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FLYING COLOURS BERHAD

Illustrative Directors' Report and Financial Statements
for Malaysian Financial Reporting Standards

2024

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Disclaimer

While we strived to ensure information in this publication is fairly presented and up to date at the time of printing, users of this publication must take cognizance that MFRSs and their interpretations change over time. This publication also does not show all possible accounting and disclosure requirements of the MFRSs. Therefore, this publication should not be relied upon to identify all disclosures and changes that an entity may need to make as a result of the new or amendments to MFRSs and IC Interpretations nor be considered to be the only acceptable form of presentation for a set of financial statements. Accordingly, this Illustrative Directors' Report and Financial Statements should not be used as a substitute for reading the standards and interpretation themselves or for professional judgement as to fairness in presentation. Readers should not act upon it without seeking professional advice relevant to a particular situation.

No representation or warranty, express or implied, is made with respect to, and no reliance should be placed on, the accuracy, completeness or fairness of the information set out in this publication. Neither Baker Tilly Malaysia, its partners nor its staff shall have any liability whatsoever for any loss arising from any use or otherwise in connection with this publication. Furthermore, we accept no duty or responsibility and deny any liability to the users of this publication, whether or not this publication influences any of your decisions. This is in itself not an opinion document.

What's Inside

Publication Guide

Scope

This Illustrative Directors' Report and Financial Statements is based on a company not in existence, Flying Colours Berhad, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad with financial year ended 31 December 2023.

The names of people and entities included in this publication are not real. Any resemblance to any person or entity is purely coincidental.

In preparing this publication, we have strived to create a realistic set of financial statements for a corporate entity whose activities include property development, agriculture, service concession, manufacturing and investment holding. In the effort to present a wide variety of scenarios, many assumptions on the figures are made, some of these figures are not designed to reconcile with other figures that appear in this publication and in certain cases, no figures are presented in the disclosures.

The disclosures contained herein are made based on a hypothetical group of companies and certain assumptions have been made about the applicability of the MFRSs. The disclosures are not meant to be exhaustive. Readers should refer to the relevant standards and regulations for specific disclosure requirements.

Flying Colours Berhad has adopted all MFRSs that are effective as at 1 January 2023.

This publication is for the circulation to the staff, clients and associates of Baker Tilly Malaysia at their request and is not for public circulation.

Purpose

This publication serves to provide practical illustration and guide on the presentation and disclosure requirements of MFRSs and Companies Act 2016 in the financial statements of a group of companies.

Commentary

Throughout this publication, commentary is provided where additional matters may need to be considered in relation to a particular disclosure. The commentary is provided in grey boxes towards the end of each note/page.

Alternative accounting policies

Certain MFRSs allow a choice between two different accounting treatments for the same transaction and event. In such circumstances, an organisation must exercise professional judgement and care, and decide on the appropriate accounting treatment to be applied based on the entity's specific circumstances.

Contact us

This publication is prepared as a general guidance only and therefore should not be relied upon as a substitute for seeking professional advice concerning the appropriate accounting treatments or ensuring compliance with the MFRSs. Users are encouraged to consult Baker Tilly Malaysia when in doubt. A list of the Baker Tilly offices in Malaysia is provided on the back page of this publication.

Abbreviations

The following abbreviations are used in this publication for the purpose of referencing:

AAPG 1	Audit and Assurance Practice Guides 1 issued by the Malaysian Institute of Accountants
App	Appendix
BC	Basis for Conclusions
Commentary	The commentary explains how the requirements affect the illustrative disclosure
FRSIC	Financial Reporting Standards Implementation Committee
IASB	International Accounting Standards Board
IC	Interpretation Committee
IE	Illustrative Examples
IFRS	International Financial Reporting Standards
MASB	Malaysian Accounting Standards Board, or accounting standards issued by the Malaysian Accounting Standards Board, depending on the context
MFRS	Malaysian Financial Reporting Standard issued by the MASB
PS2	Malaysian Financial Reporting Standard Practice Statement 2 *Making Materiality Judgements*
S2	Section 2 of the Companies Act 2016
S8	Section 8 of the Companies Act 2016
S59	Section 59 of the Companies Act 2016
S127	Section 127 of the Companies Act 2016
S251	Section 251 of the Companies Act 2016
S252	Section 252 of the Companies Act 2016
S253	Section 253 of the Companies Act 2016
ISA	International Standard on Auditing

Foreword

Esther Cheah
Partner
Quality Assurance & Technical

Andrew Heng
Group Managing Partner

Dato' Lock Peng Kuan
Managing Partner
Audit & Assurance

"

It has been a very dynamic year for Malaysia.

After performing better than expected in year 2022, economic growth has moderated by the end of 2023. On the global scale, companies have also had to grapple with impacts of geopolitical tensions, adjust their forecasted revenues, and manage their risks accordingly.

In terms of Malaysian Financial Reporting Standards (MFRS), amendments have been few over the last two years. However, the amendment to MFRS 101 Presentation of Financial Statements this year presents a major change, which impacts the disclosure of material accounting policy information in the financial statements. Our Baker Tilly Quality Assurance and Technical team has continued to keep the momentum going and ensure that users of our Illustrative Directors' Report and Financial Statements are always armed with the latest changes via our Illustrative Directors' Report and Financial Statements, "Flying Colours Berhad". Additionally, this also allows us to update and refine the illustrations and examples provided therein.

Therefore, as we welcome year 2024, we are proud to present to you our Illustrative Directors' Report and Financial Statements, "Flying Colours Berhad", which is our 8th edition to date. This reflects our ongoing dedication to shaping the accountancy profession by sharing our knowledge through this comprehensive resource.

We hope that our efforts will continue to bring about consistency and improve the overall quality of financial statements. Although it is not possible to envisage every possible event and circumstances, or to provide illustrations for all scenarios that apply to regulated or specialised industries, we hope that this Illustrative Directors' Report and Financial Statements will still be an informative guide for organisations in the preparation of the financial statements generally.

Here's wishing all our readers best wishes for the year ahead.

FLYING COLOURS BERHAD
201901000001 (0000-X)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

FLYING COLOURS BERHAD
(Incorporated in Malaysia)

Reference

DIRECTORS' REPORT

S252(1) 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 December 2023.

PRINCIPAL ACTIVITIES

S253(1)(b) The principal activities of the Company are investment holding, property development and provision of construction services. The principal activities of its subsidiaries include property development, provision of construction services, oil palm cultivation and processing of crude palm oil and palm kernel, milling of crude palm oil and palm kernel, small equipment leasing, production of plastic mould products, fast food business and operation of power plant.

5Sch(I)(7) There have been no significant changes in the nature of these activities during the financial year except for the two service concession arrangements entered, one is with the State Government of Penang in Malaysia to construct and operate the convention center and the other is with the State Government of Shenzhen in China to build and operate a power plant to supply electricity to consumers in a designated area.

5Sch(I)(1)(a)

RESULTS

	Group RM'000	Company RM'000
Profit/(loss) for the financial year, net of tax		
- Continuing operations	133,900	43,700
- Discontinued operation	(2,800)	-
	131,100	43,700
Attributable to:		
Owners of the Company	118,200	43,700
Non-controlling interests	12,900	-
	131,100	43,700

DIVIDENDS 1

5Sch(I)(1)(f) The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM'000
Single tier final dividend of 5.26 sen per ordinary share in respect of the financial year ended 31 December 2022, paid on 20 April 2023	10,000
Single tier interim dividend of 3.45 sen per ordinary share in respect of the financial year ended 31 December 2023, paid on 18 June 2023	10,000

Reference

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS (CONTINUED)

110.12
S127(8)
101.137(a)

At the forthcoming Annual General Meeting, a single tier final dividend of 5.17 sen per ordinary share, amounting to RM15,000,000 in respect of the current financial year, based on the number of outstanding ordinary shares in issue (net of treasury shares) as at 31 December 2023, will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2024.

RESERVES OR PROVISIONS

5Sch(I)(1)(b) There were no material transfers to or from reserves or provisions during the financial year other than as shown below.
[Disclosure of amounts and particulars of any material transfers to or from reserves or provisions.]

BAD AND DOUBTFUL DEBTS

5Sch(I)(1)(g) 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.

5Sch(I)(1)(h) 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

5Sch(I)(1)(i) 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.

5Sch(I)(1)(j)(i) 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.

Commentary:

1. **Illustrative disclosure where dividend has not been paid or recommended**

   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 December 2023.

FLYING COLOURS BERHAD
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Reference

DIRECTORS' REPORT (CONTINUED)

VALUATION METHODS

5Sch(I)(1)(j)(ii) 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:

5Sch(I)(1)(k)(i) (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

5Sch(I)(1)(k)(ii) (ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

5Sch(I)(1)(l) In the opinion of the directors, no contingent or other liability of the Group or 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 or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

5Sch(I)(1)(m) 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 1

In the opinion of the directors,

5Sch(I)(1)(n) (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 2

5Sch(I)(1)(o) (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.

AUDITORS' REMUNERATION AND INDEMNITY

5Sch(I)(10) The auditors' remuneration of the Group and the Company during the financial year were RM438,000 and RM150,000 respectively. 3

5Sch(I)(2)(d) The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia. 4

Reference

DIRECTORS' REPORT (CONTINUED)

5Sch(I)(1)(c)

ISSUE OF SHARES AND DEBENTURES 5 6

During the financial year, the Company:

(i) issued 25,000,000 new ordinary shares at a price of RM2 per ordinary share as partial discharge of the purchase consideration for the acquisition of the 80% equity interest in PT Halia Palm Oil pursuant to a share sale agreement dated 20 January 2023; and 7

(ii) issued 75,000,000 new ordinary shares at a price of RM2 per ordinary share for working capital purposes.

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

During the financial year, the Company issued 100,000,000 units of convertible bonds at a price of RM1.05 per unit. Each bond is convertible at any time up to maturity into 10,000,000 ordinary shares at the conversion price of RM2 each, which is at a rate of one ordinary share for every ten convertible bonds held. Unconverted bonds shall become repayable on demand. The bonds mature ten years from the issue date and carry a coupon interest rate of 6.5% payable on 31 December each year.

Commentary:

5Sch(I)(1)(p)

1. Pursuant to 5Sch(I)(1)(p) of the Companies Act 2016, the directors' report shall disclose any other details as determined by the Registrar.

5Sch(I)(1)(n)

2. Pursuant to 5Sch(I)(1)(n) of the Companies Act 2016, the directors' report shall state whether the results of the Company's operations during the financial year were, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature and, if so, giving particulars of that item, transaction or event and the amount or the effect of the item, transaction or event, if known or reasonably ascertainable.

   In cases where there were items, transactions or events of material and unusual nature that affect the results of the Group's or of the Company's operation (e.g. material impairment losses or one-off transactions/events), entities shall disclose the particulars of that item, transaction or event and the amount or the effect of the item, transaction or event, if known or reasonably ascertainable as illustrated below:

   Other than the impairment loss on trade and other receivables of RMXXX, in the opinion of the directors…

5Sch(I)(10)

3. Pursuant to 5Sch(I)(10) of the Companies Act 2016, the directors' report shall disclose the total amount paid to or receivable by the auditors as remuneration for their services as auditors, inclusive of all fees, percentages or other payments or consideration given by or from the Company or by or from any subsidiary of the Company. The auditors' remuneration includes audit and non-audit service fees.

5Sch(I)(2)(d)

4. Pursuant to 5Sch(I)(2)(d) of the Companies Act 2016, the directors' report shall disclose the total amount of any indemnity given to or insurance effected for auditors of the Company.

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Reference

DIRECTORS' REPORT (CONTINUED)

Commentary (continued):

5 **Illustrative disclosure where no shares or debentures are issued**

During the financial year, no new issue of shares or debentures were made by the Company.

S2 6 "Debenture" includes debenture stock, bonds, sukuk, notes and any other securities of a corporation whether constituting a charge on the assets of the corporation or not.

3.8 7 **Illustrative disclosure where the issue price is different with the fair value of shares issued at the date of acquisition.**

During the financial year, the Company issued 25,000,000 new ordinary shares at a price of RM2 per ordinary share as partial discharge of the purchase consideration for the acquisition of the 80% equity interest in PT Halia Palm Oil pursuant to a share sale agreement dated 20 January 2023. For the purpose of accounting for the shares consideration, the fair value of RM2.20 per ordinary share as at the date of completion was recorded instead of issue price of RM2 per ordinary share.

S127 **TREASURY SHARES**

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year.

As at 31 December 2023, the Company held 10,000,000 treasury shares out of its 300,000,000 issued and paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM20,000,000.

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 other than the issue of options pursuant to the Employee's Share Option Scheme ("ESOS").

At an Extraordinary General Meeting held on 26 March 2020, the Company's shareholders approved the establishment of an ESOS for directors who have rendered services of three years and above.

5Sch(I)(5)
5Sch(I)(6)
The share options granted are vesting immediately and settlement is by issuance of fully paid ordinary shares. The exercise price in each grant is set 10% below the weighted average of the market prices of the Company's ordinary shares in the last five trading days before the grant date. Option may be exercised any time from the date of vesting to the date of expiry.

Reference

DIRECTORS' REPORT (CONTINUED)

OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

The options offered for the subscription of unissued ordinary shares and the respective exercise prices are as follows:

			Number of option over ordinary shares			
Grant date	**Expiry date**	**Exercise price**	**At 1 January 2023**	**Granted**	**Exercised**	**At 31 December 2023**
30 June 2022	29 June 2027	RM1.75	5,000,000	-	-	5,000,000
31 October 2022	30 October 2027	RM1.85	5,000,000	-	-	5,000,000
			10,000,000	-	-	10,000,000

DIRECTORS

S253(1)(a) The directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Hashid Alim bin Samad*	
Lo Chun Yin	
Wong Kah Him*	
Ong Kai Jung	(Appointed on 4 September 2023)
Mohammad Ali bin Akbar	(Resigned on 1 December 2023)

* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Ang Swee Hooi
Chen Hua Ting
Ali Bin Hushin

FLYING COLOURS BERHAD
(Incorporated in Malaysia)

Reference

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

5Sch(I)(1)(e)
5Sch(I)(1)(d)(ii)

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:

Interests in the Company

	Number of ordinary shares			
	At 1 January 2023	**Bought**	**Sold**	**At 31 December 2023**
Direct interests:				
Hashid Alim bin Samad	50,000,000	10,000	-	50,010,000
Indirect interests:				
Hashid Alim bin Samad	15,000,000 (1)	10,000	-	15,010,000 (1)
Lo Chun Yin	1,000,000 (2)	-	-	1,000,000 (2)

S8(4)
S59(11)(c)

(1) Shares held through company in which the director has substantial financial interests.
(2) Shares held through spouse and/or children.

By virtue of his interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Hashid Alim bin Samad is deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest. 1

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.

Commentary:

S8(4)(c)

1. Pursuant to Section 8(4) of the Companies Act 2016, a person shall be deemed to have an interest in the Company when a body corporate holds shares in the Company and that person has a controlling or substantial financial interest of not less than **20%** of the votes in that body corporate.

DIRECTORS' BENEFITS

5Sch(I)(3)
5Sch(I)(2)

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 shown below) 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. [other than any deemed benefit which arise from transactions as shown below.

Description of any deemed benefit arise.]

Reference

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS (CONTINUED)

5Sch(I)(2)(a) The directors' benefits of the Group and of the Company were as follows:

	Group RM'000	Company RM'000
Directors of the Company		
Executive directors		
- Fees	2,000	600
- Other emoluments	6,600	2,200
	8,600	2,800
Non-executive directors		
- Fees	*XXX*	*XXX*
- Other emoluments	*XXX*	*XXX*
	XXX	*XXX*
	8,600	**2,800**

5Sch(I)(1)(d)(i) Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is 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, other than those arising from the share options granted under the ESOS.

INDEMNITY TO DIRECTORS AND OFFICERS ❶

5Sch(I)(2)(d) During the financial year, the total amount of indemnity insurance coverage and insurance premium paid for the directors and officers of the Company were RMXXX and RMXXX respectively.

Commentary:

5Sch(I)(2)(d) ❶ Pursuant to 5Sch(I)(2)(d) of the Companies Act 2016, the directors' report shall state the total amount of any indemnity given to or insurance effected for, any director or officer of the Company. The indemnity to auditor of the Company was disclosed under separate heading in page 3.

Illustrative disclosure where no indemnity was given

During the financial year, no indemnity was given to or insurance effected for, any director or officer of the Company.

FLYING COLOURS BERHAD
(Incorporated in Malaysia)

Reference

DIRECTORS' REPORT (CONTINUED)

SUBSIDIARIES

5Sch(I)(7) The details of the Company's subsidiaries are as follows: ❶
[Details of subsidiaries name, place of incorporation, principal activities and percentage of issued share capital held by the Company in each subsidiary.]

5Sch(I)(8) The available auditors' reports on the accounts of the subsidiaries did not contain any qualification. ❷

5Sch(I)(9) **INTERESTS IN HOLDING COMPANY AND OTHER RELATED CORPORATIONS** ❸
(applicable for disclosure in the subsidiaries' account only)

Other than as disclosed elsewhere in this report, the Company does not have any interest in shares in the holding company and its other related corporations during the financial year.

Or

Other than as disclosed elsewhere in this report, the interests of the Company in shares in the holding company and its other related corporation during the financial year were as follows:

	Number of ordinary shares			
	At 1 January 2023	**Bought**	**Sold**	**At 31 December 2023**
Ultimate holding company				
Flying Colours Holdings Sdn Bhd	xx	-	-	xx
Related corporation				
Flying Colours Sdn Bhd	xx	-	-	xx

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

[Details of significant events during the financial year.]

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

[Details of significant events subsequent to the end of the financial year.]

ULTIMATE HOLDING COMPANY

5Sch(I)(4) The directors regard Flying Colours Holdings Sdn Bhd, a company incorporated in Malaysia, as the ultimate holding company of the Company.

Reference

DIRECTORS' REPORT (CONTINUED)

S253(3)
5Sch(II)

BUSINESS REVIEW 4

Commentary:

5Sch(I)(7)

1 5Sch(I)(7) of the Companies Act 2016 states that:

"The directors' report shall specify clearly either in the profit and loss account of the holding company or consolidated profit and loss account of the holding company and its subsidiary companies the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary to which that profit and loss account or other document relates."

5Sch(I)(8)

2 5Sch(I)(8) of the Companies Act 2016 states that:

"If the auditors' report on the accounts of a subsidiary company is qualified in any way, the consolidated balance sheet of the holding company, as the case may be, shall contain particulars of the manner in which the report is qualified in so far as the matter which is the subject of the qualification is not covered by the holding company's own accounts and is material from the point of view of its members."

Illustrative disclosure where accounts of any subsidiary company is qualified

Other than those subsidiaries with modified opinions in their auditors' reports as disclosed in Note X to the financial statements, the available auditors' reports on the accounts of the remaining subsidiaries did not contain any qualification.

5Sch(I)(9)

3 Pursuant to 5Sch(I)(9) of the Companies Act 2016, disclosure shall be made under separate heading in the balance sheet of every subsidiary company the extent of its holding of shares in the holding company and in other related corporations.

S253(3)
5Sch(II)

4
1. Pursuant to S253(3) of the Companies Act 2016, the directors' report may include a business review as set out in 5Sch(II) or any other reporting as prescribed.

2. The business review may, to the extent necessary for an understanding of the development, performance or position of the Company's business, contain:

   (a) a fair review of the Company's business;
   (b) a description of the principal risks and uncertainties facing by the Company;
   (c) a balanced and comprehensive analysis of:
      (i) the development and performance of the Company's business during the financial year;
      (ii) the position of the Company's business at the end of that year, consistent with the size and complexity of the business; and
      (iii) the key performance indicators;
   (d) information about:
      (i) environmental matters, including the impact of the Company's business on the environment;
      (ii) the Company's employees; and
      (iii) social and community issues, including information about any policies of the Company in relation to those matters and the effectiveness of those policies; and

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Reference

DIRECTORS' REPORT (CONTINUED)

Commentary (continued):

S253(3)
5Sch(II)

4

2. The business review may, to the extent necessary for an understanding of the development, performance or position of the Company's business, contain: (continued)
   (e) subject to paragraph 7 below, information about persons with whom the Company has contractual or other arrangements which are essential to the business of the Company.

3. If the review does not contain any of the information mentioned in subparagraphs 2(a), (b), (c) and (d) above, it shall state which of the information it does not contain.

4. The review may, where appropriate, include references to, and additional explanations of, amounts included in the Company's financial statements.

5. In relation to a group directors' report, this business review has effect as if the references to the Company include references to its subsidiary included in the consolidation.

6. Nothing in the business review requires the disclosure of information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the directors, be prejudicial to the interests of the Company.

7. Nothing in subparagraph 2(e) above requires the disclosure of information about a person if the disclosure would, in the opinion of the directors, be prejudicial to that person and contrary to the public interest.

