the Executive Director. He was appointed to the 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 (the Managing Director). He is responsible for overseeing the sales and marketing activities of the Group.

He has no family relationship with any of the Director and/or major shareholders.

LIM SAW NEE

Non-Independent
Non-Executive Director

Lim Saw Nee, a Malaysian, female, aged 54, is the Non-Independent Non-Executive Director and major shareholder. She was appointed to the 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

Senior Independent Non-Executive Director

Tan Hock Soon, a Malaysian, male, aged 49, is the Senior Independent Non-Executive Director. He was appointed to the Board on 11 February 2020 and he is the Chairman of the Audit and Risk Management Committee. He is also a member of the 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, a company listed on the ACE Market of Bursa Securities, an Independent Non-Executive Director of SMIS Corporation Bhd, a company listed on the Main Market of Bursa Securities and Director of Leinet Technology Berhad, a public company.

He has no family relationship with any of the Director and/or major shareholders.

ILHAM FADILAH BINTI SUNHAJI

Independent Non-Executive Director

Ilham Fadilah Binti Sunhaji, a Malaysian, female, aged 39, is the Independent Non-Executive Director. She was appointed to the Board on 11 February 2020 and she is the Chairperson of the Nomination Committee. She is also a member of the 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, In 2021, she left Pemandu Associates Sdn Bhd and joined Malaysia Petroleum Resources Corporation as the Head of Corporate Strategy and Research.

Presently, she is an Independent Non-Executive Director of Ocean Vantage Holdings Berhad, a company listed on ACE Market of Bursa Securities.

She has no family relationship with any of the Director and/or major shareholders.

Directors' Profile (cont'd)

LIM FOO SENG

Non-Independent
Non-Executive Director

Lim Foo Seng, a Malaysian, male, aged 51, is the Non-Independent Non-Executive Director. He was appointed to the Board on 1 February 2021.

He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

He started his career in Deloitte Kassim Chan, an international accounting firm, from 1989 till 1995. Thereafter, he joined Arab-Malaysian Corporation Berhad ("**Amcorp**") and left in 2003 where his last position was Chief Financial Officer ("**CFO**") of MCM Technologies Berhad, a subsidiary company of Amcorp which was formerly listed on the then MESDAQ Market of Bursa Securities.

Subsequently, he joined Quest Technology Sdn Bhd ("**Quest**") as CFO and from 2005 to 2008, he was Executive Director cum CFO for Quest's immediate holding company, Ruby Quest Berhad, a company listed on the then MESDAQ Market of Bursa Securities. From 2008 to 2009, he was Executive Director of Asia Bioenergy Technologies Berhad, a company listed on the then MESDAQ Market of Bursa Securities. Between 2011 and 2013, he was Head of Strategic Planning for Aivoria Group Sdn Bhd and in 2014, he joined Winn Worldwide Sdn Bhd until 2017 as Chief Strategy Officer.

Currently he is the Chief Strategy Officer of Nova Pharma Solutions Berhad, a company listed on the LEAP Market of Bursa Securities.

He is also an Independent Non-Executive Director of Iskandar Waterfront City Berhad and Knusford Berhad, both listed on the Main Market of Bursa Securities.

He has no family relationship with any of the Director and/or major shareholders.

CONFLICT OF INTEREST
There is no conflict of interest between the Directors and the Group.

CONVICTION FOR OFFENCES
None of the 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 52, is the 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 2002, he was working with various firms. In 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 (listed on the then Second Board of Bursa Malaysia Securities Berhad). He left Dceil International Bhd in 2004 and joined Mal Wah Construction Products Sdn Bhd as Chief Financial Officer. In 2005, he joined Muafakat Kekal Sdn Bhd as Property Marketing Manager until 2006. In 2007, he joined Topaz Evergreen Sdn Bhd as a General Manager-Finance, and left in 2009. He subsequently joined MSM Metal Industries Sdn Bhd as Chief Financial Officer and was appointed in 2010 as Executive Director and Group Chief Financial Officer of MSM Metal Industries Sdn Bhd's holding company, Mann Seng Metal International Ltd. He left in 2011 and joined Federal Paint Manufacturing (M) Sdn Bhd as Chief Financial Officer. In 2014, he left Federal Paint Manufacturing (M) Sdn Bhd to join Green Ocean Corporation Berhad (listed on the ACE Market of Bursa Malaysia Securities Berhad) as the Chief Financial Officer, a position he held until 2018.

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

He has no family relationship with any of the Director and/or major shareholders.

YONG CHAW ANG

General Manager

Yong Chaw Ang, a Malaysian, female, aged 40, is the General 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 in June 2006. She currently holds the position of General Manager since 1 January 2021 and is responsible for overseeing the production of metal door frames and window frames and procurement of ironmongery.

She has no family relationship with any of the 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 50, is the Senior Operation Manager. 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 then 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 the Group.

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

KOH SEE YING

Assistant Financial Controller

Koh See Ying, a Malaysian, female, aged 29, is the Assistant Financial Controller. She is a member of the Association of Chartered Certified Accountants, United Kingdom and Malaysian Institute of Accountants.

She commenced her career with Genting Malaysia Berhad in July 2014. She left Genting Malaysia Berhad in December 2020 and joined the Group on 2 January 2021 as Assistant Financial Controller.

She has no family relationship with any of the Director and/or major shareholders.

SOI WEN LI

Purchasing Manager

Soi Wen Li, a Malaysian, female, aged 44, is the Purchasing Manager.

She commenced her career with Arm Shield Sdn Bhd in 1998 as a Production Clerk. In 2010, she joined Triplast Plastic Industries Sdn Bhd as a Production Planner, prior to joining Econframe Marketing Sdn Bhd in May 2013. She currently holds the position of Purchasing Manager since 1 August 2017 and is responsible for the procurement of raw materials for the production activities of the Group.

She has no family relationship with any of the Director and/or major shareholders.

Key Senior Management's Profile (cont'd)

ANG SZE CIE

Production Manager

Ang Sze Cie, a Malaysian, female, aged 29, is the Production Manager.

She commenced her career with Herald Remittance Sdn Bhd in 2009, as a General Clerk, prior to joining Econframe Marketing Sdn Bhd in September 2012. She currently holds the position of Production Manager since 1 January 2021 and is responsible for overseeing the production of the Group's fire resistant doors, metal doors and wooden doors.

She has no family relationship with any of the Director and/or major shareholders.

FONG LI XIN

Marketing Manager

Fong Li Xin, a Malaysian, female, aged 26, is the Marketing Manager. She graduated with Diploma in Business Studies (Accounting) from Tunku Abdul Rahman University College, Kuala Lumpur, Malaysia.

She was a Nursery Teacher and a Childcare Centre Manager prior to joining Econframe Marketing Sdn Bhd in April 2019. She currently holds the position of Marketing Manager since 1 January 2021 and is responsible for the execution of marketing strategies as well as business development of the Group.

She has no family relationship with any of the Director and/or major shareholders.

DIRECTORSHIP IN PUBLIC COMPANIES AND LISTED CORPORATIONS

None of the key senior management have any directorship in public companies and listed corporations.

CONFLICT OF INTEREST

There is no conflict of interest between the key senior management and the Group.

CONVICTION FOR OFFENCES

None of the 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 the Board of Directors ("the Board"), I am pleased to present the review of the financial and operational performance of the Company and the subsidiaries ("the Group") for the financial year ended 31 August 2021 ("FYE 2021").

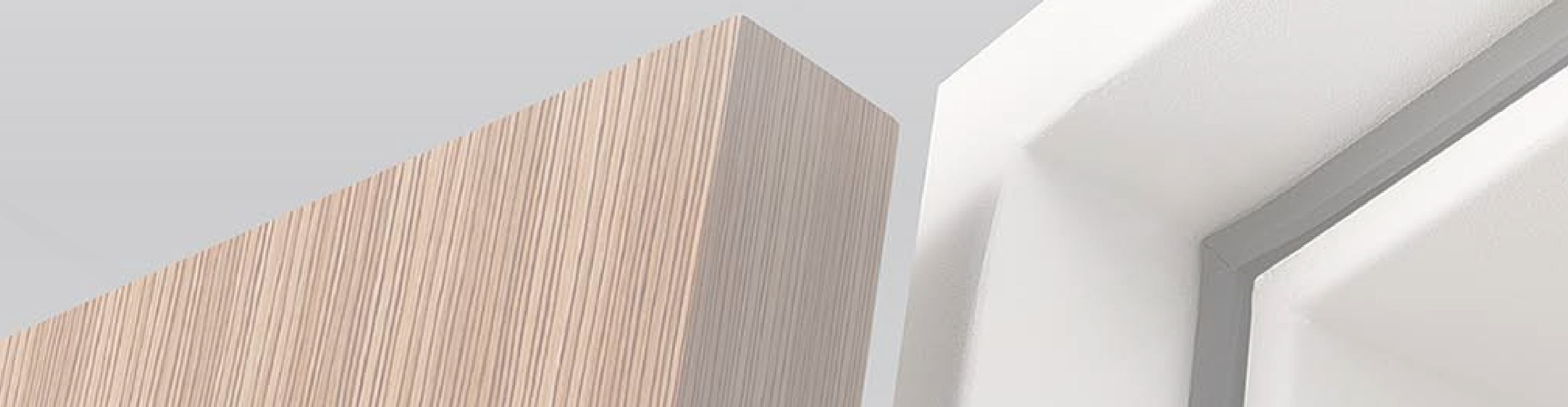
BUSINESS AND OPERATIONS

During the FYE 2021, the Group navigated a very challenging environment caused by the Coronavirus Disease 2019 ("**Covid-19**") pandemic coupled with the various Movement Control Orders ("**MCO**") implemented by the Malaysian Government.

Recognising the challenges and uncertainties during these period, the Group had taken steps and implemented measures to mitigate the long-term business impact arising therefrom. The Group ensured adherence to the Covid-19 Standard Operating Procedures for all its operations whilst optimising the workplace for maximum protection and productivity, and managing risks associated with operational disruptions due to MCOs.

Following the resumption of economic activities under the National Recovery Plan ("**NRP**") in October 2021, the Group anticipates there will be an increase in demand from the Group's customers for the delivery of the Group's products in order to catch up with construction progress to fulfil the handover of properties within the predetermined timeframe.

The Group continued to focus on its total door system solution products, driven mainly by the sales of metal door frames and fire resistant door sets under its manufacturing segment. Expanding its product range under the manufacturing segment, the Group had in November 2020, commenced manufacturing of wooden doors. Previously, the Group bought all its wooden doors from third parties and on sold them to customers. By manufacturing its own wooden doors, the Group will be less dependent on suppliers and will be able to manage its cost of sales more effectively, hence improving the Group's profitability and becoming more competitive in the market. In addition, this allows the Group to have control over the supply and quality of the wooden doors.



Management Discussion and Analysis (cont'd)

In view of the growing adoption of developing smart homes and sustainable living concept, and the Group's on-going efforts to seek new business opportunities, Eframe Technology Sdn Bhd, a newly incorporated wholly-owned subsidiary of the Company was appointed as exclusive project distributor in Malaysia by Onvia Sdn Bhd ("**Onvia**") on 15 February 2021, to sell and distribute Onvia's smart home and security system for residential, commercial and industrial buildings. Additionally, the Company had on 17 March 2021, incorporated a 60%-owned subsidiary, Eframe Solartech Sdn Bhd, to carry out the trading and provision of installation services of solar energy products and system. While the business activities of these new subsidiaries are still in its infancy, the Board believes that these new investments will contribute to the Group's revenue stream in the near future and will enhance the range of the Group's product offerings.

FINANCIAL PERFORMANCE

The key financial highlights of the Group for FYE 2021 as compared to financial year ended 31 August 2020 ("**FYE 2020**") are as follows:

Profitability	FYE 2021 RM'000	FYE 2020 RM'000	Variance RM'000	%
Revenue	40,985	40,618	367	0.9
Gross profit	13,379	12,913	466	3.6
Profit before tax	7,184	7,242	(58)	(0.8)
Profit attributable to owners of the Company	5,110	5,339	(229)	(4.3)

Financial Position	FYE 2021 RM'000	FYE 2020 RM'000	Variance RM'000	%
Shareholders' equity	53,898	31,348	22,550	71.9
Total assets	59,035	36,232	22,803	62.9
Inventories	8,509	3,639	4,870	>100.0
Trade receivables	12,682	12,927	(245)	(1.9)
Total borrowings	609	794	(185)	(23.3)
Gearing (times)	0.01	0.02	(0.01)	(50.0)

The Group's revenue increased marginally by RM0.37 million (0.9%) to RM40.99 million in FYE 2021 (FYE 2020: RM40.62 million). The increase was mainly attributed to the higher revenue from the manufacturing segment of RM1.07 million, driven by higher sales orders of metal door frames.

The Group's profit before tax was RM7.18 million in FYE 2021 as compared with RM7.24 million in FYE 2020, a marginal decrease of RM0.06 million (0.8%). Excluding the listing expenses of RM1.17 million expensed out in FYE 2021 (FYE 2020: RM0.80 million), the Group would have registered a profit before tax of RM8.35 million in FYE 2021 (FYE 2020: RM8.04 million), representing an increase of RM0.31 million as compared to FYE 2020, which is in line with the higher revenue recorded.

The increase in the Group's total assets was mainly due to the proceeds from its initial public offering ("**IPO**") exercise which was completed on 27 October 2020 and increase in inventories. At the same time, the increase in the Group's shareholders' equity was mainly due to the enlarged share capital of the Company pursuant to the IPO exercise coupled with the increase in retained profit.

The increase in the Group's inventories as at 31 August 2021 was mainly due to the increase in inventory of steel coils for the production of metal door frames and fire resistant door sets, attributed to the procurement strategy to lock in competitive pricing with steel suppliers in light of the increasing global market prices for steel products during FYE 2021.

Management Discussion and Analysis (cont'd)

The lower total borrowings and improvement in gearing ratio from 0.02 times as at 31 August 2020 to 0.01 times as at 31 August 2021 was due to the periodic repayment of existing borrowings. With a low gearing ratio of 0.01 times, this provides the Group with flexibility and capability to swiftly seize any good business opportunities that may arise.

CORPORATE PROPOSAL

On 5 October 2020, the Company issued its prospectus in conjunction with its listing on the ACE Market of Bursa Malaysia Securities Berhad. The Company was listed on 27 October 2020.