8. For the purposes of this business review, "key performance indicators" means factors by reference to which the development, performance or position of the Company's business can be measured effectively.

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Reference

DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

S252(2)(a)
S252(2)(b)

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

……………………………………….

S252(3) **HASHID ALIM BIN SAMAD**
Director

……………………………………….

S252(3) **WONG KAH HIM**
Director

Date: (date)

FLYING COLOURS BERHAD
(Incorporated in Malaysia)

Reference

101.10(a)
101.10(f)
101.51(e)
101.54
101.113

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

Reference		Note	Group 1			Company		
			31.12.2023 RM'000	31.12.2022 Restated RM'000	1.1.2022 Restated RM'000	31.12.2023 RM'000	31.12.2022 Restated RM'000	1.1.2022 Restated RM'000
	ASSETS 2							
	Non-current assets							
	Property, plant and equipment 3	**5**	414,400	306,800	291,700	100,400	89,500	81,400
	Investment properties	**6**	71,800	43,200	38,600	36,600	21,000	17,600
	Biological assets	**7**	47,600	23,879	26,926	-	-	-
	Inventories	**8**	99,700	39,203	37,228	58,500	36,100	33,000
	Intangible assets	**9**	200,200	63,000	67,500	106,300	4,500	4,200
	Investment in subsidiaries	**10**	-	-	-	188,400	143,500	143,500
	Investment in associates	**11**	78,900	58,600	52,300	23,600	18,600	18,600
	Investment in joint ventures	**12**	18,500	17,900	15,200	3,200	3,200	3,200
	Deferred tax assets	**13**	4,500	3,700	-	-	-	-
	Trade and other receivables	**14**	13,100	12,300	10,000	3,000	1,800	1,000
	Other investments	**15**	81,400	76,810	61,650	53,300	19,800	27,600
	Contract costs 4	*15A*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*
101.60	**Total non-current assets**		**1,030,100**	**645,392**	**601,104**	**573,300**	**338,000**	**330,100**
	Current assets							
	Inventories 5	**8**	129,500	105,318	84,246	42,300	23,500	18,800
	Current tax assets		2,500	2,300	2,000	-	-	-
	Trade and other receivables	**14**	130,600	98,890	82,350	83,800	22,000	17,000
	Contract assets 6	**16**	86,400	78,400	64,300	13,400	9,800	3,200
	Contract costs 4	*15A*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*
	Other current assets		4,000	2,500	1,500	-	-	-
	Derivative financial assets	**17**	8,500	6,500	9,800	4,200	5,000	1,200
	Cash and short-term deposits 7	**18**	38,500	18,500	15,700	12,500	6,500	5,700
			400,000	312,408	259,896	156,200	66,800	45,900
5.38-5.40	Assets of a disposal group classified as held for sale	**19**	25,400	-	-	10,000	-	-
101.60	**Total current assets**		**425,400**	**312,408**	**259,896**	**166,200**	**66,800**	**45,900**
	TOTAL ASSETS		**1,455,500**	**957,800**	**861,000**	**739,500**	**404,800**	**376,000**

FLYING COLOURS BERHAD
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Reference

101.10(a)
101.10(f)
101.51(e)
101.54
101.113

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

Reference		Note	Group 31.12.2023 RM'000	Group 31.12.2022 Restated RM'000	Group 1 1.1.2022 Restated RM'000	Company 31.12.2023 RM'000	Company 31.12.2022 Restated RM'000	Company 1.1.2022 Restated RM'000
	EQUITY AND LIABILITIES 2							
	Equity attributable to owners of the Company							
	Share capital	**20**	448,000	250,000	250,000	448,000	250,000	250,000
	Treasury shares	**21**	(20,000)	(20,000)	(10,000)	(20,000)	(20,000)	(10,000)
	Other reserves	**22**	82,188	52,795	40,000	37,900	11,300	(800)
	Retained earnings		277,112	180,905	131,900	46,400	22,700	16,400
			787,300	463,700	411,900	512,300	264,000	255,600
	Non-controlling interests		94,500	71,500	64,500	-	-	-
	TOTAL EQUITY		**881,800**	**535,200**	**476,400**	**512,300**	**264,000**	**255,600**
	Non-current liabilities							
	Loans and borrowings 8	**23**	270,200	188,200	194,500	156,800	75,700	62,000
	Employee benefits	**24**	8,500	6,900	6,000	-	-	-
	Deferred income	**25**	15,000	10,500	11,600	3,500	1,800	1,500
	Provisions	**26**	11,100	11,300	9,250	2,000	500	-
	Deferred tax liabilities	**13**	29,400	18,800	12,800	12,100	2,200	1,500
	Trade and other payables	**27**	6,000	6,000	6,000	4,000	4,000	4,000
101.60	**Total non-current liabilities**		340,200	241,700	240,150	178,400	84,200	69,000
	Current liabilities							
	Loans and borrowings 8	**23**	20,000	16,000	13,000	12,000	9,000	8,000
	Provisions	**26**	7,500	3,500	3,150	500	500	500
	Current tax liabilities		41,300	32,500	16,500	10,200	7,600	3,200
	Trade and other payables	**27**	102,500	86,200	71,800	16,800	33,400	30,200
	Contract liabilities 6	**16**	43,200	40,800	36,100	7,800	5,600	8,500
	Derivative financial liabilities	**17**	2,500	1,900	3,900	1,500	500	1,000
			217,000	180,900	144,450	48,800	56,600	51,400
5.38-5.40	Liabilities of a disposal group classified as held for sale	**19**	16,500	-	-	-	-	-
101.60	**Total current liabilities**		233,500	180,900	144,450	48,800	56,600	51,400
	TOTAL LIABILITIES		**573,700**	**422,600**	**384,600**	**227,200**	**140,800**	**120,400**
	TOTAL EQUITY AND LIABILITIES		**1,455,500**	**957,800**	**861,000**	**739,500**	**404,800**	**376,000**

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

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Reference

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

Commentary:

1. An entity shall present a third statement of financial position as at the beginning of the preceding period based on the following requirements:

Nature	Third statement of financial position		Related notes	
	Yes?	Required by	Yes?	Required by
(a) First-time adoption of MFRSs	✓	MFRS 1.21	✓	MFRS 1.21
(b) Retrospective application *	✓	MFRS 101.40A	x	MFRS 101.40C
(c) Retrospective restatement *	✓	MFRS 101.40A	x	MFRS 101.40C
(d) Reclassification *	✓	MFRS 101.40A	x	MFRS 101.40C

101.40A(b) * An entity shall present a third statement of financial position <u>if and only if</u> the retrospective application, retrospective restatement or reclassification has a material effect on the information in the statement of financial position as at the beginning of the preceding period.

In this illustrative financial statements, the retrospective application of changes in accounting policy is deemed to have a material effect on the information in the statements of financial position as at the beginning of the preceding period to illustrate the third statement of financial position.

101.60
101.64
2. An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, all assets and liabilities shall be presented in order of liquidity. Nevertheless, an entity is also permitted to present some of its assets and liabilities using a current and non-current classification and others in order of liquidity when this provides information that is reliable and more relevant. The need for a mixed basis of presentation might arise when an entity has diverse operations.

16.47(a)
3. If an entity does not present right-of-use assets separately in the statement of financial position, it shall include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented as if they were owned, and disclose which line items in the statement of financial position include those right-of-use assets.

16.47(a)
16.48
Alternatively, an entity may choose to present right-of-use assets separately in the statement of financial position. Right-of-use assets that meet the definition of investment property are presented in the statement of financial position as investment property.

Reference

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

Commentary (continued):

15.91-98

❹ MFRS 15 *Revenue from Contracts with Customers* is silent on the classification of contract costs, namely costs to obtain a contract and costs to fulfil a contract. Therefore, entities will need to develop an appropriate accounting policy. There is lack of guidance in MFRS on the presentation of costs to obtain a contract.

In view of the nature of costs to obtain a contract, these costs are presented as part of contract costs and its amortisation is included as part of distribution expenses. In contrast, the nature of costs to fulfil a contract is such that they directly affect the entity's performance under the contract. Therefore, costs to fulfil a contract should be presented as a separate class of asset in the statement of financial position and its amortisation within cost of sales.

15.B20-15.B27

❺ MFRS 15 and other standards do not specify where assets for rights to recover products from customers with regard to sale with a right of return should be presented. A refund asset relating to customers' right to return products can be disclosed as a separate line item, 'Right to returned goods asset'. In many cases entities may conclude that it is not necessary to present this balance separately from inventories. In such a case, separate disclosure of this balance should be made in the notes to the financial statements.

15.105
15.BC320

❻ MFRS 15.105 states that when either party to a contract has performed, an entity shall present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

15.App A
15.105

Contract assets refer to an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance). Any unconditional rights to consideration (i.e. amounts that relate to completed performance obligations for which payment is due under the contract) should be presented separately as a receivable.

15.App A

Contract liabilities refer to an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

101.66(d)

❼ An entity shall classify an asset as current when the asset is cash or a cash equivalent (as defined in MFRS 107) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

16.47(b)

❽ If the lessee does not present lease liabilities separately in the statements of financial position, the lessee shall disclose which line item in the statement of financial position that includes those liabilities.

Alternatively, an entity may choose to present lease liabilities separately from other liabilities in the statement of financial position.

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Reference

101.10(b)
101.10A
101.51(e)
101.81A
101.82
101.99
101.113

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Reference		Note	Group 2023 RM'000	Group 2022 Restated RM'000	Company 2023 RM'000	Company 2022 Restated RM'000
	Continuing operations					
15.2;15.113(a)	Revenue	**28**	1,906,300	1,191,000	250,500	154,000
101.82(a)	*Interest revenue*	***XX***	*xxx*	*xxx*	*xxx*	*xxx*
	Cost of sales	**29**	(1,734,730)	(1,071,900)	(163,000)	(102,900)
	Gross profit		**171,570**	**119,100**	**87,500**	**51,100**
	Other income	**30**	89,100	21,450	8,950	10,000
	Distribution expenses		(12,400)	(13,400)	(3,400)	(2,600)
	Administrative expenses		(64,960)	(27,659)	(24,889)	(24,755)
101.82(ba)	Net impairment losses on financial instruments and contract assets		(2,450)	(2,458)	(635)	(577)
	Other expenses		(2,150)	(1,142)	(3,165)	(2,923)
	Operating profit		**178,710**	**95,891**	**64,361**	**30,245**
101.82(a)	Finance income	**31**	3,100	3,250	1,750	1,900
101.82(b)	Finance costs	**32**	(17,140)	(14,241)	(7,911)	(4,945)
101.82(aa)	*Gains/(Losses) arising from derecognition of financial assets measured at amortised cost*		*xxx*	*xxx*	*xxx*	*xxx*
101.82(ca)	*Gains/(Losses) arising from reclassification of financial assets measured at amortised cost to fair value through profit or loss*		*xxx*	*xxx*	*xxx*	*xxx*
101.82(cb)	*Gains/(Losses) arising from reclassification of financial assets measured at fair value through other comprehensive income to fair value through profit or loss*		*xxx*	*xxx*	*xxx*	*xxx*
101.82(c)	Share of results of associates, net of tax		13,230	5,600	-	-
101.82(c)	Share of results of joint ventures, net of tax		600	2,700	-	-
	Profit before tax	**33**	**178,500**	**93,200**	**58,200**	**27,200**
101.82(d)	Income tax expense	**35**	(44,600)	(23,300)	(14,500)	(5,900)
	Profit for the financial year from continuing operations		**133,900**	**69,900**	**43,700**	**21,300**
101.82(ea)	(Loss)/profit for the financial year from discontinued operation, net of tax	**19(b)**	(2,800)	1,200	-	-
	Profit for the financial year		**131,100**	**71,100**	**43,700**	**21,300**

Reference

12.12(e)
101.10(b)
101.10A
101.51(e)
101.81A
101.82
101.99
101.113

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

Reference		Note	Group 2023 RM'000	Group 2022 Restated RM'000	Company 2023 RM'000	Company 2022 Restated RM'000
	Other comprehensive income/(loss), net of tax	**36**				
	Items that will not be reclassified subsequently to profit or loss					
	Remeasurement of defined benefit plans		380	2,030	-	-
	Fair value gain of equity instruments designated at fair value through other comprehensive income		2,200	3,800	3,000	2,000
	Share of other comprehensive income of associates		170	100	-	-
			2,750	5,930	3,000	2,000
	Items that may be reclassified subsequently to profit or loss					
	Exchange differences on translation of foreign operations		5,050	1,870	-	-
	Reclassification adjustments of exchange translation reserve	**10(b)**	(1,000)	-	-	-
	Fair value gain of debt instruments at fair value through other comprehensive income		*xxx*	*xxx*	*xxx*	*xxx*
	Cash flow hedges		2,200	(1,700)	2,500	2,300
	Reclassification adjustments of cash flow hedges		(800)	400	(300)	(800)
	Share of other comprehensive income of associates		1,900	600	-	-
			7,350	1,170	2,200	1,500
	Other comprehensive income for the financial year		**10,100**	**7,100**	**5,200**	**3,500**
	Total comprehensive income for the financial year		**141,200**	**78,200**	**48,900**	**24,800**
101.81B(a)	**Profit/(loss) attributable to:**					
	Owners of the Company		118,200	61,900	43,700	21,300
	- From continuing operations		121,000	60,700	43,700	21,300
	- From discontinued operation		(2,800)	1,200	-	-
	Non-controlling interests		12,900	9,200	-	-
			131,100	**71,100**	**43,700**	**21,300**

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Reference

101.10(b)
101.10A
101.51(e)
101.81A
101.82
101.99
101.113

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

Reference		Note	Group 2023 RM'000	Group 2022 Restated RM'000	Company 2023 RM'000	Company 2022 Restated RM'000
101.81B(b)	**Total comprehensive income/(loss) attributable to:**					
	Owners of the Company		126,700	68,200	48,900	24,800
	- From continuing operations		129,500	67,000	48,900	24,800
	- From discontinued operation		(2,800)	1,200	-	-
	Non-controlling interests		14,500	10,000	-	-
			141,200	**78,200**	**48,900**	**24,800**
133.66	**Basic earnings/(loss) per share attributable to owners of the Company (sen):**	37				
	- From continuing operations		48.4	30.4		
133.68	- From discontinued operation		(1.1)	0.6		
			47.3	**31.0**		
133.66	**Diluted earnings/(loss) per share attributable to owners of the Company (sen):**	37				
	- From continuing operations		45.7	28.9		
133.68	- From discontinued operation		(1.0)*	0.6		
			44.7*	**29.5**		

133.42
133.43

* Note: An entity uses profit or loss from continuing operations attributable to the owners of the Company as the control number to establish whether potential ordinary shares are dilutive or anti-dilutive. Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. Since the effect of assumed conversion of potential ordinary shares from continuing operations is dilutive, the effect of the said assumed conversion on loss per share from discontinued operation, although anti-dilutive (as disclosed above), should therefore be calculated.

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

Reference

101.10(c)
101.106
101.107
101.113

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

Reference	Group	Note	Share capital RM'000	Exchange reserve RM'000	Fair value reserve of financial assets at FVOCI RM'000	Cash flow hedge reserve RM'000	Share option reserve RM'000	Equity component of convertible bonds RM'000	Treasury shares RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
			Attributable to owners of the Company										
	At 31 December 2022												
	- As previously reported		250,000	31,550	8,045	4,600	8,600	-	(20,000)	169,205	452,000	71,500	523,500
101.106(b)	- Change in accounting policy	2.2(b)	-	-	-	-	-	-	-	11,700	11,700	-	11,700
	Restated balance at 1 January 2023		250,000	31,550	8,045	4,600	8,600	-	(20,000)	180,905	463,700	71,500	535,200
101.106(a)	**Total comprehensive income for the financial year**												
101.106(d)(i)	Profit for the financial year		-	-	-	-	-	-	-	118,200	118,200	12,900	131,100
101.106(d)(ii)	Other comprehensive income for the financial year		-	5,425	1,562	1,006	-	-	-	507	8,500	1,600	10,100
	Total comprehensive income		-	5,425	1,562	1,006	-	-	-	118,707	126,700	14,500	141,200
101.106(d)(iii)	**Transactions with owners**												
	Issue of ordinary shares		150,000	-	-	-	-	-	-	-	150,000	-	150,000
	Shares issued for acquisition of a subsidiary		50,000	-	-	-	-	-	-	-	50,000	-	50,000
	Transaction costs of share issue		(2,000)	-	-	-	-	-	-	-	(2,000)	-	(2,000)
	Non-controlling interests arising from acquisition of a new subsidiary	10(a)	-	-	-	-	-	-	-	-	-	20,000	20,000
	Changes in ownership interests in a subsidiary	10(c)	-	-	-	-	-	-	-	(2,500)	(2,500)	(7,500)	(10,000)
	Convertible bonds - equity		-	-	-	-	-	21,400	-	-	21,400	-	21,400
101.107	Dividends paid on shares	38	-	-	-	-	-	-	-	(20,000)	(20,000)	(4,000)	(24,000)
	Total transactions with owners		198,000	-	-	-	-	21,400	-	(22,500)	196,900	8,500	205,400
	At 31 December 2023		**448,000**	**36,975**	**9,607**	**5,606**	**8,600**	**21,400**	**(20,000)**	**277,112**	**787,300**	**94,500**	**881,800**

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Reference

101.10(c)
101.106
101.107
101.113

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

Reference	Group	Note	Share capital RM'000	Exchange reserve RM'000	Fair value reserve of financial assets at FVOCI RM'000	Cash flow hedge reserve RM'000	Share option reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
			Attributable to owners of the Company									
	At 31 December 2021											
	- As previously reported		250,000	29,300	4,800	5,900	-	(10,000)	122,900	402,900	64,500	467,400
101.106(b)	- Change in accounting policy	2.2(b)	-	-	-	-	-	-	9,000	9,000	-	9,000
	Restated balance at 1 January 2022		250,000	29,300	4,800	5,900	-	(10,000)	131,900	411,900	64,500	476,400
101.106(a)	**Total comprehensive income for the financial year**											
101.106(d)(i)	Profit for the financial year		-	-	-	-	-	-	61,900	61,900	9,200	71,100
101.106(d)(ii)	Other comprehensive income/ (loss) for the financial year		-	2,250	3,245	(1,300)	-	-	2,105	6,300	800	7,100
	Total comprehensive income		-	2,250	3,245	(1,300)	-	-	64,005	68,200	10,000	78,200
101.106(d)(iii)	**Transactions with owners**											
	Share options issued		-	-	-	-	8,600	-	-	8,600	-	8,600
	Shares repurchased		-	-	-	-	-	(10,000)	-	(10,000)	-	(10,000)
101.107	Dividends paid on shares	38	-	-	-	-	-	-	(15,000)	(15,000)	(3,000)	(18,000)
	Total transactions with owners		-	-	-	-	8,600	(10,000)	(15,000)	(16,400)	(3,000)	(19,400)
	At 31 December 2022		**250,000**	**31,550**	**8,045**	**4,600**	**8,600**	**(20,000)**	**180,905**	**463,700**	**71,500**	**535,200**

Reference

101.10(c)
101.106
101.107
101.113

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

Reference			Attributable to owners of the Company							
	Company	**Note**	**Share capital RM'000**	**Fair value reserve of financial assets at FVOCI RM'000**	**Cash flow hedge reserve RM'000**	**Share option reserve RM'000**	**Equity component of convertible bonds RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
	At 31 December 2022									
	- As previously reported		250,000	1,000	1,700	8,600	-	(20,000)	15,362	256,662
101.106(b)	- Change in accounting policy	**2.2(b)**	-	-	-	-	-	-	7,338	7,338
	Restated balance at 1 January 2023		250,000	1,000	1,700	8,600	-	(20,000)	22,700	264,000
101.106(a)	**Total comprehensive income for the financial year**									
101.106(d)(i)	Profit for the financial year		-	-	-	-	-	-	43,700	43,700
101.106(d)(ii)	Other comprehensive income for the financial year		-	3,000	2,200	-	-	-	-	5,200
	Total comprehensive income		-	3,000	2,200	-	-	-	43,700	48,900
101.106(d)(iii)	**Transactions with owners**									
	Issue of ordinary shares		150,000	-	-	-	-	-	-	150,000
	Shares issued for acquisition of a subsidiary		50,000	-	-	-	-	-	-	50,000
	Transaction costs of share issue		(2,000)	-	-	-	-	-	-	(2,000)
	Convertible bonds - equity		-	-	-	-	21,400	-	-	21,400
101.107	Dividends paid on shares	38	-	-	-	-	-	-	(20,000)	(20,000)
	Total transactions with owners		198,000	-	-	-	21,400	-	(20,000)	199,400
	At 31 December 2023		**448,000**	**4,000**	**3,900**	**8,600**	**21,400**	**(20,000)**	**46,400**	**512,300**