With the proceeds raised from the IPO exercise, the Group intends to acquire a larger factory to improve operational efficiency and productivity by centralising its manufacturing workflow. Apart from that, the Group plans to automate part of its metal door frame manufacturing process by integrating robotic equipment in the welding and profile forming processes to further improve operating efficiency, productivity and quality of products. The aforementioned plans are expected to be completed within the coming financial year.

KEY RISKS

The Group is mindful of several key risks it is exposed to:

(a) Exposure to fluctuations in raw materials prices

Both metal door frames and fire resistant door sets accounted for approximately 80.3% of the Group's total revenue for FYE 2021. One of the key raw materials used in the manufacturing of these products is steel coils. The price of steel coil 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 the Group's cost of production as well as carrying cost of inventories. If the Group is unable to pass on the increase in its cost of production to the customers, this will affect the Group's profitability.

The Group minimises its exposure by practicing back-to-back orders. Upon receiving purchase orders from customers, the Group will lock in orders for raw materials such as 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 the Group's business is based on specific requirements of the customers. The absence of long-term contracts may result in the fluctuation of the Group's revenue and overall financial performance as the orders from the customers are generally on a project-to-project basis. Any adverse economic conditions, or slowdown in the industries in which the customers operate in may negatively impact the Group's revenue, which will subsequently result in a decline in the Group's financial performance.

The Group has its own marketing team who works closely with customers and plans potential sales over the next 12 months in advance.

Management Discussion and Analysis (cont'd)

(c) Products certifications and approvals

The Group's fire resistant door sets are certified by SIRIM QAS International Sdn Bhd and approved by the Malaysian Fire and Rescue Services Department to be compliant with MS 1073: Part 3: 1996 (AMD.1: 2003). If the Group fails to renew or maintain the certifications and approvals, the Group's fire resistant door sets will not be allowed to be sold, which will then materially and adversely affect the 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. The Group strives to make sure that the Group is able to manufacture and source raw materials for fire resistant door sets within the required specifications.

(d) Interruptions in business operations

The Group's manufacturing activities are dependent on various machineries and equipment such as shearing, stamping, Computer Numerically Controlled ("**CNC**") bending, wood cutting, and wood press machines. 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 the Group's production operations. Furthermore, the Group's manufacturing plant is also subject to unexpected events such as the MCO, electricity outage, floods and fires.

Any prolonged interruptions to the 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 the Group's operations and financial performance.

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

(e) Dependence on human capital

While the Group has semi-automated some of the manufacturing processes, 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 the machineries, to transfer intermediary products from one machine to be fed into another machine for different manufacturing processes.

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

With that in mind, the Group intends to automate part of its welding and profile forming processes. The Group has earmarked part of the proceeds raised from the IPO to purchase 4 robotic welding lines and 2 CNC bending machines. The new automation line is planned to be set up by the first quarter of calendar year 2022. This will potentially reduce dependency on manual labour.

(f) Dependence on key personnel

Econframe's success is dependent, to a significant extent, upon the abilities of its management team. The loss of key personnel may adversely affect the Group's operations and business, if the Group is not able to find a replacement in a timely manner. The Group mitigates this risk by having a management succession plan in place. Apart from that, the 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.

Management Discussion and Analysis (cont'd)

OUTLOOK

While Covid-19 remains a threat to the economic and business environment, the opening of the economy under the NRP, made possible in part by the accelerated vaccination progress across the country, bodes well for the Group. The Group's revenue has also gradually rebounded due to the re-opening of the economy under the NRP.

Additionally, Budget 2022 places emphasis on measures to revive the economy, including initiatives to revitalise the property sector such as the abolition of real property gains tax on disposal of property held more than six years. In addition, the RM2 billion allocation under the housing credit guarantee scheme to financially assist those without stable incomes, and the RM1.5 billion allocation for the continuation of public housing programmes is a step in the right direction to achieve higher homeownership rates, and is expected to positively impact the property sector of which the Group is dependent on.

Despite the challenges, the Board is cautiously optimistic that the outlook for the mid-term continues to remain positive upon stabilisation and containment of Covid-19.

DIVIDEND

Currently, the 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 the Group.

The Board does not recommend any dividend payment for FYE 2021.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the management, I would like to extend my appreciation to the Board for its counsel. I would also like to extend my sincere thanks to the stakeholders that includes shareholders, customers, business partners, bankers and the relevant authorities for their support and trust in us. And lastly, but certainly not the least, I would like to extend my gratitude to the management and employees of the Group for their continuous perseverance, hard work and dedication to the welfare and success of the Group during this difficult time.

Thank you.

Mr. Lim Chin Horng
Managing Director

SUSTAINABILITY STATEMENT

The Board of Directors ("**the Board**") in compliance to the requirements of ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), is adopting the recommendations by providing a Sustainability Statement ("**this Statement**") of the Group in respect of the Group's operations and business practices.

THE SCOPE AND BOUNDARY OF THE SUSTAINABILITY STATEMENT

This serves the purpose of reporting the strategies, initiatives, performance and achievements in relation to the Group's journey in the financial year ended 31 August 2021, including policies, practices and procedures developed. The scope and boundary of this Statement is limited to the sustainability progress and impact to all the business operations and initiatives of the Group.

We are mindful that the Group's activities should be carried out with the highest standards of corporate and social responsibility, and strive to balance this with the business operations. We do this by minimising the environmental impact arising from our operations and actions while at the same time improving social and economic conditions for all our stakeholders. This includes employees and the communities within which we operate with integrity and ethical practices.

We recognise the importance of business health cultures during the Coronavirus Disease 2019 ("**Covid-19**") pandemic, which enhances resilience of companies towards this unprecedented event which may result in loss of productivity. Therefore, we are committed to incorporate a Culture of Health for Business ("**COH4B**") into our corporate culture to create shared value by thinking health in a broader perspective and seeing wealth differently. We support Malaysia's vaccination drive and encourages all employees to register for the National Vaccination Programme launched by the Malaysian Government in early 2021. The Group is also in full compliance with accepted standards of safety and health at the workplace. With regards to the Malaysian Government's Standard Operating Procedures ("**SOP**") on handling Covid-19, all employees are provided with 3-layer face mask and all office premises provide hand sanitisers and are cleaned daily. Added measures are put in place by requiring all employees coming to work to have their temperature screened and recorded daily. As at the date of this Statement, the Group has achieved 100% vaccination rate for its employees.

GOVERNANCE STRUCTURE

The Board is the governing body that sets and oversees the sustainability framework of the Group and provide guidance to the Group towards ingraining sustainability as part of our corporate culture. For effective sustainability monitoring and execution, the governance structure which has been endorsed and approved by the Board, is depicted below:

We establish a COH4B by embedding sustainability as part of the Group's corporate culture where our Managing Director and Executive Director have stepped up to the task of incorporating sustainability into our business strategies and business decisions. Playing a supporting and execution role will be the SWC comprising of managers and heads of departments. The SWC is also responsible in updating the Managing Director and Executive Director on the sustainability related programmes and initiatives undertaken throughout the year.

Sustainability Statement (cont'd)

MATERIAL SUSTAINABLE MATTERS

We have identified the following potential material sustainable matters which are part of the COH4B pillars:

1) Economic

The Group has formulated sustainability practices which aim to generate long-term benefits to all stakeholders in terms of business continuity and value. The 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. The Group has maintained its quality standards in line with the ISO 9001:2015 (Quality Management Systems) standards.
- To ensure the 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 assets.

2) Environmental

As a responsible corporate entity, we have a responsibility to protect and conserve the environment we operate in. The Group is committed to identify, manage and minimise the environment impact by our business operations in a manner that is environmentally 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. The 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.

As companies across all industry sectors are heeding the call to act on climate change and environmental sustainability, the Group has ventured into sales and distribution of smart homes system and solar energy products which are in line with the growing adoption by property developers towards developing smart homes and sustainable living concept. During the financial year 2021, the Group via its newly incorporated wholly-owned subsidiary, namely Eframe Technology Sdn Bhd, entered into a distributorship agreement with Onvia Sdn Bhd as its exclusive project distributor in Malaysia, for the sale and distribution of smart home and security system. Additionally, the Group had incorporated a 60%-owned subsidiary, namely Eframe Solartech Sdn Bhd, to venture into trading and provision of installation services of solar energy products and system.

Sustainability Statement (cont'd)

MATERIAL SUSTAINABLE MATTERS (cont'd)

3) Workplace, Community and Social

i) Employee wellness

The 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.

We adopt an integrated approach to workers' safety, health and well-being based on 6 characteristics as follows:

a) Leadership commitment

Workers' safety, health and well-being has been made a clear priority for our entire organisation. We are committed to drive accountability and provide the necessary resources and environment to create positive working conditions. Our Managing Director is the first employee of the Group to be fully vaccinated and encouraged all our employees to register for the Malaysia's National Vaccination Programme.

b) Participation

We encourage stakeholders at every level of the Group, including employees, to assist in planning and carrying out efforts to protect and promote workers' safety and health. We encourage all our employees to participate in the implementation and enforcement of Covid-19 precaution SOP.

c) Policies, programmes, and practices focused on positive working conditions

The Group is committed to enhance workers' safety, health and well-being with policies and practices that improve working conditions. We have established various Covid-19 precaution SOPs covering office's employees, factory workers, visitors and daily sanitisation routines.

d) Comprehensive and collaborative strategies

We encourage our employees to work together to develop comprehensive health and safety initiatives.

e) Adherence

The Group adheres to federal and state regulations which includes Covid-19 SOP, as well as ethical norms.

Sustainability Statement (cont'd)

MATERIAL SUSTAINABLE MATTERS (cont'd)

3) Workplace, Community and Social (con't)

i) Employee wellness (cont'd)

f) Data-driven change

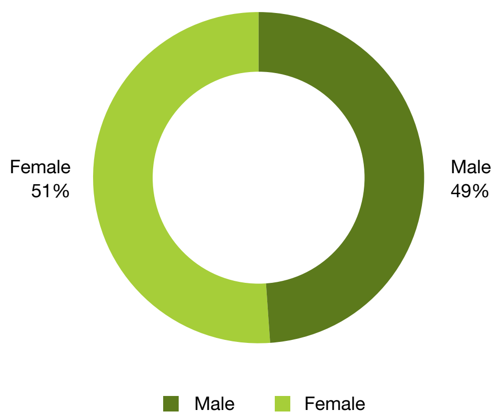
We encourage regular feedback for evaluation to guide our decision making, priority setting and continuous improvement of workers' safety, health and well-being initiatives.

ii) Workplace Diversity

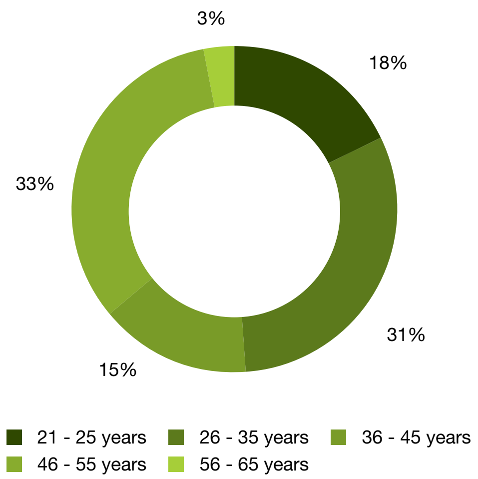
We strive to create a culture that promotes gender diversity in the workplace and have a good working relationship with all our employees. Following are the analysis of gender and age distribution of the Group's workforce (excluding production workers) as at 31 August 2021.

Age Band	21 – 25 years		26 – 35 years		36 – 45 years		46 – 55 years		56 – 65 years	
Gender	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Percentage	8%	10%	10%	21%	5%	10%	23%	10%	3%	-

Gender



Age Band



Sustainability Statement (cont'd)

MATERIAL SUSTAINABLE MATTERS (cont'd)

3) Workplace, Community and Social (con't)

iii) Caring for community wellbeing

The Group strongly believes in giving back to society. Pursuant to this, we have made donations-in-kind to various welfare homes in 2021. 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.

4) Governance

An effective governance structure and risk management system forms the backbone of our business operations. The 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.

5) Other Stakeholders' Engagement

We firmly recognise that continual and active engagement with various stakeholders will enhance business development activities and maintain healthy sustainable business practices.

The Group ensures all corporate information such as quarterly interim financial results, statement and circular (if any) and annual reports are made available on Bursa Securities' website and the Company's website in a timely manner where stakeholders are kept abreast with material business matters in relation to the Group.

We also engage with our customers and/or potential customers via our Company's website, brochures, catalogues and social media. Our experienced sales and marketing team work closely with our customers to obtain their feedbacks and recommendations to improve our products and services.

Sustainability Statement (cont'd)

MATERIAL SUSTAINABLE MATTERS (cont'd)

5) Other Stakeholders' Engagement (cont'd)

We also ensure regulatory compliances are adhered to by understanding the regulatory policies and guidelines. We will ensure that the necessary certification from various regulatory agencies such as SIRIM QAS International Sdn Bhd ("**SIRIM**") and Malaysian Fire and Rescue Services Department ("**BOMBA**") for our products are obtained/maintained.

In addition, we conduct pre-qualification assessment for new suppliers and/or vendors while maintaining cordial relationships with our suppliers and vendors.

We understand that regularly engaging with stakeholders through multiple platforms is essential in understanding their key concerns and being responsive to their expectations. Table below highlights our approaches towards engaging key stakeholders who are most impacted by or impacting our businesses.