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Reference

101.10(c)
101.106
101.107
101.113

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

Reference	Company	Note	Share capital RM'000	Fair value reserve of financial assets at FVOCI RM'000	Cash flow hedge reserve RM'000	Share option reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
			Attributable to owners of the Company						
	At 31 December 2021								
	- As previously reported		250,000	(1,000)	200	-	(10,000)	10,952	250,152
101.106(b)	- Change in accounting policy	2.2(b)	-	-	-	-	-	5,448	5,448
	Restated balance at 1 January 2022		250,000	(1,000)	200	-	(10,000)	16,400	255,600
101.106(a)	**Total comprehensive income for the financial year**								
101.106(d)(i)	Profit for the financial year		-	-	-	-	-	21,300	21,300
101.106(d)(ii)	Other comprehensive income for the financial year		-	2,000	1,500	-	-	-	3,500
	Total comprehensive income		-	2,000	1,500	-	-	21,300	24,800
101.106(d)(iii)	**Transactions with owners**								
	Share options issued		-	-	-	8,600	-	-	8,600
	Shares repurchased		-	-	-	-	(10,000)	-	(10,000)
101.107	Dividends paid on shares	38	-	-	-	-	-	(15,000)	(15,000)
	Total transactions with owners		-	-	-	8,600	(10,000)	(15,000)	(16,400)
	At 31 December 2022		**250,000**	**1,000**	**1,700**	**8,600**	**(20,000)**	**22,700**	**264,000**

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

Reference

101.10(d)
101.113
107.10
107.18(b)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM'000	Group 2022 Restated RM'000	Company 2023 RM'000	Company 2022 Restated RM'000
Cash flows from operating activities					
Profit/(loss) before tax:					
- Continuing operations		178,500	93,200	58,200	27,200
- Discontinued operation		(3,500)	1,700	-	-
		175,000	**94,900**	**58,200**	**27,200**
Adjustments for:					
Depreciation of property, plant and equipment		19,530	18,750	4,930	4,790
Gain on disposal of property, plant and equipment		(500)	(800)	(500)	(300)
Impairment loss on property, plant and equipment		1,000	1,500	-	-
Fair value gain on investment property		(4,000)	(3,000)	(2,000)	(2,100)
Fair value (gain)/loss of produce growing on bearer plants		(68,600)	3,047	-	-
Amortisation of intangible assets		7,900	4,950	6,000	2,000
Impairment loss on intangible assets		500	3,000	-	-
Loss recognised on remeasurement of assets of disposal group		2,500	-	-	-
Gain on disposal of a subsidiary		(400)	-	-	-
Net fair value (gain)/loss on derivatives		(800)	1,850	100	(600)
Net fair value loss/(gain) on fair value hedge		800	(1,300)	3,900	(2,200)
Inventories written down		200	240	20	25
Reversal of inventories written down		(80)	(40)	(30)	-
Reversal of impairment loss on trade and other receivables		(100)	-	-	-
Impairment loss on trade and other receivables		1,500	1,500	300	300
Impairment loss on contract assets		1,050	958	335	277
Amortisation of government grant income		(8,500)	(8,000)	(2,000)	(2,000)
Finance costs		17,140	14,241	7,911	4,945
Finance income		(3,100)	(3,250)	(1,750)	(1,900)
Dividend income from financial assets at FVOCI		(1,500)	(1,350)	(1,050)	(1,000)
Provisions		6,500	3,000	2,500	500
Reversal of provisions		(880)	-	(250)	(15)
Share of results of associates and joint ventures		(13,830)	(8,300)	-	-
Employee benefits		3,545	3,299	-	-
Share-based payments		-	8,600	-	8,600
Net unrealised foreign exchange loss/(gain)		5,838	(4,968)	(200)	500
Operating profit before changes in working capital, carried forward		**140,713**	**128,827**	**76,416**	**39,022**

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Reference

101.10(d)
101.113
107.10
107.18(b)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	Note	Group		Company	
		2023	**2022 Restated**	**2023**	**2022 Restated**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities (continued)					
Operating profit before changes in working capital, brought forward		140,713	128,827	76,416	39,022
Changes in working capital:					
Inventories		(56,820)	(23,747)	(41,190)	(7,825)
Trade and other receivables		(28,755)	642	(60,550)	(5,155)
Contract assets		(4,450)	(5,258)	(3,135)	(6,377)
Prepayment and other assets		(4,500)	(1,000)	-	-
Trade and other payables		32,935	5,046	(21,600)	3,200
Employee benefits		(1,535)	(349)	-	-
Provisions		(2,600)	(975)	(800)	-
Contract liabilities		(13,200)	(14,210)	(1,350)	(4,345)
Net cash generated from/(used in) operations		**61,788**	**88,976**	**(52,209)**	**18,520**
Income tax paid		(32,200)	(5,800)	(8,700)	(800)
Interest received		600	300	100	100
Interest paid		(15,598)	(12,866)	(6,361)	(2,930)
Net cash from/(used in) operating activities 1		**14,590**	**70,610**	**(67,170)**	**14,890**
Cash flows from investing activities					
Purchase of property, plant and equipment	**18(ii)**	(98,430)	(34,950)	(15,830)	(12,890)
Proceeds from disposal of property, plant and equipment		500	1,000	500	300
Purchase of investment properties		(4,600)	(1,000)	(13,600)	(1,300)
Purchase of intangible assets		(116,800)	(3,450)	(107,800)	(2,300)
Proceeds from disposal of other investments		4,920	14,120	1,000	21,100
Purchase of other investments		-	(23,160)	(10,650)	(10,000)
Acquisition of a subsidiary, net of cash acquired		(20,000)	-	(25,000)	-
Proceeds from disposal of a subsidiary, net of cash disposed		600	-	1,100	-
Repayment of loan by a subsidiary		-	-	10,000	-
Proceeds from government grants related to assets		9,000	6,900	3,700	2,300
Dividend received		1,500	1,350	1,050	1,000
Payment by finance lease receivables		5,000	4,400	-	-
Change in pledged deposits		(500)	-	-	-
Net cash used in investing activities		**(218,810)**	**(34,790)**	**(155,530)**	**(1,790)**

Reference

101.10(d)
101.113
107.10
107.18(b)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	Note	Group 2023 RM'000	Group 2022 Restated RM'000	Company 2023 RM'000	Company 2022 Restated RM'000
Cash flows from financing activities	18(iii)				
Proceeds from issuance of ordinary shares		148,000	-	148,000	-
Proceeds from issuance of convertible bonds		99,500	-	99,500	-
Repurchase of treasury shares		-	(10,000)	-	(10,000)
Drawdown of term loans		27,800	16,000	15,800	16,000
Repayment of term loans		(20,800)	(19,225)	(4,735)	(3,365)
Drawdown of revolving credits		500	125	135	65
Repayment of medium-term notes		(7,800)	-	-	-
Payment of lease liabilities		(1,300)	(1,200)	-	-
Repayment of hire purchase		*(xxx)*	*(xxx)*	*-*	*-*
Proceeds from government loan		12,000	-	-	-
Acquisition of interest in subsidiary		(10,000)	-	(10,000)	-
Dividend paid					
- Owners of the Company		(20,000)	(15,000)	(20,000)	(15,000)
- Non-controlling interests		(4,000)	(3,000)	-	-
Net cash from/(used in) financing activities		**223,900**	**(32,300)**	**228,700**	**(12,300)**
Net increase in cash and cash equivalents		19,680	3,520	6,000	800
Cash and cash equivalents at the beginning of the financial year		18,000	15,200	6,500	5,700
Effects of exchange rate changes on cash and cash equivalents		(180)	(720)	-	-
Cash and cash equivalents at the end of the financial year	**18(i)**	**37,500**	**18,000**	**12,500**	**6,500**

Commentary:

107.31 **1** MFRS 107 *Statement of Cash Flows* and other standards do not specify where cash flows from interest and dividends received and paid should be presented. Cash flows from interest and dividends received and paid shall each be disclosed separately in a consistent manner from period to period as either operating, investing or financing activities.

107.33 In accordance with MFRS 107, an entity has a policy choice for the classification of interest paid and interest and dividends received in statements of cash flows, either:

- classified as operating cash flows because they enter into the determination of profit or loss; or
- classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.

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

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Reference

101.10(e)
101.51(c)

NOTES TO THE FINANCIAL STATEMENTS

101.112

1. CORPORATE INFORMATION

101.51(a)
101.138(a)

Flying Colours Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Flying Colours Tower, Level 30, Avenue 5, Bangsar South City, 59200 Kuala Lumpur. The principal place of business of the Company is located at Flying Colours Tower, Level 50, Avenue 5, Bangsar South City, 59200 Kuala Lumpur.

101.138(c)
124.13
5Sch(I)(4)

The immediate and ultimate holding companies are Flying Colours Sdn Bhd and Flying Colours Holdings Sdn Bhd respectively. Both companies are incorporated in Malaysia and produce financial statements for public use.

101.138(b)

The principal activities of the Company are investment holding, property development and provision of construction services. The principal activities of its subsidiaries are disclosed in Note 10. There have been no significant changes in the nature of these activities during the financial year except for the service concession arrangements entered into with the State Governments as disclosed in Note 9(b).

110.17

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on (date).

101.112(a)

2. BASIS OF PREPARATION

2.1 Statement of compliance

101.16
101.MY16.1
101.114(c)(i)

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

108.28&29

2.2 Adoption of new MFRS, amendments to MFRSs and explanation of change in accounting policy

(a) Adoption of new MFRS and amendments to MFRSs

The Group and the Company have adopted the following applicable new MFRS and amendments to MFRSs for the current financial year:

<u>New MFRS</u>	
MFRS 17	Insurance Contracts
<u>Amendments to MFRSs</u>	
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 112	Income Taxes

The adoption of the above new MFRS and amendments 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, except as discussed below: 1

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

108.28&29 **2.2 Adoption of new MFRS, amendments to MFRSs and explanation of change in accounting policy (continued)**

(a) Adoption of new MFRS and amendments to MFRSs (continued)

Amendments to MFRS 101 Presentation of Financial Statements

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.

Accordingly, the Group and the Company disclosed their material accounting policy information in these financial statements. However, the amendments did not result in changes to the accounting policies of the Group and of the Company.

Commentary:

1 When the initial adoption of amendments to MFRSs have an effect of financial statements, an entity shall disclose for the current period and each period presented, to the extent practicable, the amount of the adjustment:

a) For each financial statement line item affected; and
b) Impact on earnings per share

When the initial application of the other amendments to MFRSs have significant effect on the financial statements, the illustrative disclosures are as follows:

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.

The effect of applying the amendments to MFRS on the Group's and the Company's financial statements are disclosed as follows:

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. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

The effect of applying the amendments to MFRS on the Group's and the Company's financial statements are disclosed as follows:

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

108.28&29

2.2 Adoption of new MFRS, amendments to MFRSs and explanation of change in accounting policy (continued)

(a) Adoption of new MFRS and amendments to MFRSs (continued)

Commentary (continued):

1 **When the initial application of the other amendments to MFRSs have significant effect on the financial statements, the illustrative disclosures are as follows (continued):**

The effect of adoption of the above amendments as at 1 January 2022 is as follows:

Impact on statements of financial position of the Group and of the Company:

	Group Increase/ (Decrease) RM'000	Company Increase/ (Decrease) RM'000
Assets		
Deferred tax assets	xxx	xxx
Total assets	**xxx**	**xxx**
Total adjustment on equity		
Retained earnings	(xxx)	(xxx)
	(xxx)	**(xxx)**

Impact on statements of comprehensive income for the financial year ended 31 December 2022 of the Group and of the Company:

	Group Increase/ (Decrease) RM'000	Company Increase/ (Decrease) RM'000
Operating profit	**xxx**	**xxx**
Income tax expenses	xxx	xxx
Profit for the year	**xxx**	**xxx**
Profit attributable to:		
Owners of the Company	xxx	xxx
Non-controlling interests	-	-
	xxx	**xxx**

There is no material impact on other comprehensive income, the basic and diluted earnings per share or statements of cash flows.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

108.28&29

2.2 Adoption of new MFRS, amendments to MFRSs and explanation of change in accounting policy (continued)

(b) Change in accounting policy 1

(i) Accounting policy for investment properties

In the previous financial years, investment properties were measured at cost less accumulated depreciation and accumulated impairment losses. During the financial year, the accounting policy has been changed to measure the investment properties at their fair value with changes in fair value to be recognised in profit or loss. This voluntary change in accounting policy is to appropriately reflect the change of the Group's business model objective in managing its investment properties for fair value changes.

The change in accounting policy has been applied retrospectively. The effect of the change in accounting policy has been recognised directly in retained earnings and disclosed in below.

Statements of financial position

	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Group			
At 1 January 2022			
Investment properties	28,600	10,000	38,600
Deferred tax liabilities	(11,800)	(1,000)	(12,800)
At 31 December 2022			
Investment properties	30,200	13,000	43,200
Deferred tax liabilities	(17,500)	(1,300)	(18,800)
Company			
At 1 January 2022			
Investment properties	11,547	6,053	17,600
Deferred tax liabilities	(895)	(605)	(1,500)
At 31 December 2022			
Investment properties	12,847	8,153	21,000
Deferred tax liabilities	(1,385)	(815)	(2,200)

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

108.28&29

2.2 Adoption of new MFRS, amendments to MFRSs and explanation of change in accounting policy (continued)

(b) Change in accounting policy (continued)

(i) Accounting policy for investment properties (continued)

Reconciliation of equity

	1.1.2022 RM'000	31.12.2022 RM'000
Group		
Equity as previously reported	**467,400**	**523,500**
Add:		
Effect of change in accounting policy		
- Investment properties	10,000	13,000
- Deferred tax		
- Investment properties	(1,000)	(1,300)
	9,000	11,700
Equity (restated)	476,400	535,200
Company		
Equity as previously reported	**250,152**	**256,662**
Add:		
Effect of change in accounting policy		
- Investment properties	6,053	8,153
- Deferred tax		
- Investment properties	(605)	(815)
	5,448	7,338
Equity (restated)	255,600	264,000

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

108.28&29

2.2 Adoption of new MFRS, amendments to MFRSs and explanation of change in accounting policy (continued)

(b) Change in accounting policy (continued)

(i) Accounting policy for investment properties (continued)

Reconciliation of total comprehensive income

	31.12.2022 RM'000
Group	
Total comprehensive income as previously reported	**75,500**
Add/(less):	
Effect of change in accounting policy	
- Investment properties	3,000
- Deferred tax	
- Investment properties	(300)
	2,700
Total comprehensive income (restated)	78,200
Company	
Total comprehensive income as previously reported	**22,910**
Add/(less):	
Effect of change in accounting policy	
- Investment properties	2,100
- Deferred tax	
- Investment properties	(210)
	1,890
Total comprehensive income (restated)	24,800

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

108.28&29 **2.2 Adoption of new MFRS, amendments to MFRSs and explanation of change in accounting policy (continued)**

(b) Change in accounting policy (continued)

(i) Accounting policy for investment properties (continued)

Reconciliation of statements of cash flows

The change in accounting policy does not have any impact on the statements of cash flows of the Group and of the Company.

Reconciliation of earnings per share

The change in accounting policy does not have any impact on the earnings per share of the Group and of the Company.

Commentary:

108.29 **1 Disclosure requirements for change in accounting policy**

When a voluntary change in accounting policy has an effect on the current period or any prior period, an entity shall disclose the nature and reasons for the change in accounting policy as well as the amount of the adjustment.

Financial statements of subsequent periods need not repeat these disclosures.

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

(a) The Group and the Company have not adopted the following amendments to MFRSs that have been issued, but yet to be effective:

Amendments to MFRSs		Effective for financial periods beginning on or after
MFRS 7	Financial Instruments: Disclosures	1 January 2024
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 107	Statement of Cash Flows	1 January 2024
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

108.30&31

2.3 Amendments to MFRSs that have been issued, but yet to be effective (continued)

(b) The Group and the Company plan to adopt the above applicable amendments to MFRSs when they become effective. A brief discussion on the above significant amendments to MFRSs that may be applicable to the Group and the Company are summarised below.

Amendments to MFRS 16 Leases

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

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 latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

108.30&31

2.3 Amendments to MFRSs that have been issued, but yet to be effective (continued)

(b) The Group and the Company plan to adopt the above applicable amendments to MFRSs when they become effective. A brief discussion on the above significant amendments to MFRSs that may be applicable to the Group and the Company are summarised below. (continued)

Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 107 and MFRS 7 respond to investors' concerns that some supplier finance arrangements – also referred to as supply chain finance, trade payables finance or reverse factoring arrangements – used by entities are not sufficiently visible, hindering investors' analysis.

The disclosure requirements require entities to disclose information that would enable users of financial statements to assess how supplier finance arrangements affect an entity's operations; including the effects supplier finance arrangements have on an entity's liability, cash flows and exposures to liquidity risk. The new disclosure requirements would also inform users of financial statements on how an entity might be affected if the arrangements were no longer available to it.

Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates

Amendments to MFRS 121 respond to stakeholder feedback and concerns about diversity in practice in accounting for a lack of exchangeability between currencies.

Applying the Amendments, entities will be applying a consistent approach in determining if a currency can be exchanged into another currency. These amendments provide guidance on the spot exchange rate to use when a currency is not exchangeable into another currency and the disclosures entities need to provide to enable users of financial statements to understand the impact on the entities' financial performance, financial position and cash flows as a result of a currency being not exchangeable into another currency.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

108.30&31 **2.3 Amendments to MFRSs that have been issued, but yet to be effective (continued)**

Commentary:

Illustrative disclosure where an entity has quantified the estimated financial impact

Other than the estimated financial impact arising from the adoption of MFRS XX, the detailed analysis on the financial effects of the adoption of other new MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int are currently still being assessed by the Group and the Company.

Estimated impact of the adoption of MFRS XX

The impact of the adoption of MFRS XX on the Group's financial statements as at 1 January 20XX is estimated to be, as follows:

	Estimated impact of adoption of MFRS XX		
	At 31 December 20XX-1	**Adjustments due to adoption of MFRS XX**	**At 1 January 20XX**
	RM'000	**RM'000**	**RM'000**
XXX	xxx	xxx	xxx
XXX	xxx	xxx	xxx
Retained earnings	xxx	xxx	xxx
Non-controlling interests	xxx	xxx	xxx

The total estimated adjustment (net of tax) to the Group's equity at 1 January 20XX is RMXXX. The main components of the estimated adjustment are as follows:

- …
- …

The actual impacts of adopting the above standards at 1 January 20XX may change because the Group has not finalised the assessment of the impacts and the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

Illustrative disclosure where an entity still in the midst to quantify the estimated financial impact

The Group and the Company are currently performing a detailed analysis to determine the election of the practical expedients and to quantify the financial effects arising from the adoption of the new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int.

OR

The Group and the Company are currently assessing the impact of initial application of the above applicable amendments/improvements to MFRSs. Nevertheless, the Group and the Company expect that the initial application is unlikely to have material financial impacts to the current period and prior period financial statements of the Group and of the Company.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

101.51(d) 101.51(e) 121.53 The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest thousand, unless otherwise stated.

2.5 Basis of measurement

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

Commentary:

Illustrative disclosure where an entity has made changes in accounting estimates

2.X Change in method of computation for amortisation of an intangible asset

108.36 108.39 108.40 In the previous financial years, amortisation of an acquired trademark license was computed based on the straight-line basis over the tenure of the trademark license granted by the owner. With effect from 1 January 20XX, amortisation of this intangible asset has been computed based on the units-of-production method over the tenure of the trademark license. This change in method reflects more accurately the consumption or use of the intangible asset. The effect of the change in method of computation has been applied prospectively, commencing in the current financial year ended 31 December 20XX. This change has resulted in an increase in amortisation expense of RMXXX for the current financial year. It is impracticable to estimate the effect of this change in estimate in future financial years.

101.25 **Illustrative disclosure when there are significant doubts about going concern but mitigating actions judged sufficient to make going concern appropriate and material uncertainties about going concern remain after considering mitigating actions (Material Uncertainty Related to Going Concern)**

Financial statements are prepared on going concern assumption. The disclosure of going concern is by exception. If there are material uncertainties affecting the ability of a reporting entity to continue as a going concern, those uncertainties should be disclosed together with the reasons supporting the preparation of the financial statements as a going concern. Accordingly, the management shall adequately disclose the following:

a) the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern;
b) management's plans to deal with these events or conditions; and
c) the material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Commentary (continued):

101.25

Illustrative disclosure when there are significant doubts about going concern but mitigating actions judged sufficient to make going concern appropriate and material uncertainties about going concern remain after considering mitigating actions (Material Uncertainty Related to Going Concern) (continued)

The illustrative disclosure is as follows:

2.X Fundamental accounting principle

The financial statements of the Group have been prepared on the assumption that the Group will continue as a going concern. The application of the going concern basis is based on the assumption that the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

During the financial year ended 31 December 20XX, the Group incurred a net loss of RMXXX and, as of that date, the Group's current liabilities exceeded its current assets by RMXXX. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The ability of the Group to continue as a going concern will be dependent on:
(a) …
(b) …
(c) …
(d) …

In the event that these are not forthcoming, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Accordingly, the financial statements of the Group may require adjustments relating to the recoverability and classification of recorded assets and liabilities that may be necessary should the Group be unable to continue as going concern.