Stakeholder Group	Stakeholders' Expectations	Management Response to Stakeholders' Expectations	Engagement Method	Frequency of Engagement
Shareholders/ Investors	• Timely availability of corporate information • Healthy financials and reputation	• Timely provision of the Group's performance updates • Ensure material corporate information are made available to the shareholders/ investors	• Announcements • Annual general meeting • Media conference • Website	• Quarterly • Annual • As and when necessary
Customers	• Quality products and services • After-sales services • Timely delivery	• Quality control and assurance • Regular customers' engagement (meetings/visits) • Experienced and responsible sales and marketing team	• Customer satisfaction surveys • Customer site visits	• As and when necessary
Suppliers	• Timely payment • Fair and transparent procurement procedures	• Regular suppliers' engagement (meetings/visits) • Comparative quotes • Timely payment as per agreed terms	• Suppliers' performance evaluation	• As and when necessary

Sustainability Statement (cont'd)

MATERIAL SUSTAINABLE MATTERS (cont'd)

5) Other Stakeholders' Engagement (cont'd)

Stakeholder Group	Stakeholders' Expectations	Management Response to Stakeholders' Expectations	Engagement Method	Frequency of Engagement
Regulatory Compliance	• Compliance to regulatory requirements	• Adherence to the regulatory requirements including all necessary updates	• Statutory reporting • Regulatory authority certification	• Periodic
Employees	• Fair employment and well-being • Safe and conducive working environment • Rewards and recognition for performance • Career development and training	• Non-discrimination and gender diversity • Occupational safety and health enhancement.	• Performance appraisal • Trainings • Company events	• Annual • Periodic • As and when necessary

MOVING FORWARD

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("**the Board**") acknowledges the importance of the principles and recommendations as set out in the Malaysian Code on Corporate Governance ("**MCCG**"). In line with this, the Board is committed to the policy of managing the affairs of the Company and subsidiaries ("**the Group**") with transparency, integrity and accountability by ensuring that a sound framework of the best corporate practices is in place. The ensuing paragraphs describe the extent the Group has applied and complied with the practices and guidance as set out in the MCCG. This Corporate Governance Overview Statement ("**this Statement**") is to be read with the Corporate Governance Report 2021 ("**CG Report**"), which is made available on the Company's website at www.econframe.com. Where a specific Principle or Practice of the MCCG has not been observed during the financial year, the non-observation, including reasons thereof, and the alternative practice adopted, if any, is mentioned in the CG Report.

The Board is pleased to present this Statement to provide the investors with an overview of the extent of compliance with three (3) Principles as set out below in MCCG under the stewardship of the Board for the financial year ended 31 August 2021 ("**FYE 2021**") and/or up to the date of this CG Statement (where applicable) ("**Applicable Period**"):

Principle A	Principle B	Principle C
Board Leadership & Effectiveness	Effective Audit & Risk Management	Integrity in Corporate Reporting & Meaningful Relationship with Stakeholders

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

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

Part I: Board Responsibilities

1) Clear Functions, Roles and Responsibilities of the Board and Management

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

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

The Board has also delegated certain responsibilities to other Board Committees which operate within clearly defined terms of reference. The Board Committees include the Audit and Risk Management Committee ("**ARMC**"), the Nomination Committee ("**NC**") and the Remuneration Committee ("**RC**").

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part I: Board Responsibilities (cont'd)

1) Clear Functions, Roles and Responsibilities of the Board and Management (cont'd)

ii) The Board reviewed the sustainability, effectiveness and implementation of the strategic plans for the year and provided guidance and input to management. The principal responsibilities of the Board include, among others, the following:

a) To provide leadership and oversee the overall conduct of the Group's businesses to ensure that the businesses are being properly managed;
b) To set, review and adopt strategic plans, values and standards for the 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 the Group's reputation, the employees and assets and to ensure compliance with applicable laws and regulations;
d) To ensure that the 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 the Group and management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for the Group;
h) To ensure that senior management has the necessary skills and experience, and measures are in place to provide for the orderly succession of Board member(s) and senior management;
i) To ensure the integrity of the 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 the Board Committees and deliberate on the recommendations thereon.

iii) Role of Company Secretaries

In compliance with Practice 1.4 of the MCCG, the Board is supported by two (2) suitably qualified and competent Company Secretaries as follows: -

- Ms. Chua Siew Chuan, FCIS
- Mr. Cheng Chia Ping, ACIS

Both the Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators ("**MAICSA**") and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016 ("**the Act**"). Details of the qualifications and experience of the Company Secretaries are set out in Practice 1.4 of the CG Report, which are available for viewing on the Company's website at www.econframe.com.

For FYE 2021, the Company Secretaries have attended the relevant continuous professional development programmes as required by MAICSA for practising Company Secretaries. Both the Company Secretaries possessed a valid Practising Certificate issued by Companies Commission of Malaysia for FYE 2021.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part I: Board Responsibilities (cont'd)

1) Clear Functions, Roles and Responsibilities of the Board and Management (cont'd)

iii) Role of Company Secretaries (cont'd)

The main duties of the Company Secretaries, among others, are as follows:

- Manage all Board's and Board Committees' meeting, logistics, attend and record minutes of all Board and Board Committees meetings and facilitate Board communications;
- Advise the Board on its roles and responsibilities;
- Facilitate the orientation of new Directors and assist in Director training and development;
- Advise the 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 the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and
- Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

The appointment and removal of the Company Secretaries is a matter for the Board. The Company Secretaries are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretaries play a key role to facilitate communication between the Board and Management and to ensure that the deliberations at the Board meetings are well captured and minuted.

For FYE 2021, the Board is satisfied with the performance and support rendered the Company Secretaries to the Board in discharging its functions.

iv) Access to Information and Advice

The 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.

The 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. The Board may also request for additional information whenever it is deemed necessary or appropriate. Management is invited to the Board meetings to furnish clarification on certain issues.

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

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part I: Board Responsibilities (cont'd)

1) Clear Functions, Roles and Responsibilities of the Board and Management (cont'd)

iv) Access to Information and Advice (cont'd)

The 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 the Company.

Subsequent to the Board meetings, the minutes will be circulated to the Board for confirmation to ensure that deliberations and decisions of the 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 the 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 the Company to be made available for inspection under the Act.

2) Demarcation of Responsibilities

i) Board Charter

The Board has in place a Board Charter setting out, inter-alia, the roles, duties and responsibilities of the Board and the application of principles and practices of good corporate governance.

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

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

3) Good Business Conduct and Corporate Culture

i) Code of Conducts and Ethics

The Board has in place the Code of Conduct and Ethics ("**the Code**") of the Company which applies to all Directors, management, employees and stakeholders during the conduct of businesses of the Group.

In addition, all Executive Directors, management and employees of the 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. In the event of any violation of the Code, the Board shall take necessary actions to rectify on the non-compliance or violation.

The Code is available on the Company's website at www.econframe.com.

Corporate Governance Overview Statement (cont'd)

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

The Board has in place a Whistleblowing Policy to uphold the 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 the 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 the Company's website at www.econframe.com. The ARMC has been tasked by the Board to perform the oversight function over the administration of the Whistleblowing Policy.

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

During the FYE 2021, none of the designated persons have received any reports or concerns via the abovementioned communication and feedback channels.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part I: Board Responsibilities (cont'd)

3) Good Business Conduct and Corporate Culture (cont'd)

iii) Anti-Bribery and Anti-Corruption Policy

The Board has in place an Anti-Bribery and Anti-Corruption Policy 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 the Company's website at www.econframe.com.

Part II: Board Composition

4) Board's Objectivity

i) Composition of the Board

The Board presently has seven (7) Board members, comprising one (1) Managing Director, one (1) Executive Director, two (2) Non-Independent Non-Executive Directors, one (1) Senior Independent Non-Executive Director and two (2) Independent Non-Executive Directors, 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.

The presence of Independent Non-Executive Directors who come from various fields are invaluable assets to the 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 the 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 Senior Management

a) Tenure of Independent Non-Executive Director

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

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

The Company does not have a policy which limits the tenure of the Independent Non-Executive Directors to nine (9) years. However, upon completion of the nine (9) years' term, the Independent Non-Executive Director may continue to serve on the 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 year, the 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 the Company who have served the Board for more than nine (9) years.

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 Senior Management (cont'd)

b) Policy of Independent Non-Executive Director's Tenure (cont'd)

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 the Board for recommendation to the shareholders on the retention of the aforesaid Independent Non-Executive Director, if he/she so meet the independence guidelines as set out in Chapter 1 of the ACE LR.

c) Diverse Board and Key Senior Management

Appointment of the Board and key 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 the Directors and the key senior management 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 the Board and key senior management. 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 the Company, members of the relevant Board Committees and key senior management prior to the recommendation to the 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 the Board.

In reviewing the profile of Mr. Lim Foo Seng, the new Board member, the NC takes into consideration the following criteria:

- Professional expertise, level of experience, competency and background; and
- Time commitment and potential to add value to the Board and the Company as a whole.

The management had recommended to the NC and Board for Mr. Lim Foo Seng's appointment to the Board in FYE 2021 due to his professional expertise, experience and potential contribution for the Group. Although the NC and Board did not utilise independent sources with regards to the appointment, the Board's decision was still made objectively in the best interests of the Company.

d) Gender Diversity Policy

Despite not having any Gender Diversity Policy, the Board acknowledges the importance of Boardroom diversity, including gender diversity, to the effective functioning of the Board. The Board aims to have at least 30% female representation within the coming years.

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

Currently, the Board comprises two (2) female Directors out of seven (7) Directors, equivalent to 29% women representation on the Board.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II: Board Composition (cont'd)

4) Board's Objectivity (cont'd)

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 the FYE 2021
Puan Ilham Fadilah Binti Sunhaji	Chairperson	2/2
Mr. Tan Hock Soon	Member	2/2
Mr. Robert Koong Yin Leong	Member	2/2

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 the 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 the Board, reviewing the skills and competencies of individual Director and the composition of the various Committees of the Board. The objective is to improve the Board's effectiveness, identify gaps, maximise strengths and address weaknesses of the 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 the Company's website at www.econframe.com.

Summary of Works

The following works were undertaken by the NC during the FYE 2021:

- Examined the composition of the Board and Board Committees.
- Reviewed the required mix of skills, experience, gender diversity and other qualities of the Board.
- Reviewed the meeting attendance of the Board for the financial year ended 31 August 2020 ("**FYE 2020**") and the sufficiency of time commitment of the Directors in discharging their roles and responsibilities in the Company.
- Reviewed the independence of the Independent Non-Executive Directors and assessed their abilities to bring independent and objective judgement to Board's deliberations and proposals.
- Reviewed the training programmes attended by the Directors for the FYE 2020.
- Assessed the suitability of the Directors who are standing for re-election at the first AGM of the Company and recommended the same to the Board for approval.
- Reviewed the re-designation of Mr. Tan Hock Soon from Independent Non-Executive Director to Senior Independent Non-Executive Director and recommended the same to the Board for approval.
- Reviewed the appointment of Mr. Lim Foo Seng as Non-Independent Non-Executive Director and recommended the same to the Board for approval.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II: Board Composition (cont'd)

4) Board's Objectivity (cont'd)

iii) NC (cont'd)

Reinforce Independence: Annual Assessment of Independence of Directors

The 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. The 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 2021.

The 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.

Re-election of Directors

In accordance with Clause 21.7 of the 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 the 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 the Company's Constitution.

5) Overall Board Effectiveness

i) Annual Evaluation of the Board

The Board, through the NC, and facilitated by the Company Secretaries, would undertake the following assessments annually and the results of the evaluations were presented to the NC and the 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 the 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.

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II: Board Composition (cont'd)

5) Overall Board Effectiveness (cont'd)

ii) Board Meetings

During the FYE 2021, a total of six (6) Board meetings were held and the details of each Director's attendance at the Board meetings were as follows:

Name of Directors	No. of meetings attended	Percentage
Mr. Robert Koong Yin Leong	6/6	100%
Mr. Tan Hock Soon	6/6	100%
Puan Ilham Fadilah Binti Sunhaji	6/6	100%
Mr. Lim Chin Horng	6/6	100%
Madam Lim Saw Nee	6/6	100%
Mr. Khoo Soon Beng	6/6	100%
Mr. Lim Foo Seng *(Appointed on 1 February 2021)*	2/2	100%

In the intervals between the Board meetings, Board approvals are obtained via circular resolutions for exceptional matters requiring Board's decision which is 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.

The 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.

For FYE 2021, the Company did not receive any notification from any Director.

iii) Directors' Training

During the FYE 2021, the Directors had attended the following training programmes:

Directors	Training(s) Attended
Mr. Robert Koong Yin Leong	• Fraud Risk Management Workshop for Directors of listed companies – PwC Bursa Malaysia • 2021 Budget Webinar – Tricor Taxand • Government Covid-19 incentives – briefing on the accounting and taxation aspects of the various incentives provided by the Government • Briefing on Directors' and Officers' Liability Policy and Concept - Tokyo Marine Insurans (Malaysia) Berhad • Sustainability Reporting Workshops: Scope and Materiality in Sustainability Reporting

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part II: Board Composition (cont'd)

5) Overall Board Effectiveness (cont'd)

iii) Directors' Training (cont'd)

Directors	Training(s) Attended
Mr. Tan Hock Soon	• Fraud Risk Management Workshop for Directors of listed companies – PwC Bursa Malaysia • 2021 Budget Webinar – Tricor Taxand • Government Covid-19 incentives – briefing on the accounting and taxation aspects of the various incentives provided by the Government • Monetary Economics and Capital Markets – Neurover (Malaysia) Sdn. Bhd. • Economic Outlook 2021: Investing at the Right Time and Sector – Securities Industry Development Corporation • Briefing on Directors' and Officers' Liability Policy and Concept - Tokyo Marine Insurans (Malaysia) Berhad
Puan Ilham Fadilah Binti Sunhaji	• Briefing on Directors' and Officers' Liability Policy and Concept - Tokyo Marine Insurans (Malaysia) Berhad • Sustainability from the Lenses of Investments and Energy Transition
Mr. Lim Chin Horng	• Mandatory Accreditation Programme for Directors of Public Listed Companies • Briefing on Directors' and Officers' Liability Policy and Concept - Tokyo Marine Insurans (Malaysia) Berhad • ISO 9001: 2015 Awareness Training
Madam Lim Saw Nee	• Mandatory Accreditation Programme for Directors of Public Listed Companies • Briefing on Directors' and Officers' Liability Policy and Concept - Tokyo Marine Insurans (Malaysia) Berhad • ISO 9001: 2015 Awareness Training
Mr. Khoo Soon Beng	• Mandatory Accreditation Programme for Directors of Public Listed Companies • Briefing on Directors' and Officers' Liability Policy and Concept - Tokyo Marine Insurans (Malaysia) Berhad • ISO 9001: 2015 Awareness Training
Mr. Lim Foo Seng	• Navigating ESG Requirements for Growth – Asian Academy for Corporate Administration Sdn. Bhd. • Briefing on Directors' and Officers' Liability Policy and Concept - Tokyo Marine Insurans (Malaysia) Berhad

Upon review, the Board concluded that the Directors' Trainings for FYE 2021 were adequate.

Directors' Training Needs for the financial year ending 31 August 2022 ("FYE 2022")

Upon review of the training needs of the Directors for the FYE 2022, the Board has requested the management to arrange the courses in relation to Sustainability or Environmental, Social and Governance ("**ESG**") to be organised as part of the Directors' continuing education programmes for FYE 2022.

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 the Board.

7) RC

The main function of the RC is to assist the Board in fulfilling its responsibilities on matters relating to the Group's compensation, bonuses, incentives and benefits. The RC assists the 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 the Group, reviews the Directors' fees and benefits and proposed to the 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 the FYE 2021
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 the Company's website at www.econframe.com.

Summary of Works

The following works were undertaken by the RC during the FYE 2021:

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

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part III: Remuneration (cont'd)

8) Directors' Remuneration

The details of remuneration of Directors of the Company comprising remuneration received/receivable from the Group and the Company during the FYE 2021 are as follows:

a) 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 Kong Yin Leong	36	–	–	6	42
Mr. Tan Hock Soon	36	–	–	6	42
Puan Ilham Fadilah Binti Sunhaji	24	–	–	6	30
Non-Independent Non-Executive Directors					
Madam Lim Saw Nee	24	–	–	6	30
Mr. Lim Foo Seng	14	–	–	2	16
Executive Directors					
Mr. Lim Chin Horng	36	280	50	47	413
Mr. Khoo Soon Beng	24	144	108	71	347

b) 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 Kong Yin Leong	36	–	–	6	42
Mr. Tan Hock Soon	36	–	–	6	42
Puan Ilham Fadilah Binti Sunhaji	24	–	–	6	30
Non-Independent Non-Executive Directors					
Madam Lim Saw Nee	24	–	–	6	30
Mr. Lim Foo Seng	14	–	–	2	16
Executive Directors					
Mr. Lim Chin Horng	36	–	–	6	42
Mr. Khoo Soon Beng	24	–	–	6	30

Corporate Governance Overview Statement (cont'd)

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

Part III: Remuneration (cont'd)

9) Remuneration of Top Five (5) Key Senior Management

The Board is of the view that the disclosure of the top five (5) key senior management's remuneration will be counterproductive due to the competitive environment for talent in the industry that the Group operates in. The Board is also of the opinion that the key senior management's remuneration disclosed in the Annual Report in the financial statements 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 key senior management commensurate with their individual performance, taking into consideration the 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 the 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 the Company's auditors. In line with the MCCG, the 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 members are disclosed in the Directors' Profile in this Annual Report.

11) Suitability, Objectivity and Independence of the External Auditors

The 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 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, objectivity and independence of the External Auditors. Evaluation of the External Auditors is carried out on a yearly basis to determine its continuance suitability, objectivity 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 the 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 during the FYE 2021.

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

12) Risk Management and Internal Control

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

The Statement on Risk Management and Internal Control ("**SORMIC**") is set out in this Annual Report detailing the state and fundamentals of the risk management and internal control systems in the Group as well as the review mechanism of the Board. The Board has expressed in the SORMIC 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 ("**IAF**") is outsourced to an internal audit consulting firm. Further details of IAF are reported in the ARMC 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, the Board is committed to provide a balanced, fair and comprehensive assessment of the 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 the Group's accounting records and transactions in accordance with accepted accounting standards.

The ARMC assists the 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 the ARMC and the 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 the 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 the Group's business activities and financial performance. These form an important channel of communication to reach the stakeholders.

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

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

Corporate Governance Overview Statement (cont'd)

PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

15) Conduct of General Meetings

Notice of AGM

The Notice of the First AGM held on 25 January 2021 was issued not less than twenty-eight (28) days prior to the meeting so as to enable the shareholders to have full information about First AGM and to facilitate informed decision-making. Full explanation of the effects of a proposed resolution of any special business was accompanied the notice of First AGM.

Directors' Commitment

All the Directors were remotely present at the virtual First AGM of the Company held on 25 January 2021 to engage shareholders personally and proactively.

The Board is supported by the External Auditors, the Company Secretaries, legal and financial advisers, and key senior management, where applicable, also present at the First AGM to communicate with the shareholders, investors and media as well as to respond to the queries raised.

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

The Company conducted its First AGM virtually which included remote participation by shareholders and remote voting on all resolutions by way of poll. An Independent Scrutineer was appointed to verify the results of the poll voting.

All the members of the Board and Chairman of the Board Committees participated in the First AGM physically at the broadcast venue and/or virtually (due to travel restrictions amidst the Covid-19 pandemic) to address the shareholders' enquiries and concerns.

COMPLIANCE WITH MCCG

The Board is satisfied that during the FYE 2021, the 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 4.1: At least half of the Board comprises Independent Directors;
- Practice 4.5: The board must have at least 30% women Directors;
- Practice 4.6: The board utilises independent sources to identify suitably qualified candidates; and
- Practice 7.2: The remuneration of top five (5) key senior management.

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 3 December 2021.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

The Company was listed on the ACE Market of Bursa Malaysia Securities Berhad on 27 October 2020. The Company had raised gross proceeds of RM18.20 million ("**IPO Proceeds**") from the listing exercise.

As at 30 November 2021, the utilisation of the IPO proceeds is as follows:

Purpose	Proposed utilisation	Actual utilised	Unutilised amount	Estimated timeframe for utilisation from Listing
	RM'000	**RM'000**	**RM'000**	
Land acquisition and construction of new manufacturing facility	5,000	–	5,000	Within 24 months
Automation of manufacturing process	4,000	294	3,706	Within 24 months
Working capital	6,200	4,517	1,683	Within 18 months*
Estimated listing expenses	3,000	3,000	–	Within 1 month
Total	**18,200**	**7,811**	**10,389**	

* On 13 April 2021, the Company had announced the extension of timeframe to 18 months for the utilisation of proceeds allocated for working capital.

2. AUDIT AND NON-AUDIT FEES

During the financial year ended 31 August 2021 ("**FYE 2021**"), Messrs. Baker Tilly Monteiro Heng PLT, the External Auditors have rendered audit and non-audit services to the Company and the subsidiaries ("**the Group**"). The breakdown of the fees payable to the External Auditors is as follows:

	Group (RM)	Company (RM)
Audit services rendered	118,000	53,000
Non-audit services rendered		
Review of Statement on Risk Management and Internal Control	5,000	5,000
Review of other information in Annual Report	5,000	5,000
Total	**128,000**	**63,000**

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interests of the Directors and major shareholders of the Company that is still subsisting at the end of the previous financial year.

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 the Group which involves the Directors' and/or major shareholders' interest during the FYE 2021.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors ("**the Board**") of the Company is pleased to present the Audit and Risk Management Committee ("**ARMC**") report for the financial year ended 31 August 2021 ("**FYE 2021**"). The ARMC report is made in accordance with a resolution of the Directors passed on 3 December 2021.

1. COMPOSITION OF THE ARMC AND MEETINGS ATTENDANCE

The ARMC comprises of three Independent Non-Executive Directors. This meets the requirements of Rule 15.09 of the ACE Market Listing Requirements ("**ACE LR**") of Bursa Malaysia Securities Berhad and satisfies the test of independence under the ACE LR and Step-Up Practice 9.4 of the Malaysian Code on Corporate Governance 2021 ("**MCCG**").

Mr. Tan Hock Soon, the Senior Independent Non-Executive Director is the Chairman of the ARMC. In this respect, the Company complies with Rule 15.10 of the ACE LR. Furthermore, in compliance with the Practice 9.1 of the MCCG, the Chairman of the ARMC is not the Chairman of the Board. In addition, Mr. Tan Hock Soon, is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. In this respect, the Company complies with Rule 15.09(1)(c) of the ACE LR.

During the FYE 2021, the ARMC held a total of 5 meetings. The members of the ARMC and their attendance at the meetings are set out below:

Members	Designation	Directorship	Attendance	Percentage
Mr. Tan Hock Soon	Chairman	Senior Independent Non-Executive Director	5/5	100%
Mr. Robert Koong Yin Leong	Member	Independent Non-Executive Chairman	5/5	100%
Puan Ilham Fadilah Binti Sunhaji	Member	Independent Non-Executive Director	5/5	100%

The Board, via the Nomination Committee, reviews the terms of office and performance of the ARMC to determine whether the ARMC has carried out its duties in accordance with the Terms of Reference ("**TOR**") of the ARMC pursuant to Rule 15.20 of the ACE LR.

2. SUMMARY OF WORKS FOR THE FYE 2021

During the FYE 2021, the summary of works carried out by the ARMC was as follows:

i) Overview of Financial Performance and Reporting

- Reviewed the unaudited quarterly financial results for the quarters ended 31 August 2020, 30 November 2020, 28 February 2021 and 31 May 2021 and recommended the same for the Board's approval.
- Reviewed the identified significant matters pursuant to Rule 15.12(1)(g)(ii) of the ACE LR on a quarterly basis.
- Reviewed the draft audited financial statements for the financial year ended 31 August 2020 ("**FYE 2020**") and recommended the same for the Board's approval.
- Reviewed the Group's compliance with the accounting standards and relevant regulatory requirements.
- Reviewed the budget of the Group for the FYE 2021 and financial year ending 31 August 2022 and recommended the same to the Board for approval and adoption.

Audit and Risk Management Committee Report (cont'd)

2. SUMMARY OF WORKS FOR THE FYE 2021 (cont'd)

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.
- Reviewed the External Auditors' Audit Plan and statutory audit fees for FYE 2021.
- Met twice with the External Auditors without the presence of the Executive Directors and management to discuss any major concerns arising from the annual statutory audit.
- Reviewed the effectiveness, suitability, objectivity and independence of the External Auditors vide a formalised "Assessment on external auditors" and upon review and having been satisfied with the results of the said assessment, the same was recommended to the Board for approval.
- Reviewed 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.

iii) Oversight of Internal Audit Function ("IAF")

- Reviewed the profile and proposal for the provision of outsourced internal audit services to the Group for the FYE 2021. Recommended the appointment of Wensen Consulting Asia (M) Sdn. Bhd. as the outsourced Internal Auditors for the FYE 2021 to the Board.
- Reviewed the internal audit plan for the Group for the FYE 2021.
- Reviewed the Internal Audit Reports for the FYE 2021 and assessed the major findings by the internal auditor and evaluated the management's response.

iv) Oversight of Risk Management Matters

- Ensured the incorporation of risk assessment exercise in the Internal Audit Plan for the Group for the FYE 2021.
- Reviewed the results of risk assessment by the outsourced Internal Auditors for the FYE 2021 with all significant risks identified.

v) Oversight of Internal Control Matters

- Reviewed and confirmed the minutes of the ARMC meetings.
- Reviewed the disclosures in the ARMC report, Statement on Risk Management and Internal Control and Corporate Governance Overview Statement for inclusion in the Annual Report for the FYE 2020.
- Reviewed the progress of the utilisation of the proceeds raised from the Initial Public Offering Exercise.

vi) Review of Related Party Transactions

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

Audit and Risk Management Committee Report (cont'd)

3. TOR

The TOR of the ARMC is available for viewing at the Company's website at www.econframe.com.

4. IAF

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

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

The Group outsourced its IAF to an independent professional firm, namely Wensen Consulting Asia (M) Sdn. Bhd. as the Group's Internal Auditors. The Internal Auditors report directly to the ARMC, provides the Board with a reasonable assurance of adequacy, efficiency, and effectiveness of the Group's 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 Internal Auditors have affirmed to the ARMC that they were free from any relationships or conflicts of interest in relation to the Group, 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 the Group

At the beginning of the financial year, the Internal Auditors presents the internal audit plan of the Group to the ARMC for discussion and adoption. The ARMC would report the same to the 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 Internal Auditors 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.

During the FYE 2021, the Internal Auditors assisted the ARMC in reviewing the adequacy and effectiveness of the system of governance, risk management and internal control, based on an internal audit plan approved by the ARMC before audit work is carried out.

The costs incurred for the IAF for the FYE 2021 amounted to RM32,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Rule 15.26(b) of the ACE Market Listing Requirements ("**ACE LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), 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, the Board of Directors ("**the Board**") of the Company is pleased to provide the Group's Statement on Risk Management and Internal Control ("**this Statement**") in this Annual Report.

BOARD RESPONSIBILITY

The Board acknowledges their responsibility for maintaining a sound risk management and internal control systems as well as adequacy and effectiveness of those systems to safeguard the stakeholders' interests and to protect the 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 the Group's risks within an acceptable risk profile rather than eliminate the risk of failure in order to achieve the goals and objectives of the 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.

The Board affirms that the 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 ended 31 August 2021 ("**FYE 2021**"). The Board has delegated the review of adequacy and effectiveness of the internal control system to the Audit and Risk Management Committee ("**ARMC**"). The Board is kept informed of all significant control issues brought to the attention of the ARMC by the management, the Internal Audit Function ("**IAF**") and also the External Auditors. The Board is working closely with the ARMC to review and improve the internal controls as well as address potential risks from time to time.

RISK MANAGEMENT FRAMEWORK AND PROCESS

The Board recognises the importance to manage risk to safeguard shareholders' investment and the Group's assets. Facilitated by a professional services firm, it has deployed an on-going process, to identify and evaluate significant business risks faced by the Group to manage the risks. Management is entrusted to identify such risks for onward reporting to the ARMC so that remedial measures may be taken to mitigate the risks. For each risk identified, the risk management process includes assessing the likelihood of its occurrence and its impact. The significant risks faced by the Group, including action plans to mitigate risks within acceptable levels, is reported by ARMC to the Board at least once a year.

As part of the Group's risk management process, the ARMC, chaired by the Senior 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 the Board.

The ARMC meets periodically to consider principal risks evaluated by the respective risk owners that may impede the Group from achieving its strategic and operational objectives, as well as develop action plans to mitigate such risks.

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

RISK MANAGEMENT FRAMEWORK AND PROCESS (cont'd)

During the FYE 2021, the following risk management activities were carried out:

- On 2 March 2021, risk assessment meeting with management was conducted to update the key risk profile. During the meeting, key risks identified were rated and prioritised in terms of likelihood of the risk occurring and its impact should the risk occur. The risk ratings take into consideration the effectiveness of internal controls existingly in place to mitigate the key risks identified. Thereafter, risk management strategies or management action plans to be undertaken are considered to manage risks to an acceptable level.

- The results of the risk assessments were reported and deliberated at the ARMC meeting held on 26 April 2021.

All significant risks identified and relevant controls and mitigation plans taken by management are documented in the risk management reports which are compiled and tabled to the ARMC and the Board for deliberation.