The directors of the Company are of the opinion that the preparation of the financial statements of the Group and of the Company on a going concern basis remains appropriate as they believe XXX, and accordingly, realise their assets and discharge their liabilities in the normal course of business.

Reference

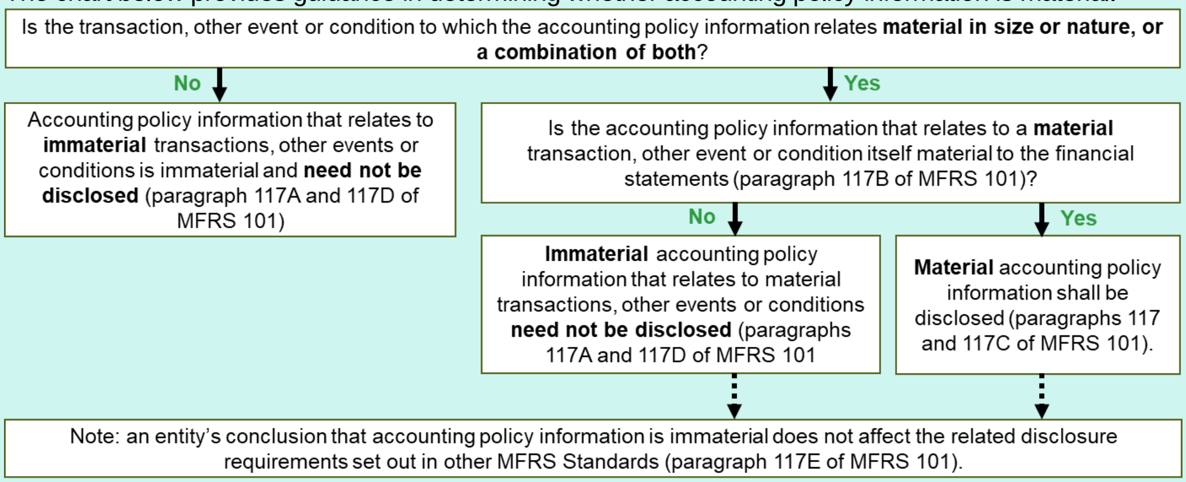
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Material accounting policy information disclosure guidance

101.117 An entity shall disclose **material accounting policy information**. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

101.7 Information is material <u>if omitting, misstating or obscuring it could reasonably be expected to influence decisions</u> that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The chart below provides guidance in determining whether accounting policy information is material.



101.117A Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

101.117B Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider <u>accounting policy information material to its financial statements</u> if that information relates to material transactions, other events or conditions and:

(a) the entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
(b) the entity chose the accounting policy from one or more options permitted by MFRSs—such a situation could arise if the entity chose to measure investment property at historical cost rather than fair value;
(c) the accounting policy was developed in accordance with MFRS 108 in the absence of a MFRS that specifically applies;
(d) the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in Note 4; or
(e) the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions—such a situation could arise if an entity applies more than one MFRS to a class of material transactions.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Material accounting policy information disclosure guidance (continued)

PS2. 88E
101.117C

Users of an entity's financial statements generally find information about the characteristic of an entity's transactions, other events or conditions (ie entity-specific information) more useful than disclosures that only include standardised information, or information that duplicates or summarises the requirements of the MFRS Standards.

101.117D
101.117E

If an entity chooses to disclose immaterial accounting information, that information should not obscure material accounting policy information. An entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other MFRSs.

PS2. 88F

Although entity-specific accounting policy information is generally more useful, material accounting policy information could sometimes include information that is standardised, or that duplicates or summarises the requirements of the MFRS Standards. Such information may be material if, for example:

(a) users of the entity's financial statements need that information to understand other material information provided in the financial statements.
(b) an entity reports in a jurisdiction in which entities also report applying local accounting standards.
(c) the accounting required by the MFRS Standards is complex, and users of financial statements need to understand the required accounting. Such a scenario might arise when an entity accounts for a material class of transactions, other events or conditions by applying more than one MFRS Standard.

PS2, Example T

Example

Background

Property, plant and equipment are material to an entity's financial statements. The entity has no intangible assets or goodwill and has not recognised an impairment loss on its property, plant or equipment in either the current or comparative reporting periods.

Application

Having identified assets subject to impairment testing as being material to the financial statements, the entity assesses whether the accounting policy information for impairment is, in fact, material.

As part of its assessment, the entity considers that an impairment or a reversal of an impairment had not occurred in the current or comparative reporting periods. Consequently, accounting policy information about how the entity recognises and allocates impairment losses is unlikely to be material to its primary users. Similarly, because the entity has no intangible assets or goodwill, information about its accounting policy for impairments of intangible assets and goodwill is unlikely to provide its primary users with material information.

However, the entity's impairment accounting policy relates to an area for which the entity is required to make significant judgements or assumptions, as described in MFRS 101.122 and 125. Given the entity's specific circumstances, it concludes that information about its significant judgements and assumptions related to its impairment assessments could reasonably be expected to influence the decisions of the primary users of the entity's financial statements. The entity notes that its disclosures about significant judgements and assumptions already include information about the significant judgements and assumptions used in its impairment assessments. The entity decides that the primary users of its financial statements would be unlikely to need to understand the recognition and measurement requirements of MFRS 136 to understand related information in the financial statements.

Consequently, the entity concludes that disclosing a summary of the requirements in MFRS 136 in a separate accounting policy for impairment would not provide information that could reasonably be expected to influence decisions made by the primary users of its financial statements.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.17(b) 101.112(a) 101.116 101.117

3. MATERIAL ACCOUNTING POLICY INFORMATION ❶

Unless otherwise stated, the following material accounting policy information have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

(a) Subsidiaries and business combination

3.3-4 3.B7A-B

The Group applies the acquisition method to account for business combinations from the acquisition date.❷❸❹ when the acquired set of activities meets the definition of a business and control is transferred to the Group. *[The Group has elected to apply the concentration test in the MFRS 3 for its acquisition of XXX as a simplified assessment of whether an acquired set of activities and assets is not a business.]* ❺

(b) Non-controlling interests

3.19

At the acquisition date, components of non-controlling interests of the Group are measured at their acquisition-date fair values *[or, at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.]*.

(c) Associates

128.10 12.21(b)

Investment in associates is accounted for in the consolidated financial statements of the Group using the equity method.

(d) Joint arrangements

11.15 11.20

The Group classifies its joint arrangements as disclosed in Note 12 as *follows:*

- *a "joint operation" for XXX as the Group accounts for its share of the assets (including its share of any assets held jointly), the liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).*

11.16 11.24

- "joint venture" *for XXX* and accounts its interests using the equity method as the Group has rights to the net assets of the arrangements.

Commentary:

❶ The entity may choose to present the material accounting policy information in the respective note to the financial statements for each financial statement area. Illustrative disclosure can be found in Note 5 *Property, plant and equipment*.

The disclosures of material accounting policy information should be tailored to be specific to the entity. The entity must carefully consider whether standardised information, or information that duplicates or summarises the requirements of the MFRSs is material accounting policies information and, if not, whether it should be removed from the accounting policy disclosures.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1 Basis of consolidation (continued)

Commentary (continued):

2 Illustrative material accounting policy information where merger accounting is applied:

The Group applies the acquisition method of accounting except for those business combinations which were accounted for using merger method of accounting. Three subsidiaries (i.e. ABC Sdn Bhd, DEF Sdn Bhd and GHI Sdn Bhd) are consolidated using acquisition method of accounting, the rest of the subsidiaries are accounted for using the merger method of accounting.

3.B1-B4 A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

3 Illustrative material accounting policy information where reorganisation scheme is applied:

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.

4 Illustrative material accounting policy information where reverse acquisition is applied:

On XXX, the Company had entered into a share sales agreement to acquire the entire equity interests in ABC Sdn Bhd. The said acquisition was completed on XXX and ABC Sdn Bhd became a wholly-owned subsidiary of the Company.

3.B19 In substance, ABC Sdn Bhd is the accounting acquirer although legally the Company is regarded as the legal parent and ABC Sdn Bhd is regarded as the legal subsidiary as ABC Sdn Bhd has the power to govern the financial and operating policies of the Company so as to obtain benefits from its activities.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1 Basis of consolidation (continued)

Commentary (continued):

4 **Illustrative material accounting policy information where reverse acquisition is applied: (continued)**

3.B22 Accordingly, the consolidated financial statements of the Group are prepared following a reverse acquisition represent a continuation of the financial statements of ABC Sdn Bhd. Under the reverse acquisition accounting:

(a) the assets and liabilities of ABC Sdn Bhd are recognised and measured at their pre-combination carrying value;
(b) the retained earnings and other equity balances of ABC Sdn Bhd immediately before the business combination are those of the Group;
(c) the amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity interest of ABC Sdn Bhd outstanding immediately before the business combination the cost of combination. However, the equity structure reflects the equity structure of the Company, including the equity interests issued by the Company to effect the combination; and
(d) the comparative information presented in the consolidated financial statements is that of ABC Sdn Bhd.

5 The optional concentration test is met if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

3.B7B

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries, joint ventures and associates are measured at cost less any accumulated impairment losses.

127.10
127.17(c) Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

3.3 Financial instruments 1

7.B5(e) **Financial assets - subsequent measurement and gains and losses**

Financial assets at fair value through profit or loss

9.5.7.1 The Group and the Company subsequently measure these assets at fair value. Net gains and losses, including any interest and dividend income, are recognised in profit or loss.

Debt instruments at amortised cost

9.5.7.2 The Group and the Company subsequently measure these assets at amortised cost under the effective interest method. The gross carrying amount is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.3 Financial instruments (continued)

7.B5(e)

Financial assets – subsequent measurement and gains and losses (continued)

Debt instruments at fair value through other comprehensive income

9.5.7.10
9.5.7.11

The Group and the Company subsequently measure these assets at fair value. Interest income calculated under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity instruments at fair value through other comprehensive income ❷

7.11A(a)
9.5.7.1(b)
9.5.7.5
9.B5.7.1

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company have made an irrevocable election to classify its equity investments as disclosed in Note 15 that are not held for trading as equity instruments designated at fair value through other comprehensive income. The classification is determined on an instrument-by-instrument basis.

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

7.B5(e)

Financial liabilities – subsequent measurement and gains and losses ❸

9.4.2.1
9.5.7.1

The Group and the Company classify the financial liabilities at amortised cost or fair value through profit or loss. Financial liabilities are classified as fair value through profit or loss if it is classified as held for trading, it is a derivative, it is contingent consideration of an acquirer in a business combination or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

9.5.7.2

The Group and the Company subsequently measure other financial liabilities at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derivatives

7.21
9.5.1.1
9.5.2.1(c)

The Group and the Company use interest swap contracts to hedge the exposure of floating interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.3 Financial instruments (continued)

Hedge accounting

For the purpose of hedge accounting, hedges are classified as:

9.6.5.2(a)
- Fair value hedge when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

9.6.5.2(b)
- Cash flow hedge when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

9.6.5.2(c)
- Hedge of a net investment in a foreign operation.

9.6.4.1 At the inception of a hedge relationship, the Group and the Company formally designate and document the hedge relationship to which the Group and the Company wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

9.6.4.1 The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group and the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group and the Company actually hedge and the quantity of the hedging instrument that the Group and the Company actually use to hedge that quantity of hedged item.

<u>Fair value hedge</u>

9.6.5.8 The change in the fair value of a hedging instrument is recognised in the profit or loss as other expense (or other comprehensive income, if the hedging instrument hedges an equity instrument for which the Group and the Company have elected to present changes in fair value in other comprehensive income). The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the profit or loss as other expense. If the hedged item is an equity instrument for which the Group and the Company have elected to present changes in fair value in other comprehensive income, those amount remain in other comprehensive income.

9.6.5.10 For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate method. The effective interest rate amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. The amortisation is based on a recalculated effective interest rate at the date of amortisation begins.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.3 Financial instruments (continued)

Hedge accounting (continued)

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

9.6.5.8 When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Commentary:

9.3.1.2
9.B3.1.3 ❶ 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. According to MFRS 9.B3.1.3, opting for either trade date accounting or settlement date accounting is a policy choice. An entity shall apply the same method consistently for all purchases and sales of financial assets that are classified in the same way.

9.B3.1.5 Trade date accounting refers to:
(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(b) 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.

9.B3.1.6 Settlement date accounting refers to:
(a) the recognition of an asset on the day it is received by the entity; and
(b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the entity.

Illustrative disclosure for regular way purchase or sale of financial assets
7.B5(c) A regular way purchase or sale of financial assets is 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). Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

[or,

7.B5(c) *A regular way purchase or sale or financial assets is recognised and derecognised, as applicable, using settlement date accounting (i.e. the date the Group and the Company receive or deliver an asset). Any changes in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired assets.]*

9.5.7.5 ❷ At initial recognition, an entity may make an irrecoverable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of MFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which MFRS 3 applies.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.3 Financial instruments (continued)

Commentary (continued):

3 A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at fair value through profit or loss upon initial recognition if either:

9.4.2.2
- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;

9.4.2.2
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the entity's documented risk management or investment strategy, and information about the entity is provided internally on that basis to the entity's key management personnel; or

9.4.3.5
- It forms part of a contract containing one or more embedded derivatives, and MFRS 9 permits the entire combined contract to be designated as fair value through profit or loss.

7.B5(a)

Illustrative material accounting policy information for financial liability designated as at fair value through profit or loss ("FVTPL")

The Group has designated XXX as at FVTPL upon initial recognition to eliminate an accounting mismatch. The amount of change in the fair value of the financial liabilities that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability.

3.4 Property, plant and equipment

116.30
116.73(a)

Property, plant and equipment *[other than land and building and right-of-use assets]* 1 are measured at cost less accumulated depreciation and any accumulated impairment losses.

116.22A

Cost of bearer plants consists of plantation development costs incurred from the commencement of planting of oil palm seedlings up to the maturity of the crop cultivated. Capitalisation of plantation development and other operating costs ceases upon the commencement of commercial harvesting of the agricultural produce.

116.73(b)
116.73(c)

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use. The immature bearer plants are not depreciated until such time when they are available for use.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.4 Property, plant and equipment (continued)

116.43
116.46
116.50

All other property, plant and equipment (other than right-of-use assets as disclosed in Note 3.5) are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Buildings	50 years
Manufacturing plant	
- Bare plant	30 years
- Significant components	5-8 years
Machinery and equipment	5-10 years
Motor vehicles	5 years
Furniture, fixtures and fittings	3-5 years
Bearer plants (oil palm trees)	25 years
Spare parts, stand-by equipment and servicing equipment	*XX years*

Commentary:

116.29 ❶ In accordance with MFRS 116, an entity has a policy choice for measurement of property, plant and equipment after initial recognition. An entity may choose either the cost model or the revaluation model for entire classes of property, plant and equipment.

116.31 Under revaluation model, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

116.39
116.40 Under revaluation model, any revaluation surplus arising on the revaluation of an asset is credited to revaluation reserve, except to the extent that it reverses a revaluation deficit for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of an asset is charged as an expense to the extent that it exceeds any revaluation surplus for the same asset previously recognised in the revaluation reserve.

116.41 For revaluation surplus that is included in equity, it is the entity's policy choice to either:

- transfer the revaluation reserve in full directly to retained earnings when the asset is derecognised; or
- transfer the revaluation reserve to retained earnings as the asset is being used, where the amount of revaluation reserve transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

FLYING COLOURS BERHAD
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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.4 Property, plant and equipment (continued)

Commentary (continued):

❶ **Illustrative material accounting policy information where the entity accounts for certain class of property, plant and equipment at revaluation model**

Property, plant and equipment (other than land and buildings and right-of-use assets) are measured at cost less accumulated depreciation and any accumulated impairment losses.

116.35(a)
116.35(b)
Freehold land and buildings are measured using revaluation model, based on valuations by external independent valuers, less accumulated depreciation on buildings and any accumulated impairment losses recognised after the date of revaluation. Any accumulated depreciation as at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset *[or, The gross carrying amount is restated and the difference compared to the revalued amount of asset is absorbed by the accumulated depreciation].*

116.40
The revaluation reserve is transferred to retained earnings as the assets are used. The amount of revaluation reserve transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

116.41
Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

3.5 Leases

(a) Lessee accounting

16.47-48
16.52
The Group and the Company present right-of-use assets that do not meet the definition of investment property as property, plant and equipment in Note 5 and lease liabilities as loans and borrowings in Note 23. *[or, The Group and the Company present right-of-use assets and lease liabilities as separate lines in the statements of financial position.]* ❶

Short-term leases and leases of low value assets

16.60
16.5-6
The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Accordingly, the Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease.

Right-of-use assets

16.30
16.32
The right-of-use assets *[other than leasehold land that measures using revaluation model]* ❷ are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.5 Leases (continued)

(a) Lessee accounting (continued)

Lease liabilities

16.26 The lease liabilities are initially measured at the present value of the lease payments ❸ that are not paid at the commencement date, discounted by using the incremental borrowing rate. ❹❺

16.15 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.

(b) Lessor accounting ❻

16.61 The Group recognises lease payments received from investment properties under operating leases as income on a straight-line basis over the lease term as part of revenue. Rental income from sublease properties which recognise as other income.

Commentary:

16.52 ❶ According to MFRS 16.52, a lessee shall disclose information about its leases for which it is a lessee in a single note or separate section in its financial statements. However, a lessee need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases.

16.29
16.34
16.35 ❷ After the commencement date, a lessee shall measure the right-of-use asset applying a cost model, unless it applies either fair value model or the revaluation model. If a lessee applies the fair value model in MFRS 140 to its investment property, the lessee shall also apply that fair value model to right-of-use assets that meet the definition of investment property in MFRS 140.If right-of-use assets relate to a class of property, plant and equipment to which the lessee applies the revaluation model in MFRS 116, a lessee may elect to apply that revaluation model to all of the right-of-use assets that relate to that class of property, plant and equipment.

16.27 ❸ Lease payments include in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amounts 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.

16.38(b) Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “other expenses” in the statements of comprehensive income.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.5 Leases (continued)

Commentary (continued):

16.26 **4** If the rate implicit in the lease cannot be readily determined, the entity uses its incremental borrowing rate.

16.36(c) **5** The entity remeasures the lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- 16.40 16.41 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.
- 16.42-43 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).
- 16.45(c) 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.

16.B58 **6** **Illustrative material accounting policy information for recognition exemption in relation to sublease**

When the Group and the Company are the intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.5(a), then it classifies the sub-lease as an operating lease.

3.6 Investment properties

140.20 140.30 140.33 140.35 Investment properties are measured at fair value with gains and losses arising from changes in the fair values of investment properties recognised in profit or loss for the period in which they arise *[or, stated at cost less accumulated depreciation and any accumulated impairment losses].* **1**

Commentary:

140.30 **1** In accordance with MFRS 140, an entity has a policy choice to account for investment properties either in accordance with the fair value model or the cost model. The model selected is applied to all investment properties (subject to exception cases when the entity is unable to determine fair value reliably on certain property – See MFRS 140.53 and 54).

140.40A When a lessee uses the fair value model to measure an investment property that is held as a right-of-use asset, it shall measure the right-of-use asset, and not the underlying property, at fair value.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.6 Investment properties (continued)

Commentary (continued):

140.79 ❶ If the entity accounts for investment property using cost model, then it discloses the depreciation method and the useful lives or the depreciation rates used, as well as the fair value of such investment property.

Illustrative material accounting policy information where the entity accounts the entire investment properties at cost model

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. All other investment properties are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Buildings	XX years
Leasehold land	*XX years*

3.7 Intangible assets

138.74
138.75
138.118(a)
Intangible assets, other than goodwill and licenses, that are acquired by the Group and the Company, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses *[or, carried at a revalued amount, being the fair value at the date of revaluation less subsequent accumulated amortisation and any subsequent accumulated impairment losses]*. ❶

138.98
138.118(b)
The amortisation methods used and the estimated useful lives are as follows:

	Method	**Useful lives (years)**
Development costs	Units of production	5 years
Computer software	Straight-line	4 years

Commentary:

138.72 ❶ An entity shall choose either the cost model in MFRS138.74 or the revaluation model in MFRS138.75 as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.8 Inventories

102.9
102.36(a)
102.10
102.12
102.13
102.25

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 and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

<u>Property under development and completed properties</u>

102.23

The cost of property under development recognised in profit or loss is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative sale value of the property sold.

The cost of unsold completed properties is determined on a specific identification basis.

<u>Produce stocks</u>

141.13

The costs of produce stocks comprise agricultural produce transferred from biological assets is its fair value less costs to sell at the point of harvest. The fair value less costs to sell is treated as deemed cost for the purpose of subsequent processing of the agricultural produce into final agricultural commodities.