The risk management process has been in place for the FYE 2021 and up to the date of approval of this Statement for inclusion in the Company's Annual Report.

IAF

The Group's IAF is outsourced to Wensen Consulting Asia (M) Sdn. Bhd., which is guided by the International Professional Practices Framework of the Institute of Internal Auditors, in carrying out internal audit assignments. The Internal Auditors reports directly to the ARMC and assists the Board in assessing the adequacy and effectiveness of the internal control system established by management based on an agreed scope of work outlined in the annual internal audit plan approved by the ARMC during the FYE 2021. There was no restriction placed upon the scope of the IAF's work and the internal audit was allowed full and unrestricted access to the records pertinent for the internal audit and relevant personnel of the Group.

The ARMC reviewed the IAF's work, its observations and recommendations to ensure that the ARMC obtained the necessary level of assurance with respect to the adequacy and effectiveness of the risk management and internal control systems. The Internal Auditors also follow-up and report to the ARMC on the status of implementation by management on recommendations highlighted in the previous internal audit reports.

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

- Review and assess the adequacy, efficiency and effectiveness of the Group's internal control system.

- Review the compliance of the Group with the policies, standard operating procedures and other laws and regulations which could possibly cause a significant impact to the business operations of the Group.

- Report significant issues in relation to the business operations and activities of the 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 the management and reports the same to the ARMC.

- Highlight any irregularities to the ARMC.

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

OTHER KEY ELEMENTS OF INTERNAL CONTROL PROCESSES

In addition to the risk management and internal audit, the 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 the quality management system accredited by the International Organisation for Standardisation (ISO) certification body on the manufacturing activities.
- Quarterly review of financial results and operational matters by the ARMC and the Board.
- Policies and standard procedures of various operating business units within the 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.

ASSURANCE BY MANAGEMENT

The Board has received assurance from the Managing Director and the Chief Financial Officer that the Group'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 the Group.

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

The Board, through its ARMC, has reviewed the adequacy and effectiveness of the risk management and internal control system of the Group and 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 to the ARMC.

The 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 the Company's Annual Report. The Board, through management, continues to take measures to strengthen the Group's risk management and internal control system from time to time based on recommendations of the IAF as well as the External Auditors.

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

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of the ACE LR of Bursa Securities, the External Auditors have reviewed this Statement for inclusion in the 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 adequacy and effectiveness of the Group's risk and control procedures.

Based on their review, the External Auditors have reported to the 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 the Board on the adequacy and integrity of the risk management and internal control of the Group.

This Statement is made in accordance with a resolution of the Directors passed on 3 December 2021.

STATEMENT OF DIRECTORS' RESPONSIBILITY

PREPARATION OF THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2021 ("FYE 2021")

The Directors are required by the Companies Act 2016 ("**the Act**") to lay before the 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 the Company and the subsidiaries ("**the 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 Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible for ensuring that the Audited Financial Statements of the Group are prepared in accordance with the accounting records of the Group so as to give a true and fair view of the state of affairs as at 31 August 2021, 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 2021, the 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.

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

This statement is made in accordance with a resolution of the Directors passed on 3 December 2021.

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 ended 31 August 2021.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM	Company RM
Profit for the financial year, net of tax	5,081,276	165,550
Attributable to:		
Owners of the Company	5,110,250	165,550
Non-controlling interests	(28,974)	–
	5,081,276	165,550

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividends in respect of the financial year ended 31 August 2021.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year 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 all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

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 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.

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 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 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 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 in which this report is made.

Directors' Report (cont'd)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 65,000,000 new ordinary shares at an issue price of RM0.28 per share for a total cash consideration of RM18,200,000 pursuant to the Initial Public Offering ("IPO") of the Company on the ACE Market of Bursa Malaysia Securities Berhad on 27 October 2020.

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

During the financial year, 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 year.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial period to the date of this report are:

Robert Koong Yin Leong
Lim Chin Horng *
Khoo Soon Beng *
Lim Saw Nee *
Tan Hock Soon
Ilham Fadilah Binti Sunhaji
Lim Foo Seng (Appointed on 1 February 2021)

* Directors of the Company and certain subsidiaries

The name of Director of a subsidiary where the shares are held by the Company is listed below (excluding directors who are also directors of the Company):

Chew Cheng Kiat (Appointed on 17 March 2021)

DIRECTORS' INTERESTS

Interests in the Company

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 year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1.9.2020	**Bought**	**Sold**	**At 31.08.2021**
Direct interests:				
Lim Chin Horng	132,412,635	100	(19,500,000)	112,912,735
Lim Saw Nee	121,392,300	–	(13,000,000)	108,392,300
Khoo Soon Beng	6,194,965	500,000	–	6,694,965
Robert Koong Yin Leong	–	50,000	–	50,000
Tan Hock Soon	–	50,000	–	50,000
Ilham Fadilah Binti Sunhaji	–	50,000	–	50,000
Indirect interests:				
Lim Chin Horng	–	400,000	(400,000)	–

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 year had any interest in ordinary shares or debentures of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Note 21 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 year, 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 year, the total amount of indemnity insurance coverage and insurance premium paid for the Directors and Officers of the Group and the Company were RM1,000,000 and RM7,000 respectively.

Directors' Report (cont'd)

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 qualification.

SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events during and subsequent to the end of the financial year are disclosed in Note 28 to the financial statements.

AUDITORS

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

The details of the auditors' remuneration are disclosed in Note 20 to the financial statements.

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

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 3 December 2021.

LIM CHIN HORNG
Director

KHOO SOON BENG
Director

STATEMENTS OF FINANCIAL POSITION
AS AT 31 AUGUST 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	**5**	9,492,618	9,633,210	–	–
Investment property	**6**	300,000	300,000	–	–
Investment in subsidiaries	**7**	–	–	26,006,090	25,999,990
Total non-current assets		**9,792,618**	**9,933,210**	**26,006,090**	**25,999,990**
Current assets					
Inventories	**8**	8,508,794	3,638,550	–	–
Trade and other receivables	**9**	16,312,622	13,951,199	60,898	700,143
Cash and short-term deposits	**10**	24,420,941	8,709,506	16,609,790	100
Total current assets		**49,242,357**	**26,299,255**	**16,670,688**	**700,243**
TOTAL ASSETS		**59,034,975**	**36,232,465**	**42,676,778**	**26,700,233**
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	**11**	43,330,082	26,000,090	43,330,082	26,000,090
Other reserves	**12**	(21,414,304)	(21,608,523)	–	–
Retained earnings/ (accumulated losses)		32,007,752	26,956,685	(759,585)	(925,135)
		53,923,530	31,348,252	42,570,497	25,074,955
Non-controlling interests		(24,974)	–	–	–
TOTAL EQUITY		**53,898,556**	**31,348,252**	**42,570,497**	**25,074,955**
Non-current liabilities					
Loans and borrowings	**13**	332,917	510,951	–	–
Deferred tax liabilities	**14**	1,292,473	1,430,004	–	–
Total non-current liabilities		**1,625,390**	**1,940,955**	**–**	**–**
Current liabilities					
Loans and borrowings	**13**	276,533	282,640	–	–
Trade and other payables	**15**	2,927,793	2,502,975	87,900	1,625,278
Contract liability	**16**	130,542	–	–	–
Current tax liabilities		176,161	157,643	18,381	–
Total current liabilities		**3,511,029**	**2,943,258**	**106,281**	**1,625,278**
TOTAL LIABILITIES		**5,136,419**	**4,884,213**	**106,281**	**1,625,278**
TOTAL EQUITY AND LIABILITIES		**59,034,975**	**36,232,465**	**42,676,778**	**26,700,233**

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Revenue	17	40,985,164	40,618,396	2,000,000	–
Cost of sales		(27,606,394)	(27,705,191)	–	–
Gross profit		**13,378,770**	**12,913,205**	**2,000,000**	**–**
Other income	18	408,196	286,543	89,812	–
Distribution expenses		(834,956)	(1,238,173)	–	–
Administrative expenses		(5,737,012)	(4,658,733)	(1,905,881)	(925,135)
Operating profit/(loss)		**7,214,998**	**7,302,842**	**183,931**	**(925,135)**
Finance costs	19	(30,910)	(60,431)	–	–
Profit/(loss) before tax	20	**7,184,088**	**7,242,411**	**183,931**	**(925,135)**
Income tax expense	22	(2,102,812)	(1,903,333)	(18,381)	–
Profit/(loss) for the financial year		**5,081,276**	**5,339,078**	**165,550**	**(925,135)**
Other comprehensive income, net of tax					
Item that will not be reclassified subsequently to profit or loss					
Net changes of revaluation reserve		135,036	–	–	–
Other comprehensive income for the financial year		**135,036**	**–**	**–**	**–**
Total comprehensive income/(loss) for the financial year		**5,216,312**	**5,339,078**	**165,550**	**(925,135)**
Profit/(loss) attributable to:					
Owners of the Company		5,110,250	5,339,078	165,550	(925,135)
Non-controlling interests		(28,974)	–	–	–
		5,081,276	**5,339,078**	**165,550**	**(925,135)**
Total comprehensive income/(loss) attributable to:					
Owners of the Company		5,245,286	5,339,078	165,550	(925,135)
Non-controlling interests		(28,974)	–	–	–
		5,216,312	**5,339,078**	**165,550**	**(925,135)**
Earnings per share attributable to owners of the Company (sen)					
- Basic and diluted	23	1.62	2.05		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2021

		< ---------------- 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 2019 (unaudited)		1,100,000	4,227,028	–	20,682,046	26,009,074
Profit for the financial year, representing total comprehensive income for the financial year		–	–	–	5,339,078	5,339,078
Realisation of revaluation reserve		–	(10,426)	–	10,426	–
Transaction with owners						
Shares issued upon incorporation	**11**	1	–	–	–	1
Issuance of ordinary shares	**11**	99	–	–	–	99
Shares issued for acquisition of subsidiaries	**11, 12**	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	Share capital RM	Revaluation reserve RM	Reorganisation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		< ---- Attributable to owners of the Company				---- >		
Group								
At 1 September 2020		26,000,090	4,216,602	(25,825,125)	26,956,685	31,348,252	–	31,348,252
Total comprehensive income/(loss) for the financial year								
Profit/(loss) for the financial year		–	–	–	5,110,250	5,110,250	(28,974)	5,081,276
Net changes of revaluation reserve		–	249,818	–	(114,782)	135,036	–	135,036
Total comprehensive income/(loss)		–	249,818	–	4,995,468	5,245,286	(28,974)	5,216,312
		26,000,090	4,466,420	(25,825,125)	31,952,153	36,593,538	(28,974)	36,564,564
Realisation of revaluation reserve		–	(55,599)	–	55,599	–	–	–
Transaction with owners								
New shares issued for the IPO	11	18,200,000	–	–	–	18,200,000	–	18,200,000
New shares issuance expense for the IPO	11	(870,008)	–	–	–	(870,008)	–	(870,008)
Non-controlling interests arising from incorporation of a subsidiary		–	–	–	–	–	4,000	4,000
Total transaction with owners		17,329,992	–	–	–	17,329,992	4,000	17,333,992
At 31 August 2021		43,330,082	4,410,821	(25,825,125)	32,007,752	53,923,530	(24,974)	53,898,556

Statements of Changes in Equity (cont'd)

	Note	Attributable to owners of the Company Share capital RM	Accumulated losses 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
Profit for the financial year, representing total comprehensive income for the financial year		–	165,550	165,550
Transaction with owners				
New shares issued for the IPO	**11**	18,200,000	–	18,200,000
New shares issuance expense for the IPO		(870,008)	–	(870,008)
Total transaction with owners		17,329,992	–	17,329,992
At 31 August 2021		43,330,082	(759,585)	42,570,497

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from operating activities					
Profit/(loss) before tax		7,184,088	7,242,411	183,931	(925,135)
Adjustments for:					
Depreciation of property, plant and equipment		437,329	539,417	–	–
Reversal of impairment loss on property, plant and equipment		–	(10,000)	–	–
Gain on lease modification		(334)	–	–	–
Reversal of impairment loss on trade receivables		–	(30,672)	–	–
Bad debts written off		36,394	–	–	–
Fair value loss on investment property		–	23,674	–	–
Finance costs		30,910	60,431	–	–
Interest income		(265,255)	(72,296)	(89,719)	–
Net unrealised foreign exchange gain		(8,142)	(4,562)	–	–
Operating profit/(loss) before changes in working capital		**7,414,990**	**7,748,403**	**94,212**	**(925,135)**
Changes in working capital:					
Inventories		(4,870,244)	(729,466)	–	–
Trade and other receivables		(3,263,990)	1,442,731	(191,065)	(700,143)
Trade and other payables		397,714	(59,460)	(17,100)	105,000
Contract liability		130,542	–	–	–
Net cash generated (used in)/ from operations		**(190,988)**	**8,402,208**	**(113,953)**	**(1,520,278)**
Income tax paid		(2,150,354)	(2,695,962)	–	–
Income tax refunded		63,565	–	–	–
Net cash flows (used in)/from operating activities		**(2,277,777)**	**5,706,246**	**(113,953)**	**(1,520,278)**
Cash flows from investing activities					
Purchase of property, plant and equipment	**(a)**	(167,421)	(381,508)	–	–
Proceeds from disposal of property, plant and equipment		–	10,000	–	–
Change in pledged deposits		(153,181)	(989,994)	–	–
Interest income		265,255	72,296	89,719	–
Investments in subsidiaries		–	–	(6,100)	–
Net cash flows (used in)/from investing activities		**(55,347)**	**(1,289,206)**	**83,619**	**–**

Statement of Cash Flows (cont'd)

		Group		Company	
		2021	**2020**	**2021**	**2020**
	Note	**RM**	**RM**	**RM**	**RM**
Cash flows from financing activities	**(b)**				
Interest paid		–	(16,940)	–	–
Repayment of term loans		(252,912)	(160,758)	–	–
Repayment of lease liabilities		(59,710)	(136,249)	–	–
Net repayment of bankers' acceptance		–	(1,265,000)	–	–
Net change in amount owing (by)/to subsidiaries		–	–	(1,559,976)	1,520,278
Proceeds from issuance of ordinary shares		18,200,000	100	18,200,000	99
Proceeds from non-controlling interests arising from incorporation of a subsidiary		4,000	–	–	–
Net cash flows from/(used in) financing activities		**17,891,378**	**(1,578,847)**	**16,640,024**	**1,520,377**
Net increase in cash and cash equivalents		15,558,254	2,838,193	16,609,690	99
Cash and cash equivalents at the beginning of the financial year		6,015,055	3,176,862	100	1
Cash and cash equivalents at the end of the financial year	**10**	**21,573,309**	**6,015,055**	**16,609,790**	**100**

(a) Purchase of property, plant and equipment:

		Group	
		2021	**2020**
	Note	**RM**	**RM**
Purchase of property, plant and equipment	**5**	310,182	423,356
- Deferred payment		(31,411)	–
- Operating lease recognised as right-of-use assets	**5**	(111,350)	(41,848)
Cash payments on purchase of property, plant and equipment		167,421	381,508

Statement of Cash Flows (cont'd)

(b) The reconciliation of liabilities arising from financing activities are as follow:

	Group	
	Term loan RM	**Lease liabilities RM**
At 1 September 2019 (unaudited)	811,591	175,010
Cash flows	(160,758)	(136,249)
Non-cash changes		
- Interest	35,691	7,800
- Effect of adoption of MFRS 16	–	60,506
At 31 August 2020	686,524	107,067
Cash flows	(252,912)	(59,710)
Non-cash changes		
- Interest	25,245	5,665
- Addition	–	111,350
- Lease modification	–	(13,779)
At 31 August 2021	458,857	150,593

(c) During the financial year, the Group had total cash outflows for leases of RM82,510 (2020: RM178,699).