3.9 Service concession arrangements (1)

IC Int 12.5

The Group and the Company account for the construction services under the service concession arrangements using the intangible asset model *[or financial asset model (2)]* as the Group and the Company receive a right to charge users of the public service.

The Group and the Company measure the consideration indirectly by reference to the stand-alone selling price of the construction services by reference to the costs of providing such services plus a reasonable profit margin.

The Group and the Company amortise its concession intangible asset using straight-line method over its expected useful lives of twenty-five years in a way that reflects the pattern in which the asset's economic benefits are consumed by the Group and the Company, starting from the date when the right to operate begins. Based on these principles, the intangible asset is amortised in line with the actual usage of the specific public facility, up to the maximum of the duration of the concession.

Commentary:

IC Int 12.5

(1) IC Int 12 applies to public-to-private service concession arrangements to construct, operate and maintain infrastructure used to provide a public service for a specified period of time. Under these concession arrangements, the grantor:

- controls or regulates what service the operator must provide with the infrastructure, to whom it must provide them, and at what prices; and
- controls significant residual interest in the infrastructure at the end of the concession period.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.9 Service concession arrangements (continued)

Commentary (continued):

2 The service concession arrangements are accounted for based on the nature of the consideration as follows:

- IC Int 12.17 The intangible asset model is used to the extent that the entity receives a right (a license) to charge users of the public service;
- IC Int 12.16 The financial asset model is used when the entity has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services; or
- IC Int 12.18 When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component.

Illustrative material accounting policy information where the entity accounts for its service concession arrangements under the financial asset model

The Group and the Company account for its service concession arrangements under the financial asset model as the Group and the Company have an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services. The consideration received and receivable is allocated by reference to the relative stand alone selling price of the various services delivered, when the amounts are separately identified. The Group and the Company estimate the relative stand alone selling price of the services by reference to the costs of providing each service plus a reasonable profit margin.

In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured at the amount of consideration to which the Group and the Company expect to be entitled. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method.

3.10 Preference shares

132.18(a)
132.36

The Group and the Company classify preference shares as financial liability as the preference shares are redeemable on a specific date at the option of the equity holders and the dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Commentary:

Guidance on classification of preference shares

The following table provides guidance for the general classification of preference shares based on different combinations of redemption and dividend rights. This guidance is not exhaustive, and the entity shall always assess the salient terms of the preference shares thoroughly to determine the classification of the financial instruments.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.10 Preference shares (continued)

Commentary (continued):

Guidance on classification of preference shares (continued)

Reference	Terms: Redemption of principal	Terms: Payment of dividends (assume all at market rates)	Classification	Remark
132.16(a)(i)	Non-redeemable	Discretionary	Equity	No contractual obligation to deliver cash. Any dividends paid are recognised in its equity.
132.11		Non-discretionary	Liability	The liability component is equal to the present value in perpetuity. If the proceeds are equivalent to the fair value (at the date of issue) of the dividends payable in perpetuity, the entire proceeds are classified as a liability.
132.16(a)(i)	Redeemable at the issuer's option at some future date	Discretionary	Equity	As it is the issuer's option to redeem the shares, there is no contractual obligation to deliver cash, hence, it does not satisfy the definition of financial liability. Any dividends paid are recognised in equity.
132.31 9.4.3.3		Non-discretionary	Liability with an embedded call option derivative	The liability component is equal to the present value of the dividend payments in perpetuity. If the proceeds is equivalent to the fair value (at the date of issue) of the dividends payable in perpetuity, the entire proceeds are classified as a liability. In addition, the issuer call option to redeem the shares for cash (embedded derivatives), might have to be accounted separately, unless the option's exercise price is approximately equal, on each exercise date, to the instrument's amortised cost.
132.31 132.AG37	Redeemable at the holder's option at some future date	Discretionary	Compound	The liability component is equal to the present value of the redemption amount and the equity component is the residual interest after deducting the fair value of liability component. Any dividends paid are related to the equity component and are recognised in equity. If any unpaid dividends are added to the redemption amount, the whole instrument is a financial liability.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.10 Preference shares (continued)

Commentary (continued):

Guidance on classification of preference shares (continued)

Reference	Terms		Classification	Remark
	Redemption of principal	Payment of dividends (assume all at market rates)		
132.11 9.4.3.3	Redeemable at the holder's option at some future date	Non-discretionary	Liability with an embedded put option derivative	The issuer has a contractual obligation to pay cash in respect of both the principal and dividend. In addition, the embedded put option to redeem the shares for cash is an embedded derivative and might have to be accounted for separately, unless the option's exercise price is approximately equal, on each exercise date, to the instrument's amortised cost.
132.31 132.AG37	Mandatorily redeemable at a fixed or determinable amount at a fixed or future date	Discretionary	Compound	The liability component is equal to the present value of the redemption amount and the equity component is the residual interest after deducting the fair value of liability component. Any dividends paid are related to the equity component and are recognised in equity. If any unpaid dividends are added to the redemption amount, the whole instrument is a financial liability.
132.11		Non-discretionary	Liability	The issuer has an obligation to pay cash in respect of both principal and dividends.

3.11 Revenue and other income ❶

<u>Financing components</u> ❷

15.63
15.129
The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components as the Group and the Company expect 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 – manufacturing

15.119(a)
The Group manufactures and sells a range of plastic mould products to local customers. Revenue from sale of manufactured goods is recognised at a point in time when control of the goods has been transferred, being when the customer accepts the delivery of the goods *[Revenue from sale of manufactured goods is recognised at a point in time when control of goods is transferred to the customer, generally on the delivery of goods]*. ❸

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.11 Revenue and other income (continued)

(a) Sale of goods – manufacturing (continued)

15.119(b) 15.60

Sales are made with a credit term of 30 days, which is consistent with market practice, therefore, no element of financing is deemed present.

15.119(b) 15.47 15.53

The manufactured goods are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience with the customer's purchasing pattern is used to estimate and provide for the discounts, using the expected value method by estimating the sum of probability-weighted amounts in a range of possible consideration amounts *[or, using the most likely amount method (i.e. the single most likely outcome of the contract)]*.

15.119(d) 15.53(a) 15.56 15.B21(c)

The Group's customary business practice is to allow a customer to return any unused product within 30 days and receive a full refund. The Group uses its experience in estimating returns for this product and customer class and recognising a refund liability by using the expected value method. With that, upon transfer of the control of the goods, the Group does not recognise revenue for products that it is highly probable to be returned. A right to recover goods from customer on settling the refund liability is recognised as an asset and included as part of inventories for the goods expected to be returned.

15.B30 15.119(e)

The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision in Note 26.

(b) Property development

15.119(c) 15.22 15.73 15.79(b)

The Group and the Company develop and sell residential and commercial properties. Contracts with customers may include multiple distinct promises to customers and therefore are accounted for as separate performance obligations. In the contract with customer contains more than one performance obligation, when the stand-alone selling price are not directly observable, they are estimated based on expected cost plus margin approach.

15.4

For practical expediency, the Group and the Company apply revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics in the property development business if the Group and the Company reasonably expect that the effects on the financial statements would not differ materially from recognising revenue on each individual contracts (or performance obligations) within that portfolio.

15.119(a) 15.35(c) 15.39 15.B18

Revenue from residential and commercial properties are recognised as and when the control of the asset is transferred to the customer. Based on the terms of the contract and the laws that apply to the contract, control of the asset is transferred over time as the Group's and the Company's performance do not create an asset with an alternative use to the Group and the Company and the Group and the Company have an enforceable right to payment for performance completed to date. 4 The progress towards complete satisfaction of a performance obligation is determined by the proportion of property development costs incurred for work performed to date bear to the estimated total property development costs (an input method). 5

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.11 Revenue and other income (continued)

(b) Property development (continued)

15.35(c) *[Revenue from commercial properties are recognised as and when the control of the asset is transferred to the customer. Based on the terms of the contract and the laws that apply to the contract, control of the asset is transferred at a point in time as the Group's and the Company's performance do not create an asset with an alternative use to the Group and the Company but the Group and the Company do not have an enforceable right to payment for performance completed to date. Revenue is recognised at a point in time when the properties have been completed and delivered to the customers.]*

15.35
15.B3 Revenue from other promises such as club house/club membership are recognised over time over the membership period.

15.119(b)
15.60
15.117 The consideration is due based on the scheduled payments in the contract, therefore, no element of financing is deemed present. When a particular milestone is reached in excess of the scheduled payments, a contract asset will be recognised for the excess of revenue recognised to date under the input method over the progress billings to-date and include deposits or advances received from customers. When the progress billings to-date and include deposits or advances received from customers exceeds revenue recognised to date then the Group and the Company recognise a contract liability for the difference.

15.119(b) *[Based on the Group's and the Company's customary business practice, the customers' legal fees are borne by the Group and the Company. Revenue is recognised based on the transaction price agreed in the contracts, net of the customers' legal fees. The Group and the Company use its experience in estimating the legal fees to be incurred by using the expected value method. The amount of revenue recognised does not include any customers' legal fees which is constrained].*

15.B30
15.119(e) For residential properties, as part of the statutory requirements, the Group's and the Company's obligations are to rectify any defects that become apparent within the defect liability period of 24 months after the customer takes vacant procession of the building. No provision for rectification costs has been made as at the end of the financial year as there has been no known material defect reported and only minimal costs have been incurred in the past. *[The provision for rectification costs have been made as at the end of the financial year as disclosed in Note 26.]*

(c) Construction contracts

The Group and the Company construct commercial and industrial properties under long-term contracts with customers. Construction service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.11 Revenue and other income (continued)

(c) Construction contracts (continued)

15.119(a) 15.35(b) 15.39 15.B18

Under the terms of the contracts, control of the works performed is transferred over time as the Group and the Company create or enhance an asset that the customer controls as the asset is created or enhanced. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

15.119(b) 15.60

Billings are made with a credit term of 30 days, which is consistent with market practice, therefore, no element of financing is deemed present. The Group and the Company become entitled to invoice customers for construction of commercial and industrial properties based on achieving a series of performance-related milestones.

15.117

The Group and the Company recognise a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group and the Company recognise a contract liability for the difference.

15.B30 15.119(e)

Defect liability period is usually XX months from the date of Certificate of Practical Completion as provided in the contracts with customers.

(d) Sale of agricultural commodities

15.119(a)

The Group sells a range of agricultural commodities such as crude palm oil and palm kernel. Revenue from sale of agricultural commodities is recognised net of discount and taxes collected on behalf at a point in time when control of the agricultural commodities has been transferred to the customer. The control transfers upon delivery of the agricultural commodities to a location specified by the customer and acceptance of the agricultural commodities by the customer. 3

15.119(b)

Sales are made with a credit term of 30 days and no element of financing is present.

(e) Service concession

15.119(b) 15.60 IC Int 12.13

Revenue related to construction service under service concession arrangement is recognised over time, consistent with the Company's accounting policy on construction contracts as disclosed in (c) above. Operation or service revenue is recognised in the period in which the services are provided by the Company. If the service concession arrangement contains more than one performance obligation, then the consideration received is allocated with reference to the relative stand-alone selling prices of the services delivered.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.11 Revenue and other income (continued)

(f) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentive granted is recognised as an integral part of the total rental income, over the term of the lease.

(g) Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered because the customer receives and uses the benefits simultaneously. This is determined based on the time elapsed (output method).

Commentary:

15.119

1 An entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following:
- (a) when the entity typically satisfies its performance obligations (e.g. upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement;
- (b) the significant payment terms (e.g. when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained in accordance with MFRS 15.56–58);
- (c) the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (i.e. if the entity is acting as an agent);
- (d) obligations for returns, refunds and other similar obligations; and
- (e) types of warranties and related obligations.

15.129

2 If an entity elects to use the practical expedient in MFRS 15.63 (about the existence of a significant financing component), the entity shall disclose that fact.

15.33

3 Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly in many ways, such as by:
- (a) using the asset to produce goods or provide services (including public services);
- (b) using the asset to enhance the value of other assets;
- (c) using the asset to settle liabilities or reduce expenses;
- (d) selling or exchanging the asset;
- (e) pledging the asset to secure a loan; and
- (f) holding the asset.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.11 Revenue and other income (continued)

Commentary (continued):

15.38 — **3** To determine the point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation, entity shall consider indicators of the transfer of control, which include, but are not limited to, the following:
(a) The entity has a present right to payment for the asset
(b) The customer has legal title to the asset
(c) The entity has transferred physical possession of the asset
(d) The customer has the significant risks and rewards of ownership of the asset
(e) The customer has accepted the asset

FRSIC Consensus 23, 24, 25 — **4** MIA issued FRSIC Consensus 23, 24 and 25 to address the timing of revenue recognition for residential properties in Malaysia which states that entities which enter into SPAs with purchasers in the prescribed form required by the Housing Development Regulation in Malaysia satisfy the criteria of paragraph 35(c) of MFRS 15 and accordingly revenue from the sale of residential properties shall be recognised over time.

15.35(c) — However, for sale of commercial properties, assessment shall be on contract-by-contract basis to determine if the contract meets the 2 conditions for revenue to be recognised over time:
(a) Performance does not create an asset with an alternative use to the entity; and
(b) The entity has an enforceable right to payment for performance completed to date.

15.41 — **5** Appropriate methods of measuring progress include output methods and input methods. In determining the appropriate method for measuring progress, an entity shall consider the nature of the good or service that the entity promised to transfer to the customer.

15.42 — When applying a method for measuring progress, an entity shall exclude from the measure of progress any goods or services for which the entity does not transfer to a customer. Conversely, an entity shall include in the measure of progress any goods or services for which the entity does transfer control to a customer when satisfying that performance obligation.

15.43 — As circumstances change over time, an entity shall update its measure of progress to reflect any changes in the outcome of the performance obligation. Such changes to an entity's measure of progress shall be accounted for as a change in accounting estimate in accordance with MFRS 108.

3.12 Government grants

120.24 — The Group and the Company present the government grants related to assets in the statement of financial position by setting up the grant as deferred income *[or, by deducting the grant in arriving at the carrying amount of the asset]*.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.13 Deferred tax

112.51C

When investment properties are carried at fair value in accordance with the material accounting policy information as disclosed in Note 3.6, 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. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

3.14 Contract costs

15.94
15.129

The Group and the Company have applied the practical expedient to recognise the incremental costs of obtaining contracts as an expense when incurred if the amortisation periods of the asset that the Group and the Company otherwise would have recognised are one year or less. ❶

Commentary:

15.129

❶ If an entity elects to use the practical expedient in MFRS 15.94 (about the incremental costs of obtaining a contract), the entity shall disclose that fact.

101.122
101.125

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the 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 a higher degree of judgement or complexity that have the most significant effect on the Group's and the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's and the Company's financial statements within the next financial year are disclosed as follows:

(a) Determining the functional currency

Certain subsidiaries of the Group operate in overseas jurisdictions but conduct sales, purchases and other transactions in multiple currencies. Judgement is applied in determining the functional currency wherever the indications are mixed. The Group uses, in a hierarchy, sale indicators as the primary basis, followed by purchase and operating expense indicators, and in the event that those indicators are not conclusive, the currency in which borrowings and other funds are raised for financing the operations.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.122
101.125

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(b) Classification between investment properties and property, plant and equipment

140.75(c)

Certain property comprises a portion that is held to earn rental income or capital appreciation, or for both, whilst the remaining portion is held for use in the production or supply of goods and services or for administrative purposes. If the portion held for rental and/or capital appreciation could be sold separately (or leased out separately as a finance lease), the Group and the Company account for that portion as an investment property. If the portion held for rental and/or capital appreciation could not be sold or leased out separately, it is classified as an investment property only if an insignificant portion of the property is held for use in the production or supply of goods and services or for administrative purposes. Management uses judgement to determine whether any ancillary services are of such significance that a property does not qualify as an investment property.

(c) Classification of a service concession asset

The Company has entered into service concession arrangements with the Governments of Malaysia and China to construct and operate public infrastructures (a convention center in Malaysia and a power plant in China). In an arrangement where the consideration is in cash receivable or a guaranteed purchase of the output produced by the infrastructure, the amount receivable will be accounted for using the financial asset model. If the consideration is in the form of a license to charge the public for use of the infrastructure, the amount receivable will be accounted for using intangible asset model. Management uses judgement in deciding the appropriate classification.

As disclosed in Note 9, the management has accounted the two service concession arrangements using intangible assets model.

(d) Control over an investee

As disclosed in Note 10, the Company holds a 40% equity interest in Ding Berhad, a company listed on the Bursa Malaysia Securities Berhad. The Company is the single largest shareholder of Ding Berhad. The other shareholders of Ding Berhad are thinly spread out among the investing public shareholders and none of the other shareholders have any agreement to make collective decisions. In applying judgement, the Company assesses and concludes that it has the power to direct the relevant activities of Ding Berhad. The Company is able to appoint, remove and set compensation of the key management personnel of Ding Berhad and actively dominates the decision-making process of Ding Berhad through its board representations. Accordingly, Ding berhad has been treated as a subsidiary of the Company.

(e) Joint control or significant influence over the investee

As disclosed in Note 11, the Company holds 20% equity interest in Slime Sdn Bhd. The Company has no representation on the Board of Directors of Slime Sdn Bhd but actively participates in the strategic policy decisions in the latter's Executive Committee meetings. For mutual benefits, the Company and Slime Sdn Bhd undertake significant sales and purchases of goods and services, and there are frequent interchanges of managerial personnel. On the basis of these fact patterns, the Company concludes that it exercises significant influence over Slime Sdn Bhd and thus treats the latter as an associate.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.122
101.125

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(e) Joint control or significant influence over the investee (continued)

As disclosed in Note 12, the Company and another investor hold 25% and 50% respectively in the equity shares of Argus Sdn Bhd. The balance of the equity shares of Argus Sdn Bhd is evenly spread out among five other investors, each holding 5%. In the arrangement, decisions about the relevant activities of Argus Sdn Bhd require 75% of voting rights of shareholders. The Company determines that on the basis of the terms in the arrangement, the Company has joint control in Argus Sdn Bhd and thus treats it as a joint arrangement.

(f) Determination of lease term

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

As disclosed in Note XX, the Group and the Company have several lease contracts that include extension and termination options. The Group and the Company apply judgement in evaluating whether they are reasonably certain to exercise the option to renew or terminate the lease. The Group and the Company consider all relevant factors that create an economic incentive for them to exercise the renewal or termination. After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

(g) Transfer of control in property development

The Group's and the Company's property development activities comprises both "sell and build" model and "build and sell" model. For the purpose of revenue recognition, the directors use their judgement to determine whether control of residential and commercial properties under development is transferred to customers over time or at a point in time. The Group and the Company use the criterion of control from the perspective of a customer, judged in relation to the customer's ability to obtain economic benefits of the asset under development. The Group and the Company consider that if the asset under development has been assigned to a customer and the asset has no alternative use to the Group and the Company and the Group and the Company have enforceable rights to payments, control of the asset is transferred over time to the customer. Revenue is recognised over time based on the progress towards complete satisfaction of performance obligation. If a customer does not obtain control when the asset is under development, such as in build and sell units, revenue is recognised at a point in time when the construction of the asset is completed and handed over to the customer.

The carrying amounts of the Group's and the Company's assets arising from property development activities are disclosed in Note 8 and Note 15A.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.122
101.125

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(h) Disposal group classified as held for sale

As disclosed in Note 19(a), on 30 September 2023, the Board of Directors approved and announced a plan to sell a subsidiary, PT BLK Construction, which operates in Indonesia.

The Board of Directors considered that the subsidiary met the criteria to be classified as disposal group classified as held for sale at that date for the following reasons:

- PT BLK Construction is available for immediate sale and can be sold to a potential buyer in its current condition;
- The Board of Directors had entered into preliminary negotiations with a potential buyer. Should negotiations with the party not lead to a sale, a number of other potential buyers have been identified; and
- The Board of Directors expects negotiations to be finalised and the sale to be completed by June 2024.

The disposal group held for sale is measured at the lower of carrying amount and fair value less costs to sell. The calculation for the fair value less costs to sell is subject to judgement due to a range of potential sales prices and assumptions around the method are involved.

The carrying amounts of the Group's disposal group held for sale are disclosed in Note 19(a).

(i) Provision

The Group and the Company use a "best estimate" as the basis for measuring a provision. Management evaluates the estimates based on the Group's and the Company's historical experience and other inputs or assumptions, current developments and future events that are reasonably possible under the particular circumstances. In the case when a provision relates to large population of customers (such as a warranty provision), a probability-weighted estimate of the outflows required to settle the obligation is used. In the case of a single estimate (such as a provision for site restoration costs), a reference contractor's price or market price is used as the best estimate. If an obligation is to be settled over time, the expected outflows are discounted at a rate that takes into account the time value of money and the risk that the actual outcome might differ from the estimates made.

The carrying amounts of the Group's and the Company's provisions are disclosed in Note 26.

(j) Depreciation and useful lives of property, plant and equipment

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

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

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.122
101.125

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(k) Fair value of biological assets

The Group's consumable biological assets (produce growing on bearer plants) are measured at fair value less costs to sell. In measuring the fair value of fresh fruit bunches ("FFBs") growing on oil palms, management uses estimates of cash flows using inputs or assumptions about expected yield of FFBs and the observable market price of FFBs. The expected yield of FFBs is based on the Group's past experience and taking into consideration of the effects of adverse weather conditions that may affect productivity. As prices in agricultural business are volatile, the actual cash flows may not coincide with the estimates made and this may have a significant effect on the Group's financial position and results.

The carrying amount of the Group's biological assets and the key assumptions used to determine the fair value less costs to sell are disclosed in Note 7.

(l) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. When value-in-use calculations are undertaken, the Group uses its judgement to decide the discount rates to be applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections, including forecast growth rates, inflation rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's financial position and results if the actual cash flows are less than the expected.

The carrying amount of the Group's goodwill and key assumptions used to determine the recoverable amount for different cash-generating units, including sensitivity analysis, are disclosed in Note 9(f).

(m) Impairment of financial assets and contract assets

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

The 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 and the Company's financial assets and contract assets are disclosed in Note 39(b)(i).

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.122
101.125

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(n) Measurement of income taxes

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

The income tax expense of the Group and the Company are disclosed in Note 35.

(o) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances based on the projected future profits of the subsidiaries to the extent that is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the future performance and taxable profits of the subsidiaries.

The carrying amount of the Group's recognised deferred tax assets is disclosed in Note 13.

(p) Defined benefit liabilities

The Group has defined benefit plans for their employees. The measurement of the present value of defined benefit obligations is based on a number of assumptions and factors that are determined on an actuarial basis. The assumptions used in the measurement of the defined benefit costs and the related liabilities or assets include projected employee salaries, employee turnover, inflation, interest cost and an appropriate discount rate using yields of high qualify corporate bonds in each jurisdiction. Any changes in these assumptions will have an impact on the carrying amount of the defined benefit obligations.

The carrying amount of the Group's employee benefits and the details of these actuarial assumptions and the sensitivity of the changes in key assumptions are disclosed in Note 24.

(q) Share-based payments

The Company grants share options to directors who have met the specified conditions. The share options granted are measured at fair value at grant date using a binomial option pricing model. The key assumptions or inputs used in the binomial option pricing model include: (a) the current price, (b) the exercise price, (c) the risk-free rate, (d) the volatility of the share price (e) the dividend yield and (f) the time period to maturity, and with an adjustment for an early exercise of option based on the Group's and the Company's past experience with earlier exercises. As the volatility of the share price is estimated based on past price movements, the actual volatility may not coincide with the estimates made. Similarly, the actual early exercise of options granted may not coincide with the estimates made. These differences may affect the fair value measurement of the options granted but they are not adjusted retrospectively because the equity component of the options granted is not remeasured to fair value subsequent to their initial recognition.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.122
101.125

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(q) Share-based payments (continued)

The carrying amount of the Company's share option reserve and assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 22(d).

(r) Write-down of obsolete or slow moving inventories

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

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

(s) Useful lives of other intangible assets

The Group and the Company estimate the useful lives to amortise other intangible assets based on the future performance of the assets acquired and management's judgement of the period over which economic benefits will be derived from the assets. The estimated useful lives of other intangible assets are reviewed periodically, taking into consideration factors such as changes in technology. The amount and timing of recorded expenses for any period would be affected by changes in the estimates.

The carrying amounts of the Group's and the Company's other intangible assets are disclosed in Note 9.

(t) Impairment of non-financial assets

The Group and the Company assess impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Where such indication exists, the Group and the Company determine the recoverable amount based on present value of the estimated future cash flows expected to be derived from the assets. In estimating the present value of the estimated cash flows, the Group and the Company apply a suitable discount rate and make assumption underlying the cash flow projections, including forecast growth rates, inflation rates and gross profit margin. Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's and the Company's financial positions and results if the actual cash flows are less than the expected.

[or, Where such indication exists, the Group and the Company determine the recoverable amount using fair value less cost of disposal determined by external independent valuer. Any resulting impairment loss could have a material adverse impact on the Group's and the Company's financial position and results of operations]

The carrying amounts of the Group's and the Company's non-financial assets are disclosed in Notes 5, 9 and 10 *[or, 11 and 12]*.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.122
101.125

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(u) Classification of equity and liability component of convertible bond

The Company has recognised the compound instruments consisting of an equity and liability component. At the issue date, the value of the liability component is determined using a prevailing market interest rate. Judgement is made on the market interest rate used for classification of equity and liability component. The carrying amounts of the Company's equity and liability component of convertible bond are disclosed in Notes 22 and 23.

(v) Fair value of investment properties

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

The carrying amounts of the Group's and the Company's investment properties are disclosed in Note 6.

(w) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group and the Company use their judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Any changes in these assumptions will have an impact on the carrying amounts of the derivatives and other financial instruments.

The carrying amounts of the Group's and the Company's derivatives and other financial instruments are disclosed in Note 39(a).

(x) Contingent liabilities

The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, arbitration or government regulation. Judgement is required to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.122
101.125

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(y) Business combination

When the Group purchased PT Halia Palm Oil through a transaction with another corporate entity, a judgement was made as to whether the transaction should be accounted for as a business combination or as a separate purchase of assets. In making this judgement, the Group assessed the assets, liabilities, operations and processes that were the subject of the transaction against the definition of a business in MFRS 3. The Group assessed that the acquisition of PT Halia Palm Oil qualifies as a business combination by applying the definition in MFRS 3.

In accounting for the PT Halia Palm Oil under MFRS 3, the fair values of the identifiable assets and liabilities acquired, including intangible assets, are recognised. The determination of the fair values of acquired assets and liabilities assumed is based on directors' judgement. Any changes in these assumptions will have an impact on the carrying amounts of the acquired assets and liabilities assumed.

The fair values of the acquired assets and liabilities assumed are disclosed in Note 10(a).

(z) Property development revenue

The Group and the Company recognised property development revenue in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group and the Company evaluate based on past experience and by relying on the work of specialists.

The carrying amounts of the Group's and the Company's property development costs, contract assets and contract liabilities are disclosed in Notes 8 and 16.

(aa) Construction revenue

The Group and the Company recognised construction revenue in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimated total construction revenue and costs, as well as the recoverability of the construction projects. In making the judgement, the Group and the Company evaluate based on past experience and by relying on the work of specialists.

The carrying amounts of the Group's and the Company's contract assets and contract liabilities are disclosed in Note 16.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.122
101.125

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(bb) Construction revenue recognition in relation to Concession Agreement

In accordance with IC Interpretation 12 *Service Concession Arrangements*, revenue associated with construction works under the Concession Agreement shall be recognised and measured in accordance with MFRS 15. The consideration received or receivable from construction work rendered by the Group and the Company are measured in accordance with MFRS 15, i.e. based on the allocated transaction price.

In order to determine the construction revenue to be recognised, the directors have estimated and recognised a construction margin in the construction of the infrastructure asset. The estimated margin is based on relative comparison with general industry trend although actual margins may differ.

The Group's and the Company's construction revenue arising from concession agreement that recognised during the year is disclosed in Note 28.

(cc) Revenue recognition in relation to sale of manufactured goods ❶

15.126(a) The Group has recognised revenue amounting to RM10 million for sale of manufactured goods to a new customer for the financial year ended 31 December 2023. The customer has the right to return any unused product within 30 days and receive a full refund.

15.126(b) Although the returns are outside the Group's influence, the Group has significant experience in estimating returns for this product and customer class. In addition, the uncertainty will be resolved within a short time frame (i.e. the 30-day return period). Thus, the Group has determined that it is highly probable that a significant reversal in the cumulative amount of revenue recognised will not occur as the uncertainty is resolved (i.e. over the return period). It is therefore appropriate to recognise revenue on this transaction during 2023 as control of the product is transferred to the customer.

The revenue recognised for manufactured goods during the year is disclosed in Note 28.

Commentary:

❶ **Significant judgement, and changes in the judgements, made in the applying MFRS 15**

15.123 An entity shall disclose the judgements, and changes in the judgements, made in applying this Standard that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular, an entity shall explain the judgements, and changes in the judgements, used in determining both of the following:
(a) the timing of satisfaction of performance obligations (see MFRS 15.124–125); and
(b) the transaction price and the amounts allocated to performance obligations (see MFRS 15.126).

15.124-125

Disclosure requirements	Entity shall disclose:
Judgement to determine the timing of satisfaction of performance obligations	For performance obligation satisfied *over time*: • The methods used to recognise revenue; and • An explanation of why the methods used provide a faithful depiction of the transfer of goods or services For performance obligations satisfied at a *point in time*: Significant judgements made in evaluating when a customer obtains control of promised goods or services

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.122
101.125

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Commentary (continued):

15.126(b)

❶ Significant judgement, and changes in the judgements, made in the applying MFRS 15 (continued)

Reference	Disclosure requirements	Entity shall disclose:
15.126	Judgement to determine the transaction price	Information about methods, inputs and assumptions used for all of the following: • Estimating variable consideration (and its constraint); • Considering the effects of time value of money; • Measuring non-cash consideration; and • Measuring obligations for returns, refunds and other similar obligations
15.126	Judgement to determine the amounts allocated to performance obligations	Information about methods, inputs and assumptions used for all of the following: • Estimating stand-alone selling prices of promised goods or services; and • Allocating discounts or variable considerations to a specific part of the contract (if applicable)
15.127(a)	Judgement to determine the contract costs	Entity shall describe the judgement to determine the amount of the costs incurred to obtain or fulfil a contract with a customer

Illustrative of additional significant judgements made in applying MFRS 15:

15.123(a)
15.126

Judgements in determining the timing of satisfaction of performance obligations

The Group provides rectification work for goods supplied to customers. There are goods delivered to one of the Group's major customers in the months of January to July 2023, and shortly thereafter defects were identified by the customer. Following negotiations, a schedule of works was agreed, which will involve expenditure by the Group until 2024. In the light of the problems identified, the directors were required to consider whether it was appropriate to recognise the revenue from these transactions of RMXX million in the current year, in line with the Group's policy of recognising revenue for the sale of goods when those goods are delivered to the customer, or whether it would be more appropriate to defer recognition until the rectification work was complete.

In making their judgement, the directors considered the detailed criteria for the recognition of revenue set out in MFRS 15 and, in particular, whether the Group had transferred control of the goods to the customer. Following the detailed quantification of the Group's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that control has been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate warranty provision for the rectification costs.

The revenue recognised during the year is disclosed in Note XX.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.122
101.125

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Commentary (continued):

1 Significant judgement, and changes in the judgements, made in the applying MFRS 15 (continued)

15.123(b)
15.126(c)

Judgements in allocating the transaction price for material right to customers

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire XX months after the initial sale. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation.

The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price.

The revenue recognised during the year for redemption of customer loyalty points is disclosed in Note XX.

2 Significant judgement, estimates and assumptions in respect of revaluation of property, plant and equipment

Illustrative of additional significant judgements made when the Group and the Company have measured the land and buildings at revaluation model:

Valuation of property, plant and equipment

Freehold land, leasehold land and buildings are carried at revalued amount. Revaluation of these assets is based on valuation performed by independent professional property valuers. The independent professional property valuers may exercise judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in their valuation process. Judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations may materially affect these estimates and the resulting valuation estimates.

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

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.122
101.125

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Commentary (continued):

❸ **Significant judgement in respect of preparation of the financial statements as a going concern**

Illustrative of additional significant judgements made when there are significant doubts about going concern of a reporting entity:

When there are significant doubts about going concern but mitigating actions judged sufficient to make going concern appropriate and the entity determines no material uncertainties

Close call
Funding requirements and ability to meet short term obligations

The Group applies judgement in determining the funding requirements and its ability to meet short term obligations. The Group considers the facts and circumstances and makes assumptions about the future, including the cash flows to be generated from the operations of the Group and the available financing facilities.

The details of funding requirements and ability to meet short term obligations are disclosed in Note 39(b)(ii).

When there are significant doubts about going concern but mitigating actions judged sufficient to make going concern appropriate and material uncertainties about going concern remain after considering mitigating actions.

Material Uncertainty Related to Going Concern
Going concern

The Group applies judgement and assumptions in determining its ability to continue as a going concern of at least 12 months from the end of the financial year which is subject to material uncertainty. The Group considers the facts and circumstances and makes assumptions about the future, including its plan to realise its assets and discharge its liabilities in the normal course of business. The directors are confident that the plan would be implemented successfully without any material modifications and within the anticipated time frame.

The details of material uncertainty related to going concern are disclosed in Note 2.X.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT ❶ - ❻

Reference	Group 2023	Note	Freehold land RM'000	Buildings RM'000	Manufacturing plant RM'000	Machinery and equipment RM'000	❼ Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Bearer plants RM'000	*Right-of-use assets* *RM '000*	Total RM'000
116.73(a)	**Cost**										
116.73(d)	At 1 January 2023		9,700	54,830	62,300	55,060	11,780	7,680	178,200	*xxx*	379,550
116.73(e)(iii)	Acquisition of a subsidiary	**10(a)**	-	9,500	15,000	6,000	1,000	-	-	-	31,500
116.73(e)(i)	Additions		4,500	13,880	20,100	22,000	3,100	3,450	39,800	*xxx*	106,830
116.73(e)(ii)	Disposals		-	-	-	(1,000)	(500)	-	-	-	(1,500)
116.73(e)(ii)	Transfer to disposal group classified as held for sale	**19(a)**	-	-	(10,400)	(5,000)	-	-	-	-	(15,400)
116.73(e)(viii)	Exchange differences		-	-	200	200	-	-	-	-	400
116.73(d)	At 31 December 2023		14,200	78,210	87,200	77,260	15,380	11,130	218,000	*xxx*	501,380
	Accumulated depreciation and impairment loss										
116.73(d)	At 1 January 2023		-	6,430	13,800	11,460	5,080	2,780	33,200	*xxx*	72,750
116.73(e)(vii)	Depreciation charge for the financial year	**19(b), 33**	-	880	4,900	4,400	1,400	950	7,000	*xxx*	19,530
116.73(e)(ii)	Disposals		-	-	-	(1,000)	(500)	-	-	-	(1,500)
116.73(e)(v)	Impairment loss	**33**	-	-	-	1,000	-	-	-	-	1,000
116.73(e)(ii)	Transfer to disposal group classified as held for sale	**19(a)**	-	-	(3,000)	(2,000)	-	-	-	-	(5,000)
116.73(e)(viii)	Exchange differences		-	-	100	100	-	-	-	-	200
116.73(d)	At 31 December 2023		-	7,310	15,800	13,960	5,980	3,730	40,200	*xxx*	86,980
116.73(d)	**Carrying amount**										
	At 1 January 2023		9,700	48,400	48,500	43,600	6,700	4,900	145,000	*xxx*	**306,800**
	At 31 December 2023		14,200	70,900	71,400	63,300	9,400	7,400	177,800	*xxx*	**414,400**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reference	Group 2022	Note	Freehold land RM'000	Buildings RM'000	Manufacturing plant RM'000	Machinery and equipment RM'000	7 Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Bearer plants RM'000	*Right-of-use assets RM'000*	Total RM'000
116.73(a)	**Cost**										
116.73(d)	At 1 January 2022		8,900	50,100	52,400	47,200	9,800	6,300	170,000	*xxx*	344,700
116.73(e)(i)	Additions		800	4,730	9,400	8,260	2,180	1,380	8,200	*xxx*	34,950
116.73(e)(ii)	Disposals		-	-	-	(1,000)	(200)	-	-	-	(1,200)
116.73(e)(viii)	Exchange differences		-	-	500	600	-	-	-	-	1,100
116.73(d)	At 31 December 2022		9,700	54,830	62,300	55,060	11,780	7,680	178,200	*xxx*	379,550
	Accumulated depreciation and impairment loss										
116.73(d)	At 1 January 2022		-	5,600	7,800	7,100	3,900	1,800	26,800	*xxx*	53,000
116.73(e)(vii)	Depreciation charge for the financial year	**19(b), 33**	-	830	4,800	4,360	1,380	980	6,400	*xxx*	18,750
116.73(e)(ii)	Disposals		-	-	-	(800)	(200)	-	-	-	(1,000)
116.73(e)(v)	Impairment loss	**33**	-	-	1,000	500	-	-	-	-	1,500
116.73(e)(viii)	Exchange differences		-	-	200	300	-	-	-	-	500
116.73(d)	At 31 December 2022		-	6,430	13,800	11,460	5,080	2,780	33,200	*xxx*	72,750
116.73(d)	**Carrying amount**										
	At 1 January 2022		8,900	44,500	44,600	40,100	5,900	4,500	143,200	*xxx*	**291,700**
	At 31 December 2022		9,700	48,400	48,500	43,600	6,700	4,900	145,000	*xxx*	**306,800**

FLYING COLOURS BERHAD
(Incorporated in Malaysia)

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reference	Company 2023	Note	Freehold land RM'000	Buildings RM'000	Machinery and equipment RM'000	7 Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	*Right-of-use assets* *RM'000*	Total RM'000
116.73(a)	**Cost**								
116.73(d)	At 1 January 2023		6,700	44,750	45,900	6,120	3,620	*xxx*	107,090
116.73(e)(i)	Additions		100	13,760	1,000	350	620	*xxx*	15,830
116.73(e)(ii)	Disposals		-	-	(400)	(100)	-	-	(500)
116.73(d)	At 31 December 2023		6,800	58,510	46,500	6,370	4,240	*xxx*	122,420
	Accumulated depreciation and impairment loss								
116.73(d)	At 1 January 2023		-	4,950	8,500	2,820	1,320	*xxx*	17,590
116.73(e)(vii)	Depreciation charge for the financial year	**33**	-	660	3,200	650	420	*xxx*	4,930
116.73(e)(ii)	Disposals		-	-	(400)	(100)	-	-	(500)
116.73(d)	At 31 December 2023		-	5,610	11,300	3,370	1,740	*xxx*	22,020
116.73(d)	**Carrying amount**								
	At 1 January 2023		6,700	39,800	37,400	3,300	2,300	*xxx*	**89,500**
	At 31 December 2023		6,800	52,900	35,200	3,000	2,500	*xxx*	**100,400**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reference	**Company** **2022**	**Note**	**Freehold land** **RM'000**	**Buildings** **RM'000**	**Machinery and equipment** **RM'000**	**7** **Motor vehicles** **RM'000**	**Furniture, fixtures and fittings** **RM'000**	***Right-of-use assets*** ***RM'000***	**Total** **RM'000**
116.73(a)	**Cost**								
116.73(d)	At 1 January 2022		6,700	42,400	37,200	5,400	3,000	*xxx*	94,700
116.73(e)(i)	Additions		-	2,350	9,100	820	620	*xxx*	12,890
116.73(e)(ii)	Disposals		-	-	(400)	(100)	-	-	(500)
116.73(d)	At 31 December 2022		6,700	44,750	45,900	6,120	3,620	*xxx*	107,090
	Accumulated depreciation and impairment loss								
116.73(d)	At 1 January 2022		-	4,300	5,800	2,300	900	*xxx*	13,300
116.73(e)(vii)	Depreciation charge for the financial year	**33**	-	650	3,100	620	420	*xxx*	4,790
116.73(e)(ii)	Disposals		-	-	(400)	(100)	-	-	(500)
116.73(d)	At 31 December 2022		-	4,950	8,500	2,820	1,320	*xxx*	17,590
116.73(d)	**Carrying amount**								
	At 1 January 2022		6,700	38,100	31,400	3,100	2,100	*xxx*	**81,400**
	At 31 December 2022		6,700	39,800	37,400	3,300	2,300	*xxx*	**89,500**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Illustrative disclosure where an entity chooses to present its material accounting policy information in the respective note to the financial statements

(xa) Material accounting policy information

116.30
116.73(a)

Property, plant and equipment (other than right-of-use assets) are initially measured at cost less accumulated depreciation and any accumulated impairment losses.

116.22A

Cost of bearer plants consists of plantation development costs incurred from the commencement of planting of oil palm seedlings up to the maturity of the crop cultivated. Capitalisation of plantation development and other operating costs ceases upon the commencement of commercial harvesting of the agricultural produce.

116.73(b)
116.73(c)

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use. The immature bearer plants are not depreciated until such time when they are available for use.