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Econframe Berhad (the "Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Ace Market of Bursa Malaysia Securities Berhad. 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 3 December 2021.

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 amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error
MFRS 139	Financial Instruments: Recognition and Measurement

The adoption of the above amendments/improvements to MFRSs 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.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (cont'd)

2.3 Amendments/improvements to MFRSs that have been issued, but yet to be effective

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

		Effective for financial year beginning on or after
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^
MFRS 3	Business Combinations	1 January 2022
MFRS 7	Financial Instruments: Disclosures	1 January 2021
MFRS 9	Financial Instruments	1 January 2021 1 January 2022^
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 16	Leases	1 June 2020 1 January 2021 1 April 2021 1 January 2022^
MFRS 101	Presentation of Financial Statements	1 January 2023
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021

^ *The Annual Improvements to MFRSs 2018-2020*

2.3.2 The Group and the Company plan to adopt the above applicable amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant 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.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (cont'd)

2.3 Amendments/improvements to MFRSs that have been issued, but yet to be effective (cont'd)

2.3.2 The Group and the Company plan to adopt the above applicable amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant amendments/improvements to MFRSs are summarised below (cont'd).

Amendments to MFRS 3 Business Combinations

The amendments update MFRS 3 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 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures

The Interest Rate Benchmark Reform—Phase 2 amends some specific requirements in MFRS 9, MFRS 139, and MFRS 7, with respect to issues that affect financial reporting during the reform of an interest rate benchmark.

The amendments provide a practical expedient whereby an entity would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Amendments to MFRS 10 Consolidated Financial Statements

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

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.

Amendments to MFRS 16 Leases

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications, applying to reduction in lease payments originally due on or before 30 June 2022 subject to fulfilment of other conditions.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (cont'd)

2.3 Amendments/improvements to MFRSs that have been issued, but yet to be effective (cont'd)

2.3.2 The Group and the Company plan to adopt the above applicable amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant amendments/improvements to MFRSs are summarised below (cont'd).

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.

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (cont'd)

2.3 Amendments/improvements to MFRSs that have been issued, but yet to be effective (cont'd)

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

2.3.3 The financial effects of the adoption of the applicable amendments/improvements to MFRSs that have been issued, but yet to be effective are currently being assessed by the Group and the Company.

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.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to the financial years 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.

(a) Subsidiary and business combination

Subsidiaries are 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.

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 statements 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.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of consolidation (cont'd)

(b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statements of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(c) 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 statements 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 currency 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.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss.

Non-monetary items denominated in foreign currency that are measured at fair value are retranslated at the exchange rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currency 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).

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments

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

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.

(a) Subsequent measurement

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

(i) Financial assets

The classification depends on the Company'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.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company classify and measure their financial assets at amortised cost.

Financial assets at amortised cost are 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.

<u>Equity instruments</u>

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(ii) Financial liabilities

The Group and the Company classify and measure their financial liabilities at amortised cost.

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

Notes to the Financial Statements (cont'd)

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 themselves 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.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

(d) Derecognition (cont'd)

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their 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 the Group and the Company have retained.

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 statements 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.

Notes to the Financial Statements (cont'd)

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
Plant and machineries	10
Motor vehicles	5
Furniture and fittings	10
Office equipment	10
Computer hardware and software	5
Renovation	10

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

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.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Leases (cont'd)

(b) Lessee accounting

At the lease commencement date, the Group and the Company recognise a right-of-use ("ROU") 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.

ROU asset

The ROU 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 ROU asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities. The ROU asset is depreciated over the shorter of the asset's useful lives and the lease term on a straight-line basis. If the Group and the Company is reasonably certain to exercise a purchase option, the ROU 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).

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 their 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.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Leases (cont'd)

(b) Lessee accounting (cont'd)

Lease liability (cont'd)

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related ROU 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 ROU 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 statements 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.

Short-term leases and leases of low value assets

The Group and the Company have elected not to recognise ROU 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 lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(c) Lessor accounting

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 ROU 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(b), 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.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Leases (cont'd)

(c) Lessor accounting (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 statements 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.

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 disposal. 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.

3.8 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.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise bank balances and deposits and other 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 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 losses are 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 losses, except for the following, which are measured as 12-month expected credit losses:

- 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.

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.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Impairment of assets (cont'd)

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

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 is 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.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

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").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Impairment of assets (cont'd)

(b) Impairment of non-financial assets (cont'd)

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.

3.11 Share capital

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.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Revenue and other income (cont'd)

Financing components

The Group has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(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, 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 straight-line basis over the lease term.

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.

Notes to the Financial Statements (cont'd)

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 are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(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 statements 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.

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.

Where investment properties are carried at fair value in accordance with the accounting policy as disclosed in Note 3.7, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within the business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Income tax (cont'd)

(c) Sales and services tax ("SST")

Revenue, expenses and assets are recognised net of the amount of SST except:

- where the SST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the SST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of SST included.

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

3.16 Earnings per share

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

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

3.17 Fair value measurements

Fair value of an asset or a liability, except for 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.

There was no transfer between levels of the fair value hierarchy during the financial year.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 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.

3.19 Contract liability

Contract liability is the obligation to transfer goods or services to customers for which the Group and the Company have received the consideration or have billed the customers.

3.20 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Managing Director of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

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 include the following:

4.1 Impairment of financial assets

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

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and forecast of economic conditions over the expected lives of the financial assets and contract assets. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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

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	Right-of-use assets RM	Total RM
Group											
Cost/revaluation											
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
Transfer		–	–	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
Additions		–	–	38,334	86,178	12,405	40,085	21,830	–	111,350	310,182
Lease modification		–	–	–	–	–	–	–	–	(32,268)	(32,268)
At 31 August 2021		5,120,000	3,320,000	2,151,704	1,262,664	272,485	308,359	140,882	534,488	250,588	13,361,170
Group											
Accumulated depreciation and impairment loss											
At 1 September 2019 (unaudited)		10,000	–	1,276,050	577,935	155,053	159,484	111,091	205,862	425,154	2,920,629
Depreciation charge for the financial year	20	–	66,400	101,067	154,739	24,995	20,978	2,050	52,056	117,132	539,417
Transfer		–	–	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
Depreciation charge for the financial year	20	–	66,400	120,600	87,695	25,908	22,882	4,745	52,056	57,043	437,329
Lease modification		–	–	–	–	–	–	–	–	(18,823)	(18,823)
At 31 August 2021		–	132,800	1,652,086	1,144,508	201,790	207,510	117,886	309,974	101,998	3,868,552

Notes to the Financial Statements (cont'd)

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	Right-of-use assets RM	Total RM
Group											
Net carrying amount											
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
At 31 August 2021											
- At cost		–	–	499,618	118,156	70,695	100,849	22,996	224,514	148,590	1,185,418
- At revaluation		5,120,000	3,187,200	–	–	–	–	–	–	–	8,307,200
		5,120,000	3,187,200	499,618	118,156	70,695	100,849	22,996	224,514	148,590	9,492,618

Notes to the Financial Statements (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Assets pledged as security

	Group	
	RM	RM
Freehold land	5,120,000	5,120,000
Freehold buildings	3,187,200	3,253,600
	8,307,200	8,373,600

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

(b) Right-of-use assets

The Group leases several assets including apartments 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
Additions	111,350	–	–	111,350
Depreciation	(34,843)	–	(22,200)	(57,043)
Lease modification	(13,445)	–	–	(13,445)
At 31 August 2021	104,190	–	44,400	148,590

The Group leases apartments for staff accommodations. The leases for apartments generally have lease term between 2 to 3 years.

The Group also leases motor vehicles with lease term of 5 years.

Notes to the Financial Statements (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(c) Fair value information

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

	Group Level 2 2021 RM	2020 RM
Freehold land	5,120,000	5,120,000
Freehold buildings	3,187,200	3,253,600
	8,307,200	8,373,600

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.

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 meter of comparable property.

Valuation processes applied by the Group

The fair value of freehold land and buildings was determined 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.

(d) 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 2021 RM	2020 RM
Freehold land	2,646,577	2,646,577
Freehold buildings	422,032	432,407
	3,068,609	3,078,984

6. INVESTMENT PROPERTY

	Group 2021 RM	Group 2020 RM
At fair value:		
At 1 September	300,000	323,674
Changes in fair value	–	(23,674)
At 31 August	300,000	300,000

Investment property with a carrying amount of RM300,000 (2020: RM300,000) has been pledged as security to secure credit facilities of the Group as disclosed in Note 13.

There is no rental income generated from the investment property. The direct operating expenses incurred for the investment property are RM3,250 during the financial year (2020: Nil).

Fair value information

Fair value of investment property is categorised as follows:

	Group Level 2 2021 RM	Group Level 2 2020 RM
Building	300,000	300,000

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 meter of comparable property.

Valuation processes applied by the Group

The fair value of investment property was determined 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.

Notes to the Financial Statements (cont'd)

7. INVESTMENT IN SUBSIDIARIES

	Company 2021 RM	Company 2020 RM
At cost:		
Unquoted shares	26,006,090	25,999,990

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Ownership interest 2021	Ownership interest 2020	Principal activities
Econframe Marketing Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and sales of doors, door and window frames and trading of ironmongery
Econframe Pre-Hung Doors Sdn. Bhd.	Malaysia	100%	100%	Trading of doors
* Eframe Technology Sdn. Bhd.	Malaysia	100%	–	Dormant
* Eframe Solartech Sdn. Bhd.	Malaysia	60%	–	Trading and provision of installation services for solar energy products and systems

* Newly incorporated subsidiaries during the financial year.

(a) Non-controlling interests in a subsidiary

The financial information of the Group's and the Company's subsidiary that has non-controlling interests are as follows:

Equity interest held by non-controlling interests:

Name of Company	Country of incorporation	Ownership interest 2021
Eframe Solartech Sdn. Bhd.	Malaysia	40%

Notes to the Financial Statements (cont'd)

7. INVESTMENT IN SUBSIDIARIES (cont'd)

(a) Non-controlling interests in a subsidiary (cont'd)

Carrying amount of non-controlling interests:

Name of Company	2021 RM
Eframe Solartech Sdn. Bhd.	(24,974)

Loss allocated to non-controlling interests:

Name of Company	2021 RM
Eframe Solartech Sdn. Bhd.	(28,974)

(b) Summarised financial information of non-controlling interests

The summarised financial information (before intra-group elimination) of the Group's and the Company's subsidiary that has non-controlling interests are as follow:

	2021 RM
Eframe Solartech Sdn. Bhd.	
Summarised statement of financial position	
As at 31 August	
Current assets	246,783
Current liabilities	(309,218)
	(62,435)
Summarised statement of comprehensive loss	
Financial period ended 31 August	
Loss for the financial period, representing total comprehensive loss for the financial period	(72,435)
Summarised statement of cash flows	
Financial period ended 31 August	
Cash flows used in operating activities	(143,973)
Cash flows from investing activity	–
Cash flows from financing activity	170,951
	26,978

Notes to the Financial Statements (cont'd)

8. INVENTORIES

	Group 2021 RM	Group 2020 RM
At cost		
Raw materials	5,604,725	1,223,464
Finished goods	2,904,069	2,415,086
	8,508,794	3,638,550

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM20,040,620 (2020: RM20,560,564).

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Trade					
Trade receivables	(a)	12,681,771	12,926,715	–	–
Non-trade					
Other receivables		6,650	17,349	–	–
Deposits		2,955,680	237,717	–	–
Prepayments		668,521	769,418	21,200	700,143
Amount owing by subsidiaries	(b)	–	–	39,698	–
		3,630,851	1,024,484	60,898	700,143
Total trade and other receivables		16,312,622	13,951,199	60,898	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.

Notes to the Financial Statements (cont'd)

9. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Trade receivables (cont'd)

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

	Group	
	2021 RM	2020 RM
Neither past due nor impaired	3,479,960	4,977,590
Past due but not impaired:	9,201,811	7,949,125
1 to 30 days past due not impaired	1,582,119	2,937,605
31 to 60 days past due not impaired	2,367,187	2,623,149
61 to 90 days past due not impaired	1,604,551	556,162
91 to 120 days past due not impaired	1,302,813	230,949
More than 120 days past due not impaired	2,345,141	1,601,260
Total trade receivables	12,681,771	12,926,715

(b) Amount owing by subsidiaries

Amount owing by subsidiaries is unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

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

10. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash and bank balances	6,245,638	5,779,753	1,520,875	100
Short-term deposits	18,175,303	2,929,753	15,088,915	–
	24,420,941	8,709,506	16,609,790	100

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Short-term deposits	18,175,303	2,929,753	15,088,915	–
Less: Pledged deposits	(2,847,632)	(2,694,451)	–	–
	15,327,671	235,302	15,088,915	–
Cash and bank balances	6,245,638	5,779,753	1,520,875	100
	21,573,309	6,015,055	16,609,790	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.