116.43
116.46
116.50

All other property, plant and equipment (other than right-of-use assets) are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Buildings	50 years
Manufacturing plant	
- Bare plant	30 years
- Significant components	5-8 years
Machinery and equipment	5-10 years
Motor vehicles	5 years
Furniture, fixtures and fittings	3-5 years
Bearer plants (oil palm trees)	25 years
Spare parts, stand-by equipment and servicing equipment	*XX years*

(xb) Significant accounting judgements, estimates and assumptions

(i) Depreciation and useful lives of property, plant and equipment

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

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Illustrative disclosure where an entity chooses to present its material accounting policy information in the respective note to the financial statements (continued)

(xb) Significant accounting judgements, estimates and assumptions (continued)

(ii) Impairment of property, plant and equipment

The Group and the Company assess impairment of property, plant and equipment whenever the events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Where such indication exists, the Group and the Company determine the recoverable amount based on present value of the estimated future cash flows expected to be derived from the property, plant and equipment. In estimating the present value of the estimated cash flows, the Group and the Company apply a suitable discount rate and make assumptions underlying the cash flow projection, including forecast growth rates, inflation rate and gross profit margin.

Cash flows that are projected based on those inputs or assumptions may have a significant effect on the Group's and the Company's financial positions and results if the actual cash flows are less than the expected.

(a) Assets held for sale

Property, plant and equipment transferred to the disposal group classified as held for sale amounting to RM10,400,000 relate to assets that are used by PT BLK Construction (part of the construction business segment). See Note 19(a) for further details on the disposal group classified as held for sale.

(b) Land title restriction

116.74(a) A freehold land with a carrying amount of RM1,000,000 (31.12.2022: RM1,000,000) has been alienated to the Company by a State Government in exchange for construction services provided by the Company. The Company has yet to obtain title to this land as it is being processed by the Land Office.

(c) Assets pledged as security

116.74(a) Freehold land and building with a carrying amount of RM3,000,000 (31.12.2022: RM2,500,000) have been pledged as security to secure term loans of the Group and of the Company as disclosed in Note 23(a).

Leased assets are pledged as security for the related lease liabilities as disclosed in Note 23(b).

[Motor vehicles with carrying amount of RMXXX (31.12.2022: RMXXX) have been pledged as security for hire purchase arrangement as disclosed in Note 23(x).]

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Impairment loss

136.126(a)
136.130(a)
136.130(b)
136.130(d)
136.130(e)
136.130(g)

During the financial year, an impairment loss of RM1,000,000 was recognised in profit or loss under other expenses, representing the impairment of certain machinery and equipment in the manufacturing segment, as a result of technological obsolescence. The recoverable amount of RM28,800,000 as at 31 December 2023 was based on value-in-use and was determined at the level of cash generating unit. In determining the value-in-use for the cash generating unit, the cash flows were discounted at a rate of 8% on a pre-tax basis.

(e) Right-of-use assets

16.59(a) *The Group and the Company lease several assets including leasehold land, buildings and motor vehicles.*

Information about leases for which the Group and the Company are lessees is presented below:

Reference		Group		8	
		Leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Total RM'000
	Carrying amount				
	At 1 January 2022	xxx	xxx	xxx	xxx
	Additions	xxx	xxx	xxx	xxx
	Depreciation	xxx	xxx	xxx	xxx
16.53(j)	At 31 December 2022	**xxx**	**xxx**	**xxx**	**xxx**
16.53(h)	Additions	xxx	xxx	xxx	xxx
16.53(a)	Depreciation	xxx	xxx	xxx	xxx
16.53(j)	At 31 December 2023	**xxx**	**xxx**	**xxx**	**xxx**

Reference		Company		8	
		Leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Total RM'000
	Carrying amount				
	At 1 January 2022	xxx	xxx	xxx	xxx
	Additions	xxx	xxx	xxx	xxx
	Depreciation	xxx	xxx	xxx	xxx
16.53(j)	At 31 December 2022	**xxx**	**xxx**	**xxx**	**xxx**
16.53(h)	Additions	xxx	xxx	xxx	xxx
16.53(a)	Depreciation	xxx	xxx	xxx	xxx
16.53(j)	At 31 December 2023	**xxx**	**xxx**	**xxx**	**xxx**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(e) Right-of-use assets (continued)

16.51
16.59(a)

The Group and the Company lease land and buildings for their office space and operation site. The leases for office space and operation site generally have lease term between 3 to 99 years. The Group and the Company also lease motor vehicles with lease term of 1 to 2 years.

16.59(b)(iv)

The future cash outflows relating to leases that have not yet commenced are disclosed in Note 40(b).

16.59(b)(ii)
16.B50

Extension and termination options
The Group and the Company have several lease contracts that include extension and termination options. These options are negotiated by the Group and the Company to provide flexibility in managing the leased-asset portfolio and align with the Group's and the Company's business needs.

The undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term are as follows:

	Group		
	Within five years RM'000	More than five years RM'000	Total RM'000
Extension options expected not to be exercised	xxx	xxx	xxx
Termination options expected to be exercised	xxx	xxx	xxx
	xxx	**xxx**	**xxx**

	Company		
	Within five years RM'000	More than five years RM'000	Total RM'000
Extension options expected not to be exercised	xxx	xxx	xxx
Termination options expected to be exercised	xxx	xxx	xxx
	xxx	**xxx**	**xxx**

FLYING COLOURS BERHAD
(Incorporated in Malaysia)

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Commentary:

16.95 ❶ For items of property, plant and equipment subject to operating leases, a lessor shall disaggregate each class of property, plant and equipment into assets subject to operating leases and assets not subject to operating leases.

Illustrative additional disclosure if items of property, plant and equipment are subject to operating leases

Assets subject to operating leases

16.92(a) The Group leases some of its machinery and equipment to third parties. Each lease contains an initial non-cancellable period of 1 year with option to renew for subsequent 1 year. Subsequent renewals are negotiated with the lessee.

Information about leases for which the Group is lessor is presented below:

	Group		
	Machinery and equipment (own use) RM'000	Machinery and equipment (subject to operating leases) RM'000	Total RM'000
Cost			
At 1 January 2022	xxx	xxx	xxx
Additions	xxx	xxx	xxx
Disposals	(xxx)	(xxx)	(xxx)
At 31 December 2022	xxx	xxx	xxx
Additions	xxx	xxx	xxx
Disposals	(xxx)	(xxx)	(xxx)
At 31 December 2023	xxx	xxx	xxx
Accumulated depreciation and impairment loss			
At 1 January 2022	xxx	xxx	xxx
Depreciation charge for the financial year	xxx	xxx	xxx
Disposals	(xxx)	(xxx)	(xxx)
At 31 December 2022	xxx	xxx	xxx
Depreciation charge for the financial year	xxx	xxx	xxx
Disposals	(xxx)	(xxx)	(xxx)
At 31 December 2023	xxx	xxx	xxx
Carrying amount			
At 31 December 2022	xxx	xxx	xxx
At 31 December 2023	xxx	xxx	xxx

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Commentary (continued):

116.77
16.57

❷ If items of property, plant and equipment or right-of-use assets are stated at revalued amounts, the following shall be disclosed in addition to the disclosures required by MFRS 13:

- the effective date of revaluation;
- whether an independent valuer was involved;
- for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and
- the revaluation surplus, indicating the change for the period and any restriction on the distribution of the balance to shareholders.

For disclosure required by MFRS 13, refer to Note 6's fair value information from page 87 to 89.

Illustrative additional disclosure if items of property, plant and equipment or right-of-use assets are stated at revalued amount in accordance with MFRS 116.77

116.77(a) & (b) **Level 2 fair value**

Level 2 fair values of buildings were revalued on XXX using the sales comparison approach based on the valuation performed by independent firms of professional valuers. Sales prices of comparable buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable buildings.

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

	Group	
	31.12.2023 RM'000	31.12.2022 RM'000
Freehold land	xxx	xxx
Leasehold land	xxx	xxx
Buildings	xxx	xxx
Right-of-use assets:		
- Leasehold land	xxx	xxx
- Buildings	xxx	xxx

❸ **Illustrative disclosure when there are restrictions or covenants imposed by leases**

Restrictions

16.59(c) The Group is restricted from assigning and subleasing the leased assets and some lease contracts require the Group to maintain certain financial ratios.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Commentary (continued):

16.59(b)(i)
16.B49
16.IE9

4 **Illustrative disclosure when the lease contracts contain variable lease payment terms**

Some of the property leases in which the Group and the Company are the lessees contain variable lease payment terms that are linked to sales generated from the leased stores. Variable lease payment terms are used to link rental payments to store cash flows and reduce fixed cost. Fixed and variable lease payments for the year ended 31 December 2023 were as follows:

	Fixed payments RM'000	Variable payments RM'000	Total payments RM'000	Estimated annual impact on rent of a 1% increase in sales RM'000
Group				
2023				
Leases with lease payments based on sales	xxx	xxx	xxx	xxx
2022				
Leases with lease payments based on sales	xxx	xxx	xxx	xxx

The Group and the Company expect the relative proportions of fixed and variable lease payments to remain broadly consistent in future years.

16.59(b)(iii)
16.B51

5 **Illustrative disclosure when the lease contracts contain residual value guarantees**

The Group guarantees the residual value of certain leased assets at the end of the contract term. It monitors the use of these leased assets, and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets. As at 31 December 2023, the Group estimates that the expected amount payable under the residual value guarantees is RMXXX (2022: RMXXX).

16.59(d)
16.B52

6 **Illustrative disclosure for sales-and-leaseback transactions**

In year 20XX, the Group sold one of its office buildings and leased the building back for 30 years. The Group has an option to repurchase the building for its market value at the end of the contract term. This sale-and-leaseback transaction enabled the Group to access more capital while continuing to use the office. The rent is adjusted every five years to reflect increase in local market rents for similar properties.

7 Included in this are motor vehicles under hire purchase arrangements.

8 Included in this are motor vehicles under leasing arrangements

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES ❶

Reference		Note	Group 31.12.2023 RM'000	Group 31.12.2022 Restated RM'000	Company 31.12.2023 RM'000	Company 31.12.2022 Restated RM'000
140.75(a)	**At fair value:** ❷					
140.76	At 1 January		43,200	38,600	21,000	17,600
140.76(b)	Acquisition of a subsidiary	**10(a)**	20,000	-	-	-
140.76(a)	Additions		4,600	1,000	13,600	1,300
140.76(d)	Net gain arising from fair value adjustment		4,000	3,000	2,000	2,100
140.76(f)	Transfers from inventories ❸		-	500	-	-
140.76(e)	Exchange differences		-	100	-	-
140.76	At 31 December		**71,800**	**43,200**	**36,600**	**21,000**

140.75(g) As at the reporting date, titles to the investment properties with carrying amount of RM35,500,000 (31.12.2022: RM18,500,000) have yet to be registered under the subsidiaries' name.

16.92(a) The Group's and the Company's investment properties comprise a number of commercial properties that are leased to third parties. Each lease contains an initial non-cancellable period of 10 years with option to renew for subsequent 5 years. Subsequent renewals are negotiated with the lessee.

140.75(g) An investment property of a subsidiary with a carrying fair value of RM10,000,000 (31.12.2022: RM9,000,000) has been pledged as security to secure term loans and revolving credit granted to the Group and the Company as disclosed in Note 23(a) and Note 23(g). Approval of the lender is required for any disposal of the investment property. The proceeds from disposal can only be remitted to the Group and the Company after full repayment of the term loan.

140.75(f) The following are recognised in profit or loss in respect of investment properties:

	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Rental income	32,698	23,065	3,900	3,500
Direct operating expenses:				
- income generating investment	26,980	16,780	1,200	1,200
- non-income generating investment properties	*xxx*	*xxx*	*xxx*	*xxx*

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES (CONTINUED)

Fair value information 4

13.93(a)
13.93(b)
16.47(a)

Fair values of investment properties are categorised as follows:

	Group		
	Level 2 RM'000	**Level 3 RM'000**	**Total RM'000**
31.12.2023			
Freehold land	-	11,800	11,800
Buildings	30,000	30,000	60,000
*Leasehold land**	*xxx*	*xxx*	*xxx*
	30,000	41,800	71,800
31.12.2022			
Freehold land	-	10,000	10,000
Buildings	10,000	23,200	33,200
*Leasehold land**	*xxx*	*xxx*	*xxx*
	10,000	33,200	43,200

	Company		
	Level 2 RM'000	**Level 3 RM'000**	**Total RM'000**
31.12.2023			
Freehold land	-	10,000	10,000
Buildings	10,000	16,600	26,600
*Leasehold land**	*xxx*	*xxx*	*xxx*
	10,000	26,600	36,600
31.12.2022			
Freehold land	-	3,000	3,000
Buildings	10,000	8,000	18,000
*Leasehold land**	*xxx*	*xxx*	*xxx*
	10,000	11,000	21,000

** Leasehold land is classified as right-of-use asset.*

13.93(c) There are no Level 1 investment properties or transfers between Level 1 and Level 2 during the financial year ended 31 December 2023 and 31 December 2022.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES (CONTINUED)

Fair value information (continued)

Level 2 fair value

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

Level 3 fair value

13.93(e) The following table shows a reconciliation of Level 3 fair values:

	Group	
	31.12.2023 RM'000	31.12.2022 RM'000
At 1 January	33,200	28,600
Additions	4,600	1,000
Disposal	*(xxx)*	*(xxx)*
Transfer from inventories	-	500
Transfer into Level 3 ❻	*xxx*	*xxx*
Transfer out of Level 3	*(xxx)*	*(xxx)*
Gains and losses recognised in profit or loss	4,000	3,000
Gains and losses recognised in other comprehensive income	*xxx*	*xxx*
Exchange differences	-	100
At 31 December	41,800	33,200

	Company	
	31.12.2023 RM'000	31.12.2022 RM'000
At 1 January	11,000	7,600
Additions	13,600	1,300
Disposal	*(xxx)*	*(xxx)*
Transfer into Level 3 ❻	*xxx*	*xxx*
Transfer out of Level 3	*(xxx)*	*(xxx)*
Gains and losses recognised in profit or loss	2,000	2,100
Gains and losses recognised in other comprehensive income	*xxx*	*xxx*
At 31 December	26,600	11,000

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES (CONTINUED)

Fair value information (continued)

Level 3 fair value (continued)

13.93(d)
13.93(h)(i)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Land and buildings	Sales comparison approach	Price per square feet RM1,102 (31.12.2022: RM1,000)	The higher the price per square feet, the higher the fair value
Land and buildings	Income approach	Estimated average rental rate per square feet per month RM1.35-RM12.95 (31.12.2022: RM1.45-RM11.45)	The higher the estimated rental/average rental rate per square feet per month, the higher the fair value
		Estimated average outgoings per square feet per month RM4.50 (31.12.2022: RM4.00)	The lower the estimated outgoings per square feet per month, the higher the fair value

Valuation processes applied by the Group and the Company

13.93(g)
140.75(e)

The Group's and the Company's finance department includes a team that performs valuation analysis of land and buildings required for financial reporting purposes, including Level 3 fair values. This team reports directly to the chief financial officer.

The fair value of investment properties is determined by external independent property valuers, Messrs Surveyor & Co., 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. The valuation company provides the fair value of the Group's and the Company's investment property portfolio every six months. Changes in Level 3 fair values are analysed by the team every six months after obtaining the valuation report from the valuation company. There has been no change to the valuation technique during the financial year.

Highest and best use

13.93(i)

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES (CONTINUED)

Commentary:

16.56 — 1. If right-of-use assets meet the definition of investment property, a lessee shall apply the disclosure requirements in MFRS 140. In that case, pursuant to MFRS 16.56, a lessee is required to provide the following disclosures for those right-of-use assets.

- 16.53(b) — interest expense on lease liabilities;
- 16.53(c) — expense relating to short-term leases (exclude expense relating to leases with a lease term of one month or less);
- 16.53(d) — expense relating to leases of low-value assets (exclude expense relating to short-term leases of low-value assets included above);
- 16.53(e) — expense relating to variable lease payments not included in the measurement of lease liabilities;
- 16.53(g) — total cash outflow for leases; and
- 16.53(i) — gains or losses arising from sale and leaseback transactions.

140.79(e); 13.97 — 2. MFRS 140 permits investment properties to be carried at historical cost less accumulated depreciation and any accumulated impairment losses. If the entity accounted for investment properties at cost, information about the cost basis and depreciation rates (similar to the requirement under MFRS 116) would be required. MFRS 140.79(e) requires disclosure of fair value of the properties. For the purpose of this disclosure, the fair value is required to be determined in accordance with MFRS 13. Also, in addition to the disclosures under MFRS 140, MFRS 13.97 requires disclosure of:

- the level at which fair value measurement is categorised i.e., Level 1, Level 2 or Level 3;
- a description of valuation technique and inputs, for Level 2 or Level 3 fair value measurement; and
- if the highest and best use differs from the current use of the asset, disclose that fact and the reason.

140.57 — 3. Transfers are made to or from investment property only when there is a change in use.

- 140.60 — 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.
- 140.61 — 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 the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.
- 140.63 — For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount will be recognised in profit or loss.

13.91-99 — 4. For disclosure requirements under MFRS 13.91 to 99, refer commentary under Note 39(d).

140.50 — 5. In determining the carrying amount of investment property under the fair value model, an entity does not double-count assets or liabilities that are recognised as separate assets or liabilities. Accordingly, the fair value of investment property is recognised at the amount determined in the valuation minus/(plus) amount allocated to other assets/(liabilities), if any, such as accrued or prepaid operating lease income recognised as a separate asset or liability.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES (CONTINUED)

Commentary (continued):

140.77 **5** When a valuation obtained for investment property carried at fair value is adjusted significantly for the purpose of the financial statements, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of any recognised lease obligations that have been added back, and any other significant adjustments.

Illustrative disclosure on reconciliation between the valuation obtained and the adjusted valuation

The following table shows a reconciliation between the valuation obtained and the adjusted valuation:

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Valuation as per valuer's report	xxx	xxx	xxx	xxx
Less: Accrued rental income	(xxx)	(xxx)	(xxx)	(xxx)
	71,800	**43,200**	**36,600**	**21,000**

13.93(e)(iv) **6** For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, an entity shall disclose the amount of any transfers into or out of Level 3 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfer into Level 3 shall be disclosed and discussed separately from transfer out of Level 3.

7. BIOLOGICAL ASSETS

Reference		Group	
		31.12.2023 RM'000	**31.12.2022 RM'000**
	Produce growing on bearer plants		
	At fair value less costs to sell		
141.50	At 1 January	23,879	26,926
141.50(a)	Change in fair value less costs to sell	68,600	(3,047)
141.50(d)	Harvested crops transferred to inventories	(44,879)	-
141.50	At 31 December	**47,600**	**23,879**

141.49(a) As at 31 December 2023, the biological assets of a subsidiary with a carrying fair value of RM20,000,000 (31.12.2022: RM15,000,000) have been pledged as security to secure term loans and revolving credit granted to the Group and the Company as disclosed in Note 23(a) and Note 23(g).

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. BIOLOGICAL ASSETS (CONTINUED)

Fair value information 1

13.93(a) 13.93(b) The fair value measurements for the produce growing on bearer plants have been categorised as Level 3 fair value based on the inputs to the valuation techniques used.

Level 3 fair value

13.93(e) The following table shows a reconciliation of Level 3 fair value:

	Group	
	31.12.2023 RM'000	**31.12.2022 RM'000**
At 1 January	23,879	26,926
Additions	*xxx*	*xxx*
Harvested crops transferred to inventories	(44,879)	-
Transfer into Level 3	*xxx*	*xxx*
Transfer out of Level 3	*(xxx)*	*(xxx)*
Gains and losses recognised in profit or loss	68,600	(3,047)
Gains and losses recognised in other comprehensive income	*xxx*	*xxx*
Exchange differences	*xxx*	*xxx*
At 31 December	47,600	23,879

13.93(d) 13.93(h)(i) The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description	**Valuation technique**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Produce growing on bearer plants	Discounted cash flows	Estimated yield per hectare 20-24.5 tonnes (31.12.2022: 21-25.5 tonnes)	The higher the estimated yield per hectare, the higher the fair value
		Average selling price for palm oil RM2,509 per tonne (31.12.2022: RM2,504 per tonne)	The higher the average selling price per tonne, the higher the fair value

13.93(g) **Valuation processes applied by the Group**

The Group's finance department includes a team that performs valuation analysis for produce growing on bearer plants required for financial reporting purposes, including Level 3 fair values. This team reports directly to the chief financial officer.

The fair value of produce growing on bearer plants is determined by external independent valuers, Messrs Surveyor & Co., a member of the Institute of Malaysian Palm Oil Board with appropriate recognised professional qualifications. The valuation company provides the fair value of the Group's produce growing on bearer plants portfolio every six months. Changes in Level 3 fair values are analysed by the team every six months after obtaining the valuation report from the valuation company. There has been no change to the valuation technique during the financial year.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. BIOLOGICAL ASSETS (CONTINUED)

Fair value information (continued)

13.93(i)

Highest and best use

In estimating the fair value of the produce growing on bearer plants, the highest and best use of the growing produce is their current use.