Notes to the Financial Statements (cont'd)

11. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2021 Unit	2020 Unit	2021 RM	2020 RM
Issued and fully paid-up:				
At 1 September	260,000,000	1,100,000	26,000,090	1,100,000
Share issued upon incorporation	–	1	–	1
Adjustment on the acquisition of subsidiaries	–	(1,100,000)	–	(1,100,000)
Issuance of ordinary shares	65,000,000	99	18,200,000	99
Issuance of shares pursuant to acquisition of subsidiaries	–	259,999,900	–	25,999,990
New shares issuance expense for the IPO	–	–	(870,008)	–
At 31 August	325,000,000	260,000,000	43,330,082	26,000,090

For the purpose of this report, the total number of shares as at 31 August 2020 represent the aggregate number of issued shares of all entities within the Group. Pursuant to the IPO, the total number of shares as at 31 August 2021 represents the number of issued shares of the Group.

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.

During the financial year, the Company issued 65,000,000 new ordinary shares at a price of RM0.28 per ordinary share pursuant to the IPO of the Company on the ACE Market of Bursa Malaysia Securities Berhad on 27 October 2020.

Effective from 31 January 2017, the Companies Act 2016 abolished the concept of authorised share capital and par value of share capital.

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

Notes to the Financial Statements (cont'd)

12. OTHER RESERVES

	Group	
	2021 RM	2020 RM
Revaluation reserve	4,410,821	4,216,602
Reorganisation reserve	(25,825,125)	(25,825,125)
	(21,414,304)	(21,608,523)

(a) Revaluation reserve relates to the revaluation of the Group's freehold land and buildings.

(b) Reorganisation reserve represents the difference between the purchase consideration to acquire subsidiaries and the share capital of the Company.

13. LOANS AND BORROWINGS

		Group	
	Note	2021 RM	2020 RM
Non-current:			
Term loans	**(a)**	248,471	449,967
Lease liabilities	**(b)**	84,446	60,984
		332,917	510,951
Current:			
Term loans	**(a)**	210,386	236,557
Lease liabilities	**(b)**	66,147	46,083
		276,533	282,640
Total loans and borrowings:			
Term loans	**(a)**	458,857	686,524
Lease liabilities	**(b)**	150,593	107,067
		609,450	793,591

(a) Term loans

Term loans of the Group bear interests ranging from 3.44% to 3.54% (2020: 3.44% to 3.54%) 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) 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

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 ranging from 3.43% to 5.82% (2020: 4.26% to 6.40%) per annum.

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

	Group	
	2021 RM	**2020 RM**
Minimum lease payments:		
Not later than one year	70,900	50,460
Later than one year and not later than five years	86,775	63,925
	157,675	114,385
Less: Future finance charges	(7,082)	(7,318)
Present value of minimum lease payments	150,593	107,067
Present value of minimum lease payment payable:		
Not later than one year	66,147	46,083
Later than one year and not later than five years	84,446	60,984
	150,593	107,067

14. DEFERRED TAX LIABILITIES

Deferred tax relates to the following:

	Unaudited As at 1 September 2019 RM	**Recognised in profit or loss RM (Note 22)**	**As at 31 August 2020 RM**
Group			
Deferred tax liabilities:			
Property, plant and equipment	378,601	(40,293)	338,308
Revaluation surplus on property, plant and equipment	1,117,945	(26,249)	1,091,696
	1,496,546	(66,542)	1,430,004

Notes to the Financial Statements (cont'd)

14. DEFERRED TAX LIABILITIES (cont'd)

	As at 1 September 2020 RM	Recognised in profit or loss RM (Note 22)	Reversal of deferred tax liabilities RM	As at 31 August 2021 RM
Group				
Deferred tax liabilities:				
Property, plant and equipment	338,308	15,062	–	353,370
Revaluation surplus on property, plant and equipment	1,091,696	(17,557)	(135,036)	939,103
	1,430,004	(2,495)	(135,036)	1,292,473

15. TRADE AND OTHER PAYABLES

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Trade					
Trade payables	(a)	1,777,559	1,456,215	–	–
Non-trade					
Other payables		227,994	332,438	5,735	–
Accruals		543,137	510,863	82,165	105,000
Customers' deposits		379,103	203,459	–	–
Amount owing to a subsidiary	(b)	–	–	–	1,520,278
		1,150,234	1,046,760	87,900	1,625,278
Total trade and other payables		2,927,793	2,502,975	87,900	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).

Notes to the Financial Statements (cont'd)

16. CONTRACT LIABILITY

The contract liability is relating to advance payment by customer for future services provided by the Group.

Significant changes in contract balances during the financial year are as follows:

	Group 2021 RM
At 1 September	–
Increased due to consideration received from customer, but revenue not recognised	130,542
At 31 August	130,542

17. REVENUE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Revenue from contract customers:				
At a point in time:				
Sales of goods	40,985,164	40,618,396	–	–
Revenue from other source:				
Dividend income	–	–	2,000,000	–
	40,985,164	40,618,396	2,000,000	–

Transaction price allocated to the remaining performance obligations

The Group and the Company apply the practical expedient in paragraph 121(a) of MFRS 15 and do not disclose information about the remaining performance obligations that have original expected durations of one year or less.

Notes to the Financial Statements (cont'd)

18. OTHER INCOME

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Rental income	31,850	18,200	–	–
Interest income	265,255	72,296	89,719	–
Reversal of impairment loss on property, plant and equipment	–	10,000	–	–
Gain on lease modification	334	–	–	–
Reversal of impairment loss on trade receivables	–	30,672	–	–
Net realised foreign exchange gain	3,100	–	–	–
Net unrealised foreign exchange gain	8,142	4,562	–	–
Wage Subsidy Program by Government of Malaysia	52,800	96,600	–	–
Others	46,715	54,213	93	–
	408,196	286,543	89,812	–

19. FINANCE COSTS

	Group	
	2021 RM	2020 RM
Interest expense on:		
- Term loans	25,245	35,691
- Lease liabilities	5,665	7,800
- Bankers' acceptance	–	16,940
	30,910	60,431

Notes to the Financial Statements (cont'd)

20. 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:

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Auditors' remuneration		128,000	134,000	63,000	63,000
Depreciation of property, plant and equipment	5	437,329	539,417	–	–
Bad debts written off		36,394	–	–	–
Fair value loss on investment property	6	–	23,674	–	–
Incorporation fee		2,170	4,000	–	4,000
Net realised foreign exchange loss		113,944	111,279	–	–
Employee benefits expense	21	3,761,412	3,721,885	232,000	42,000
Expenses relating to short-term lease		22,800	42,450	–	–

21. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Salaries, allowances and bonuses	3,414,589	3,430,541	232,000	42,000
Defined contribution plans	310,972	261,205	–	–
Other staff related benefits	35,851	30,139	–	–
	3,761,412	3,721,885	232,000	42,000

Included in employee benefits expenses are directors' remuneration:				
- Directors' fee	194,000	265,000	194,000	33,000
- Salaries, allowances and bonuses	619,877	153,900	38,000	9,000
- Defined contribution plans	69,825	17,787	–	–
- Other staff related benefits	1,848	898	–	–
	885,550	437,585	232,000	42,000

22. INCOME TAX EXPENSE

The major components of income tax expense for the financial year ended 31 August 2021 and financial year ended 31 August 2020 are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Statements of comprehensive income				
Current income tax:				
- Current income tax charge	2,222,216	2,030,242	18,381	–
- (Over)/underprovision in respect of prior years	(116,909)	12,685	–	–
- Real property gain tax	–	(73,052)	–	–
	2,105,307	1,969,875	18,381	–
Deferred tax (Note 14):				
- Origination of temporary differences	2,059	8,906	–	–
- Overprovision in respect of prior years	(4,554)	(75,448)	–	–
	(2,495)	(66,542)	–	–
Income tax expenses recognised in profit or loss	2,102,812	1,903,333	18,381	–

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% on the estimated chargeable profit for the financial year.

Notes to the Financial Statements (cont'd)

22. INCOME TAX EXPENSE (cont'd)

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	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(loss) before tax	7,184,088	7,242,411	183,931	(925,135)
Tax at statutory income tax rate of 24%	1,724,181	1,738,179	44,143	(222,032)
Real property gain tax	–	(73,052)	–	–
Adjustments:				
Income not subject to tax	–	–	(480,000)	–
Non-deductible expenses	506,766	303,980	454,238	222,032
Crystalisation of revaluation reserves	(17,557)	–	–	–
Utilisation of reinvestment allowance claimed	–	(3,011)	–	–
Deductible temporary differences not recognised	10,885	–	–	–
(Over)/underprovision in respect of current income tax of prior years	(116,909)	12,685	–	–
Overprovision in respect of deferred tax of prior years	(4,554)	(75,448)	–	–
Income tax expense	2,102,812	1,903,333	18,381	–

<u>Unrecognised deferred tax assets</u>

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

	Group 2021 RM
Property, plant and equipment	3,610
Unutilised tax losses	41,745
Income tax expenses	45,355
Potential deferred tax benefit at 24%	10,885

Unutilised tax losses carry forward are available for offset against future taxable income which will expire in the financial year 2031.

Notes to the Financial Statements (cont'd)

23. EARNINGS PER 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:

	2021 RM	2020 RM
Profit attributable to owners of the Company	5,110,250	5,339,078
Weighted average number of ordinary shares for basic and diluted earnings per share	314,849,315	260,000,000
Basic and diluted earnings per ordinary share (sen)	1.62	2.05

The diluted earnings per share of the Company is equivalent to the basic earnings per share as the Company does not have any convertible securities as at the end of the financial year.

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 as amortised cost:

	Carrying amount RM	Amortised cost RM
31 August 2021		
Financial assets		
Group		
Trade and other receivables less prepayment	15,644,101	15,644,101
Cash and short-term deposits	24,420,941	24,420,941
	40,065,042	40,065,042
Company		
Amount owing by subsidiaries	39,698	39,698
Cash and short-term deposits	16,609,790	16,609,790
	16,649,488	16,649,488

Notes to the Financial Statements (cont'd)

24. FINANCIAL INSTRUMENTS (cont'd)

(a) Categories of financial instruments (cont'd)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned as amortised cost (cont'd):

	Carrying amount RM	Amortised cost RM
Financial liabilities		
Group		
Term loans	(458,857)	(458,857)
Trade and other payables less SST payable	(2,756,604)	(2,756,604)
	(3,215,461)	(3,215,461)
Company		
Trade and other payables	(87,900)	(87,900)
31 August 2020		
Financial assets		
Group		
Trade and other receivables less prepayment	13,181,781	13,181,781
Cash and short-term deposits	8,709,506	8,709,506
	21,891,287	21,891,287
Company		
Cash and short-term deposits	100	100
Financial liabilities		
Group		
Term loans	(686,524)	(686,524)
Trade and other payables less SST payables	(2,190,444)	(2,190,444)
	(2,876,968)	(2,876,968)
Company		
Trade and other payables	(1,625,278)	(1,625,278)

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 their 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. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Trade receivables

As at the end of the financial year, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements 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.

<u>Credit risk concentration profile</u>

At the end of the financial year, 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 measure expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected losses provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected credit losses also incorporate forward-looking information. There is no expected credit loss recognised during the financial year.

Notes to the Financial Statements (cont'd)

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 2021							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount	3,479,960	1,582,119	2,367,187	1,604,551	1,302,813	2,345,141	12,681,771
Impairment losses	–	–	–	–	–	–	–
At 31 August 2020							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount	4,977,590	2,937,605	2,623,149	556,162	230,949	1,601,260	12,926,715
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 statements 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.

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.

(ii) Liquidity risk

Liquidity risk is the risk that the Group or 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 and loan and borrowings.

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 finance 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.

Notes to the Financial Statements (cont'd)

24. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(ii) Liquidity risk (cont'd)

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	Total RM
Group				
At 31 August 2021				
Trade and other payables less SST payables	2,756,604	2,756,604	–	2,756,604
Term loans	458,857	336,569	537,167	873,736
	3,215,461	3,093,173	537,167	3,630,340
At 31 August 2020				
Trade and other payables less SST payables	2,190,444	2,190,444	–	2,190,444
Term loans	686,524	252,912	873,736	1,126,648
	2,876,968	2,443,356	873,736	3,317,092
Company				
At 31 August 2021				
Trade and other payables	87,900	87,900	–	87,900
At 31 August 2020				
Trade and other payables	1,625,278	1,625,278	–	1,625,278

Notes to the Financial Statements (cont'd)

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 results of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings 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 2021			
Term loans	(458,857)	+ 50	1,744
		- 50	(1,744)
31 August 2020			
Term loans	(686,524)	+ 50	2,609
		- 50	(2,609)

(c) Fair value measurement

The carrying amount of cash and short-term deposits, short-term receivables and payables and short-term borrowings reasonably approximate to 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.

Notes to the Financial Statements (cont'd)

24. FINANCIAL INSTRUMENTS (cont'd)

(c) Fair value measurement (cont'd)

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

	Carrying amount RM	Fair value of financial instruments not carried at fair value < ---- Fair value ---- > Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group					
31 August 2021					
Financial liabilities					
Non-current					
Term loans	248,471	–	–	229,078	229,078
31 August 2020					
Financial liabilities					
Non-current					
Term loans	449,967	–	–	415,118	415,118

Level 3 fair value

<u>Fair value of financial instruments not carried at fair value</u>

The fair value of liability component of term loans is 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 2021 RM	2020 RM
Approved capital expenditures not provided for in the financial statements:		
Property, plant and equipment		
- Contracted	1,090,837	–

Notes to the Financial Statements (cont'd)

26. RELATED PARTIES

(a) Identification of related parties

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

Related parties of the Group and the Company include:

(i) Subsidiaries;
(ii) Key management personnel of the Group and the Company, comprise persons (including Directors) having the authority and responsibility for planning, directing and controlling the activities directly and indirectly.

(b) Significant related party transactions

There were no significant related party transactions between the Company and its related parties during the financial year and the outstanding balances are disclosed in Note 9 and Note 15 to the financial statements.

(c) Compensation of key management personnel

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Salaries, allowances and bonuses	1,367,792	841,775	232,000	42,000
Defined contribution plans	130,350	61,302	–	–
Other staff related benefits	7,585	4,254	–	–
	1,505,727	907,331	232,000	42,000

Notes to the Financial Statements (cont'd)

27. CAPITAL MANAGEMENT

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

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total debts divided by total capital. The gearing ratio as at 31 August 2021 and 31 August 2020 are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Total debts	609,450	793,591	–	–
Total equity	53,898,556	31,348,252	42,570,497	25,074,955
	54,508,006	32,141,843	42,570,497	25,074,955
Gearing ratio	1%	2%	N/A	N/A

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

The Group and the Company are not subject to externally imposed capital requirements.

28. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than as disclosed elsewhere in the financial statements, the significant events during and subsequent to the end of the financial year are as follows:

(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 several levels of 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 Group and the Company have performed assessments 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 ended 31 August 2021.

Given the fluidity of the situation, the Group and the Company are unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 August 2022 to be disclosed in the financial statements as impact assessment of the COVID-19 pandemic is a continuing process. The Group and the Company will continuously monitor any material changes to future economic conditions that will affect the Group and the Company.

Notes to the Financial Statements (cont'd)

28. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (cont'd)

Other than as disclosed elsewhere in the financial statements, the significant events during and subsequent to the end of the financial year are as follows (cont'd):

(b) 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.

29. 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 Managing Director ("MD") for the purpose of making decisions about resource allocation and performance assessment.

The reportable operating segments are as follows:

Segments	**Products and services**
Manufacturing	Manufacture of doors, door and window frames
Trading	Trading of doors and ironmongery, trading and provision of installation services for solar energy products and systems
Investment holding	Investment holding and providing full corporate and financial support to the Group

<u>Segment profit</u>
Segment performance is used to measure performance as Group's MD believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Notes to the Financial Statements (cont'd)

29. SEGMENT INFORMATION (cont'd)

Segment assets
The total of segment assets is measured based on all assets of a segment, as included in the internal reports that are reviewed by the Group's MD.

Segment liabilities
Segment liabilities are not included in the internal reports that are reviewed by the Group's MD, hence no disclosures are made on segment liabilities.

	Manufacturing RM	Trading RM	Investment RM	Eliminations RM	Total RM
31 August 2021					
Revenue					
Revenue from external customers	33,471,199	7,513,965	–	–	40,985,164
Inter-segment revenue *	429,650	–	2,000,000	(2,429,650)	–
	33,900,849	7,513,965	2,000,000	(2,429,650)	40,985,164
Results					
Depreciation	(409,094)	(55,308)	–	27,073	(437,329)
Employee benefits expense	(3,515,622)	(13,790)	(232,000)	–	(3,761,412)
Finance costs	(30,910)	(4,284)	–	4,284	(30,910)
Interest income	172,082	3,454	89,719	–	265,255
Other operating income	164,706	–	93	(30,000)	134,799
Unrealised gain on foreign exchange	8,142	–	–	–	8,142
Segment profit	7,252,287	1,746,504	183,940	(1,998,643)	7,184,088
Income tax expense	(1,984,553)	(99,878)	(18,381)	–	(2,102,812)
Profit for the financial year	5,267,734	1,646,626	165,559	(1,998,643)	5,081,276
Assets					
Addition to capital expenditure	310,182	–	–	–	310,182
Segmental assets	39,307,412	3,377,996	42,676,786	(26,327,219)	59,034,975

** Inter-segment revenues are eliminated on consolidation.*

Notes to the Financial Statements (cont'd)

29. SEGMENT INFORMATION (cont'd)

	Manufacturing RM	Trading RM	Investment RM	Eliminations RM	Total RM
31 August 2020					
Revenue					
Revenue from external customers	32,404,263	8,214,133	–	–	40,618,396
Inter-segment revenue *	1,695	35,111	–	(36,806)	–
	32,405,958	8,249,244	–	(36,806)	40,618,396
Results					
Depreciation	(511,052)	(50,926)	–	22,561	(539,417)
Employee benefits expense	(3,679,885)	–	(42,000)	–	(3,721,885)
Finance costs	(60,431)	(4,390)	–	4,390	(60,431)
Interest income	66,878	5,418	–	–	72,296
Other operating income	169,050	70,635	–	(30,000)	209,685
Unrealised gain on foreign exchange	4,562	–	–	–	4,562
Segment profit/(loss)	5,246,201	2,919,394	(925,135)	1,951	7,242,411
Income tax expense	(1,775,717)	(127,616)	–	–	(1,903,333)
Profit/(loss) for the financial year	3,470,484	2,791,778	(925,135)	1,951	5,339,078
Assets					
Addition to capital expenditure	423,356	135,366	–	(135,366)	423,356
Segmental assets	34,169,522	3,011,846	26,700,233	(27,649,136)	36,232,465

** Inter-segment revenues are eliminated on consolidation.*

<u>Geographical information</u>

The Group operates predominantly in Malaysia and hence, no geographical segment is presented.

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 2021 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 3 December 2021.

LIM CHIN HORNG
Director

KHOO SOON BENG
Director

Kuala Lumpur

STATUTORY DECLARATION
(PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016)

I, **YONG WAI KIN**, 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
(MIA membership number: 21813)

Subscribed and solemnly declared by the above named at Kuala Lumpur in the Federal Territory on 3 December 2021.

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 2021 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 then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 115.

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 2021 and of their financial performance and cash flows for the financial year 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

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 2021. 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:

- 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; and
- reviewing subsequent receipts, customer correspondence and considering level of activity with the customer and management explanation on recoverability with significantly past due balances.

Independent Auditors' Report (cont'd)

Key Audit Matters (cont'd)

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.

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, actions taken to eliminate treats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law 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

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

Ong Teng Yan
No. 03076/07/2023 J
Chartered Accountant

Kuala Lumpur

Date: 3 December 2021

LIST OF PROPERTIES
AS AT 31 AUGUST 2021

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 Net Book Value as at 31 August 2021
				square feet		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 the centralised main office and manufacturing space of the Group 39 years	Land Area: 6,157 Built-up Area: Approximately 7,807	3 February 2012/ 16 July 2019	1,872
(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 the Group 39 years	Land Area: 5,480 Built-up area: Approximately 7,130	3 February 2012/ 16 July 2019	1,725
(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 the Group 39 years	Land Area: 7,207 Built-up Area: Approximately 9,271	8 August 2014/ 16 July 2019	2,072
(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 the Group 39 years	Land Area: 9,026 Built-up Area: Approximately 15,386	29 September 2009/ 16 July 2019	2,638

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 Net Book Value as at 31 August 2021
				square feet		**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 4 years	Land Area: N/A Built-up Area: 450	27 April 2017/ 30 August 2020	300

ANALYSIS OF SHAREHOLDINGS
AS AT 26 NOVEMBER 2021

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	–	–
Lim Saw Nee	108,392,300	33.35	–	–

B. ANALYSIS OF SHAREHOLDINGS

Holdings	**No. of Holders**	**%**	**No. of Holdings**	**%**
Less than 100	1	0.06	1	0.00
100 to 1,000	298	17.12	162,300	0.05
1,001 to 10,000	745	42.79	4,240,899	1.30
10,001 to 100,000	552	31.71	19,013,700	5.85
100,001 to 16,249,999 (*)	141	8.10	106,659,330	32.82
16,250,000 and above (**)	4	0.23	194,923,770	59.98
Total	1,741	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	–	–
Lim Saw Nee	108,392,300	33.35	–	–
Khoo Soon Beng	6,694,965	2.06	–	–
Robert Koong Yin Leong	50,000	0.02	–	–
Tan Hock Soon	50,000	0.02	–	–
Ilham Fadilah Binti Sunhaji	50,000	0.02	–	–
Lim Foo Seng	–	–	–	–

Analysis of Shareholdings (cont'd)

D. TOP THIRTY (30) SHAREHOLDERS

No	Name	No of shares held	%
1	LIM SAW NEE	85,000,000	26.15
2	LIM CHIN HORNG	74,618,735	22.96
3	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LIM SAW NEE)	18,392,300	5.66
4	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LIM CHIN HORNG)	16,912,735	5.20
5	TENG CHUAN HENG	8,270,000	2.54
6	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LIM CHIN HORNG)	8,000,000	2.46
7	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LIM CHIN HORNG)	6,000,000	1.85
8	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LIM CHIN HORNG)	5,000,000	1.54
9	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LIM SAW NEE)	5,000,000	1.54
10	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR CHAN WAI HONG)	4,563,200	1.40
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR DATO ONG CHOO MENG)	3,900,000	1.20
12	LEE BOON HOOI	3,741,500	1.15
13	RHB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR KHOO SOON BENG)	3,100,000	0.95
14	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR THAM KOK LEONG)	3,080,000	0.95
15	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR KHOO SOON BENG)	3,000,000	0.92
16	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LIM GAIK ENG)	2,450,000	0.75
17	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LIM CHIN HORNG)	2,381,265	0.73
18	BOO YIN KWAN	2,190,000	0.67
19	LIM GEOK AI	1,960,000	0.60
20	KENANGA NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN KAI BOON)	1,653,000	0.51
21	YONG CHAW ANG	1,650,000	0.51
22	LIM GEK SHAN	1,552,900	0.48
23	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR DATO' ONG CHOO MENG)	1,540,000	0.47
24	LEON YIEMANN JALA	1,478,500	0.45
25	CHAN WAI HONG	1,459,000	0.45
26	ONN SIONG AIK	1,345,000	0.41
27	CHIA MEAH HEA	1,220,000	0.38
28	CHAN LAI YEE	1,192,300	0.37
29	TEE KIAM LOOW	1,100,000	0.34
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LEE LIP KHANG)	1,000,000	0.31
		272,750,435	83.92

NOTICE OF SECOND (2ND) ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2nd 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 Tuesday, 25 January 2022 at 10:00 a.m. for the following purposes:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 August 2021 together with the Reports of the Directors and Auditors thereon. ***(Refer to Note 2)***

2. To approve the payment of Directors' fees amounting to RM204,000/- for the financial year ending 31 August 2022 and Directors' benefits of up to RM40,000/- for the period from 25 January 2022 to the next AGM to be held in year 2023. ***Resolution 1***

3. To re-elect Mr. Lim Foo Seng, the Director of the Company, who retire pursuant Clause 21.11 of the Company's Constitution, and being eligible, has offered himself for re-election. ***Resolution 2***

4. To re-elect the following Directors, who retire pursuant Clause 21.7 of the Company's Constitution, and being eligible, have offered themselves for re-election: -

   (a) Mr. Lim Chin Horng; and ***Resolution 3***
   (b) Puan Ilham Fadilah binti Sunhaji ***Resolution 4***

5. 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 5***

Special Business

To consider and, if thought fit, with or without any modification, to pass the following Ordinary Resolution: -

6. **ORDINARY RESOLUTION** ***Resolution 6***
   - 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 does not exceed ten per centum (10%) 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 2nd AGM (cont'd)

AND THAT such authority shall be commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next AGM of the Company."

7. 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 2021

Notes:

(1) <u>Information for Shareholders/Proxies</u>

a. For the purpose of determining a member who shall be entitled to attend the 2nd 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 17 January 2022. Only a depositor whose name appears on the Record of Depositors as at 17 January 2022 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 2nd 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.

c. A member may, subject to Notes (d) and (e) below, appoint more than one (1) proxy to attend and vote at the 2nd 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 2nd 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.

Notice of 2nd AGM (cont'd)

Notes (cont'd):

(1) <u>Information for Shareholders/Proxies</u> (cont'd)

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. <u>Appointment of Proxy(ies)</u>

A member may obtain the proxy form for the 2nd 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) <u>Hard copy</u>

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 2nd AGM or any adjournment thereof.

(ii) <u>Electronic form</u>

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: **<u>info@sshsb.com.my</u>**

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.

Explanatory Note to Ordinary and Special Business:-

(2) <u>Audited Financial Statements for the financial year ended 31 August 2021</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 6 – Authority to Issue Shares pursuant to the Act</u>

The Company wishes to renew the mandate on the authority to issue shares of not more than ten per centum (10%) of the total issued shares capital for the time being pursuant to the Act at the 2nd AGM of the Company (hereinafter referred to as the "**General Mandate**").

The Company had, during the First AGM held on 25 January 2021, obtained its shareholders' approval for the general mandate limit for new issues of securities to not more than twenty per centum (20%) of the total number of issued shares of the Company until the concession period, i.e. by 31 December 2021 and thereafter 10% limit under Rule 6.04(1) of the ACE LR will be reinstated until the conclusion of the 2nd AGM (hereinafter referred to as the "**Previous Mandate**"). This Previous mandate was granted by the Bursa Securities as one (1) of the additional temporary relief measures to listed corporations via its letter dated 16 April 2020.

Notice of 2nd AGM (cont'd)

Explanatory Note to Ordinary and Special Business (cont'd):-

(3) **Resolution 6 – Authority to Issue Shares pursuant to the Act (cont'd)**

As at the date of this notice, the Previous Mandate granted by the shareholders had not been utilised and hence no proceeds were raised therefrom.

The purpose to seek the General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting. This authority unless revoked or varied by the Company in general meeting, will expire at the next AGM. The proceeds raised from the General Mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

Personal data privacy:-

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 2nd 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 2nd AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 2nd 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.

Important Notes:-

Members are required to refer to the Administrative Guide for Shareholders/Proxies attending the 2nd AGM, despatched together with the Notice of 2nd AGM which outlines the guidance for **physical** attendance at the 2nd AGM.

The said Administrative Guide has taken into account the latest measures to-date to deal with the Covid-19 situation announced and/or implemented in Malaysia which affect the holding or conduct of general meetings. 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 2nd 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 2nd AGM and/or material developments.

ECONFRAME BERHAD
[Registration No. 201901042935 (1352265-T)]
(Incorporated in Malaysia)

PROXY FORM

Number of shares held	
CDS account number	
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 Second Annual General Meeting ("**2nd 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 Tuesday, 25 January 2022 at 10:00 a.m. or at any adjournment thereof, on the following resolutions referred to in the Notice of 2nd 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. Lim Foo Seng as Director		
Resolution 3	To re-elect Mr. Lim Chin Horng as Director		
Resolution 4	To re-elect Puan Ilham Fadilah binti Sunhaji as Director		
Resolution 5	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 6	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 .... , *2021/2022

....
* 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 2nd 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 17 January 2022. Only a depositor whose name appears on the Record of Depositors as at 17 January 2022 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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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.

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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.

<u>Personal data privacy:</u>

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 2nd AGM dated 24 December 2021.

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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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41300 Klang, Selangor Darul Ehsan, Malaysia

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www.econframe.com

ECONFRAME®
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