Commentary:

13.91-99

1. For disclosure requirements on MFRS 13.91 to 99, refer commentary under Note 39(d).

102.36(b)

8. INVENTORIES

	Group		Company	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Non-current:				
Property held for development				
- Freehold land	87,400	29,300	54,150	32,350
- Development costs	12,300	9,903	4,350	3,750
	99,700	39,203	58,500	36,100
Current:				
Property under development				
- Freehold land	57,600	39,700	14,200	9,650
- Development costs	13,800	13,000	13,800	3,550
Completed properties	20,300	18,400	10,300	8,500
Produce stocks	4,000	3,000	-	-
Raw materials	9,600	8,600	3,000	1,000
Consumables and spare parts	2,000	1,800	1,000	800
Work-in-progress	5,300	5,000	-	-
Finished goods	16,900	15,818	-	-
	129,500	105,318	42,300	23,500
	229,200	**144,521**	**100,800**	**59,600**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVENTORIES (CONTINUED)

102.36(d) (a) The cost of inventories of the Group and the Company recognised as an expense in cost of sales during the financial year in respect of continuing operations was RM1,708,130,000 (2022: RM1,055,620,000) and RM161,810 (2022: RM101,675) respectively.

102.36(e) (b) The cost of inventories of the Group and the Company recognised as an expense in cost of sales during the financial year in respect of write-down of inventories to net realisable value was RM200,000 (2022: RM240,000) and RM20,000 (2022: RM25,000) respectively, in view of the new regulatory restrictions imposed on certain products in the manufacturing segment. 1

102.36(f)
102.36(g) (c) During the financial year, the Group and the Company reversed the previous inventories written down value of RM80,000 (2022: RM40,000) and RM30,000 (2022: Nil) respectively, as a result of increased sales price in certain markets. The amount of reversal was included in cost of sales.

102.36(h) (d) Freehold land included in the properties held for development of RM60,000,000 (31.12.2022: RM20,000,000) are pledged as security to secure term loans granted to the Group and the Company as disclosed in Note 23(a).

123.26(a) (e) Included in inventories are borrowing costs capitalised in the property development costs during the financial year as follows:

	Group		Company	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Borrowing costs capitalised	9,500	6,500	3,450	2,130

Commentary:

102.38
102.39 1 When an entity presents its profit or loss based on "function of expense" method, it will disclose those costs previously included in inventories (i.e. direct and indirect costs and overhead) as an amount of inventories recognised as cost of sales in the period. This category should also include unallocated production overheads and abnormal amount of production costs. The circumstances of the entity may also warrant the inclusion of other amounts, such as distribution costs.

An entity that adopts the "nature of expense" method shall disclose the costs recognised as an expense for raw materials and consumables, labour costs and other operating costs together with the amount of the net change in inventories for the period.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INTANGIBLE ASSETS

Reference	Group	Note	Goodwill RM'000	Concession rights RM'000	Development costs RM'000	Computer software RM'000	Acquired licenses RM'000	Total RM'000
	Cost							
138.118(c)	At 1 January 2023		45,500	-	28,000	8,300	5,000	86,800
	Additions							
138.118(e)(i)	- developed internally		-	-	6,000	-	-	6,000
138.118(e)(i)	- acqusition of a subsidiary	**10(a)**	28,800	-	-	-	-	28,800
138.118(e)(i)	- acquired separately		-	104,000	-	4,800	2,000	110,800
138.118(e)(vii)	Exchange differences		-	-	-	100	-	100
138.118(c)	At 31 December 2023		74,300	104,000	34,000	13,200	7,000	232,500
	Accumulated amortisation and impairment loss							
138.118(c)	At 1 January 2023		3,000	-	12,100	6,200	2,500	23,800
138.118(e)(vi)	Amortisation charge for the financial year	**33**	-	4,000	2,600	1,300	-	7,900
138.118(e)(iv)	Impairment loss	**33**	-	-	-	500	-	500
138.118(e)(vii)	Exchange differences		-	-	-	100	-	100
138.118(c)	At 31 December 2023		3,000	4,000	14,700	8,100	2,500	32,300
138.118(c)	**Carrying amount**							
	At 1 January 2023		**42,500**	**-**	**15,900**	**2,100**	**2,500**	**63,000**
	At 31 December 2023		**71,300**	**100,000**	**19,300**	**5,100**	**4,500**	**200,200**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INTANGIBLE ASSETS (CONTINUED)

Reference	Group	Note	Goodwill RM'000	Concession rights RM'000	Development costs RM'000	Computer software RM'000	Acquired licenses RM'000	Total RM'000
	Cost							
138.118(c)	At 1 January 2022		45,500	-	26,000	7,300	4,500	83,300
	Additions							
138.118(e)(i)	- developed internally		-	-	2,000	-	-	2,000
138.118(e)(i)	- acquired separately		-	-	-	950	500	1,450
138.118(e)(vii)	Exchange differences		-	-	-	50	-	50
138.118(c)	At 31 December 2022		45,500	-	28,000	8,300	5,000	86,800
	Accumulated amortisation and impairment loss							
138.118(c)	At 1 January 2022		-	-	8,500	4,800	2,500	15,800
138.118(e)(vi)	Amortisation charge for the financial year	**33**	-	-	3,600	1,350	-	4,950
138.118(e)(iv)	Impairment loss	**33**	3,000	-	-	-	-	3,000
138.118(e)(vii)	Exchange differences		-	-	-	50	-	50
138.118(c)	At 31 December 2022		3,000	-	12,100	6,200	2,500	23,800
138.118(c)	**Carrying amount**							
	At 1 January 2022		**45,500**	**-**	**17,500**	**2,500**	**2,000**	**67,500**
	At 31 December 2022		**42,500**	**-**	**15,900**	**2,100**	**2,500**	**63,000**

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INTANGIBLE ASSETS (CONTINUED)

Reference	Company	Note	Concession rights RM'000	Development costs RM'000	Computer software RM'000	Total RM'000
	Cost					
138.118(c)	At 1 January 2022		-	3,500	2,700	6,200
	Additions					
138.118(e)(i)	- developed internally		-	500	-	500
138.118(e)(i)	- acquired separately		-	-	1,800	1,800
138.118(c)	At 31 December 2022		-	4,000	4,500	8,500
	Additions					
138.118(e)(i)	- developed internally		-	2,000	-	2,000
138.118(e)(i)	- acquired separately		104,000	-	1,800	105,800
138.118(c)	At 31 December 2023		104,000	6,000	6,300	116,300
	Accumulated amortisation					
138.118(c)	At 1 January 2022		-	1,000	1,000	2,000
138.118(e)(vi)	Amortisation charge for the financial year	33	-	1,000	1,000	2,000
138.118(c)	At 31 December 2022		-	2,000	2,000	4,000
138.118(e)(vi)	Amortisation charge for the financial year	33	4,000	1,000	1,000	6,000
138.118(c)	At 31 December 2023		4,000	3,000	3,000	10,000
138.118(c)	**Carrying amount**					
	At 1 January 2022		**-**	**2,500**	**1,700**	**4,200**
	At 31 December 2022		**-**	**2,000**	**2,500**	**4,500**
	At 31 December 2023		**100,000**	**3,000**	**3,300**	**106,300**

138.118(d) **(a) Amortisation**

The amortisation of development costs and computer software (partially) of the Group and the Company amounting to RM3,000,000 (2022: RM4,000,000) and RM1,500,000 (2022: RM1,500,000) respectively are included in cost of sales; computer software (remaining) is included in administrative expenses. The amortisation of the concession rights of the Group and the Company of RM4,000,000 (2022: Nil) is included in cost of sales.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INTANGIBLE ASSETS (CONTINUED)

(b) Concession rights

IC Int 129.6

During the financial year, the Company entered into two material service concession arrangements, one is with the State Government of Penang in Malaysia to construct and operate the convention center and the other is with the State Government of Shenzhen in China to build and operate a power plant to supply electricity to consumers in a designated area. The Company is granted a right to intangible assets or a license to charge public customers for the use of the public infrastructure and the concession rights have been granted for a period of twenty-five years.

The initial cost of concession rights has been measured at the amount of consideration to which the Company expects to be entitled in relation to the construction services rendered to the State Governments using an expected cost plus profit margin method.

IC Int 129.6A
IC Int 129.7

During the financial year, the amount of revenue and cost of sales recognised in profit or loss are as follows:

	Group and Company	
	2023 RM'000	2022 RM'000
Convention center:		
Revenue	41,600	-
Cost of sales	(37,856)	-
	3,744	-
Power plant:		
Revenue	62,400	-
Cost of sales	(56,784)	-
	5,616	-

(c) Development cost

Development costs principally comprise internally generated expenditure on major projects where it is reasonably anticipated that the costs will be recovered through future commercial activities.

(d) Licenses

138.118(a)

Licenses are acquired by the Group in a business combination. The licenses have been acquired with the option to renew at little or no cost to the Group. Accordingly, these licenses are assessed as having an indefinite useful life.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INTANGIBLE ASSETS (CONTINUED)

(e) Computer software ❶

136.126(a) 136.130(a) 136.130(b) 136.130(d) 136.130(e) 136.130(g)

During the financial year, an impairment loss of RM500,000 was recognised in profit or loss of the Group as other expenses, representing the impairment of the computer software in the manufacturing segment to its recoverable amounts due to technological obsolescence. The recoverable amount of RM5,100,000 as at 31 December 2023 was based on value-in-use and the cash flows were discounted at a rate of 8% on a pre-tax basis.

(f) Impairment of goodwill and licenses ❷

136.80

Management reviews the business performance based on the type of products and services of the strategic business units which represent its reportable operating segments. For the purpose of impairment testing, goodwill acquired through business combinations is allocated to the following Group's cash generating units ("CGUs") which are also reportable operating segments, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

136.134(a)

The carrying amounts of goodwill allocated to the CGUs are as follows:

	Group	
	31.12.2023 RM'000	31.12.2022 RM'000
Construction - CGU 1	33,200	4,400
Manufacturing - CGU 2	16,500	16,500
Plantation - CGU 3	19,700	19,700
	69,400	40,600
Multiple units without significant goodwill	1,900	1,900
	71,300	**42,500**

136.134(b)

The licenses to operate the oil palm plantation are allocated to the plantation segment. Goodwill and licenses are assessed at each reporting date regardless of any indication of impairment by comparing the carrying amount with the recoverable amount of each CGU.

136.134(c) 136.134(d)(iii)

The recoverable amount of CGUs has been determined based on value-in-use calculations using cash flows projection from financial budgets and forecasts approved by management covering a five-year period. The same method has also been used in the previous financial year.

CGU 1

Based on the sensitivity analysis performed, management believes that there is no reasonably possible change in key assumptions that would cause the carrying values of the CGU to exceed its recoverable amounts. The estimated recoverable amount of the CGU 1 significantly exceeds the carrying amount of the CGU 1. As a result of the analysis, management did not identify an impairment for this CGU.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INTANGIBLE ASSETS (CONTINUED)

(f) Impairment of goodwill and licenses (continued)

CGU 2

Based on the sensitivity analysis performed, management believes that there is no reasonably possible change in key assumptions that would cause the carrying values of the CGU to exceed its recoverable amounts. The estimated recoverable amount of the CGU 2 significantly exceeds the carrying amount of the CGU 2. As a result of the analysis, management did not identify an impairment for this CGU.

CGU 3

Based on the sensitivity analysis performed, management believes that there is no reasonably possible change in key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount. The estimated recoverable amount of the CGU 3 significantly exceeds the carrying amount of the CGU 3. As a result of the analysis, management did not identify an impairment for this CGU.

136.134(d)(i) For each of the CGUs with significant amount of goodwill, the value-in-use calculation is most sensitive to the following key assumptions:

31.12.2023	**CGU 1**	**CGU 2**	**CGU 3**
Sales volume (% of annual growth rate)	3.8%	2.9%	4.1%
Sales price (% of annual incremental rate)	5.0%	4.0%	3.0%
Gross margin (% of revenue)	25%	20%	35%
Long-term growth rate	5%	6%	4%
Discount rate	9%	8%	7%

31.12.2022	**CGU 1**	**CGU 2**	**CGU 3**
Sales volume (% of annual growth rate)	2.1%	3.8%	4.1%
Sales price (% of annual incremental rate)	5.0%	4.0%	3.0%
Gross margin (% of revenue)	25%	20%	35%
Long-term growth rate	6%	5%	5%
Discount rate	9%	8%	8%

136.134(d)(ii) *[The cash flows projections and forecasts have been updated to reflect the decreased demand for products and services.]* These key assumptions have been used for the analysis of each CGU within the operating segments. The values assigned to the key assumptions represent management's assessment of future trends in the respective industry and are based on both external sources and internal sources (historical data).

136.134(d)(ii)
136.134(d)(iii) Sales volume is the forecasted annual growth rate over the five-year projection period. It is based on the average growth levels experienced over the past five years.

136.134(d)(ii)
136.134(d)(iii) Sales price is the forecasted annual incremental rate over the five-year projection period. It is based on current industry trends and includes long-term inflation forecasts for each territory.

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INTANGIBLE ASSETS (CONTINUED)

(f) Impairment of goodwill and licenses (continued)

136.134(d)(ii)
136.134(d)(iii)
Gross margin is the forecasted margin as a percentage of revenue over the five-year projection period. These are increased over the projection period for anticipated efficiency improvements.

136.134(d)(iv)
Long-term growth rate does not exceed the long-term average growth rates for the industries relevant to the CGU. Cash flows beyond the five-year projection period are extrapolated using the long-term growth rates.

136.134(d)(v)
Discount rate was estimated based on the industry weighted average cost of capital. The discount rate applied to the cash flow projections is pre-tax and reflects management's estimate of the risks specific to the CGU at the date of assessment.

Commentary:

138.54
❶ Research costs are recognised in profit or loss as incurred.

138.57
An intangible asset arising from development is recognised when the following criteria are met:
- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate resources to complete the development and to use or sell the intangible asset are available; and
- the expenditures attributable to the intangible asset during its development can be reliably measured.

138.68(a)
138.71
Other development costs that do not meet these criteria are recognised in profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an intangible asset in a subsequent period.

136.135(e)
❷ If there is a reasonably change in the key assumption(s) that would cause the aggregate of the units' (groups of units') carrying amounts to exceed the aggregate of their recoverable amounts, the entity shall make the following disclosures:

(i) the amount by which the aggregate of the units' (groups of units') recoverable amounts exceeds the aggregate of their carrying amounts.
(ii) the value(s) assigned to the key assumption(s).
(iii) the amount by which the value(s) assigned to the key assumption(s) must change, after incorporating any consequential effects of the change on the other variables used to measure recoverable amount, in order for the aggregate of the units' (group of units') recoverable amounts to be equal to the aggregate of their carrying amounts.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT IN SUBSIDIARIES ❶

Reference		Company 31.12.2023 RM'000	Company 31.12.2022 RM'000
127.10(a) 127.17(c)	**At cost** ❷		
	Quoted shares	35,800	35,800
	Unquoted shares	146,600	91,700
		182,400	127,500
	Less: Impairment loss ❸	(4,000)	(4,000)
		178,400	123,500
121.15A	Loans that are part of net investments	10,000	20,000
		188,400	**143,500**
	Market value		
	Quoted shares	**77,800**	**65,400**

Loans that are part of net investments represent amount owing by subsidiary which is non-trade in nature, unsecured and non-interest bearing. The settlement of the amount is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat these amounts as long-term source of capital to the subsidiary. As this amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less accumulated impairment loss, if any.

5Sch(I)7
127.17(b)
12.10(a)(i)

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ country of incorporation	Ownership interest ❹ 31.12.2023 %	Ownership interest ❹ 31.12.2022 %	Principal activities
ABC Sdn Bhd	Malaysia	-	100	Construction services
BBB Sdn Bhd	Malaysia	75	75	Oil palm cultivation and processing of crude palm oil and palm kernel
CCC Sdn Bhd	Malaysia	100	100	Oil palm cultivation and processing of crude palm oil and palm kernel
DDD Palm Oil Mills Sdn Bhd	Malaysia	100	100	Milling of crude palm oil and palm kernel
Ding Berhad	Malaysia	40 ❺	40	Property development
FFF Sdn Bhd	Malaysia	100	100	Property development
GGG Sdn Bhd	Malaysia	100	100	Property development and construction services

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

5Sch(I)7
127.17(b)
12.10(a)(i)

Details of the subsidiaries are as follows (continued):

	Name of company	Principal place of business/ country of incorporation	Ownership interest 4 31.12.2023 %	Ownership interest 31.12.2022 %	Principal activities
	HHH Development Sdn Bhd	Malaysia	100	100	Property development and small equipment leasing
	JJJ Manufacture Sdn Bhd	Malaysia	100	100	Production of plastic mould products and fast-food business
*	Jalia Co Ltd	Thailand	80	80	Construction services
	KKK Sdn Bhd	Malaysia	100	100	Property development
*	PT Halia Palm Oil #	Indonesia	80	-	Oil palm cultivation and processing of crude palm oil and palm kernel
*	PT BLK Construction	Indonesia	100	100	Property development and construction services
*	PLK Ltd	China	100	100	Construction services and operation of power plant
*	Singa Pte Ltd	Singapore	75	75	Property development
	TKT Sdn Bhd	Malaysia	100	100	Property development
	XYZ Sdn Bhd	Malaysia	80	70	Processing of crude palm oil and palm kernel
	Subsidiary of BBB Sdn Bhd				
*	MLM Pte Ltd	Singapore	100	100	Property development
+	LLL Pte Ltd	Singapore	60	60	Property development
	Subsidiary of CCC Sdn Bhd				
*	FFF Co Ltd	Thailand	100	100	Oil palm cultivation and processing of crude palm oil and palm kernel

* Audited by auditors other than Baker Tilly Monteiro Heng PLT. 6
\+ Audited by an independent member firm of Baker Tilly International.

12.11

\# The statutory financial year end of PT Halia Palm Oil was 31 October 2023 which does not coincide with the financial year end of the Group. PT Halia Palm Oil is in the midst of changing its financial year end to coincide with the Group. For the purpose of consolidation, the financial statements of PT Halia Palm Oil for the financial year ended 31 October 2023 have been used and appropriate adjustments have been made for the effects of significant transactions from PT Halia Palm Oil's financial year end to 31 December 2023.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of PT Halia Palm Oil

3.B64(a)
3.B64(b)
3.B64(c)
3.B64(d)
3.B64(e)

On 31 March 2023, the Company acquired 80% controlling interest in the equity shares of PT Halia Palm Oil. PT Halia Palm Oil operates in the agriculture industry, with oil palm cultivation and palm oil milling as its core businesses. Its businesses are conducted mainly in Indonesia. As a result of the acquisition, the Group has become a significant producer of crude palm oil and palm kernel in the oil palm business. By combining the plantation operations of PT Halia Palm Oil, the Group expects to extract synergies for the combined operations, which would lead to cost reductions and other economies of scale.

(i) Fair value of consideration transferred:

Reference		**RM'000**
107.40(b) 3.B64(f)(i)	(a) Cash consideration	25,000
3.B64(f)(iv)	(b) 25 million ordinary shares of the Company	50,000
3.B64(f)(iii)	(c) Liability for contingent consideration	5,000
		80,000

3.B64(f)(iv) The fair value of the 25,000,000 ordinary shares issued as part of the consideration paid for PT Halia Palm Oil was determined on the basis of the closing market price of the Company's ordinary shares of RM2 per share on the acquisition date.

3.B64(g) As at the acquisition date, the fair value of the contingent consideration was estimated to be RM5,000,000. As part of the purchase agreement, there will be additional cash payments of RM5,350,000 to the former shareholders of PT Halia Palm Oil on 31 October 2024 if the acquiree achieves the guaranteed maintainable profits after tax of RM30,000,000 for the 12-month period ending 31 October 2024. If the actual profit is above or below the guaranteed level, the amount payable increase or decrease by the excess or shortfall in profit. The contingent amount payable is probably in the range of RM4,000,000 to RM6,000,000. The fair value is measured based on discounted cash flows method. The discount rate applied was 7%.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of PT Halia Palm Oil (continued)

3.B64(i) (ii) Fair value of the identifiable assets acquired and liabilities recognised:

Reference		RM'000
107.40(d)	**Assets**	
	Property, plant and equipment (Note 5)	31,500
	Investment properties (Note 6)	20,000
	Inventories	14,600
3.B64(h)(i)	Trade and other receivables	8,700
	Cash and cash equivalents	5,000
	Total assets	**79,800**
107.40(d)	**Liabilities**	
	Term loans	(4,000)
	Trade and other payables	(4,600)
	Total liabilities	**(8,600)**
	Total identifiable net assets acquired	**71,200**
	Goodwill arising on acquisition (Note 9)	28,800
3.B64(o)(i)	Non-controlling interest at fair value	(20,000)
	Fair value of consideration transferred	**80,000**

3.B64(o)(ii) The fair value of the non-controlling interest was measured by valuing the acquiree's ordinary shares using a price-earnings ratio technique. The key model inputs used in the valuation were the estimated maintainable equity earnings of RM15,000,000, a reference industry quoted price-earnings ratio of 10 times with a 1/3 reduction for the illiquidity and other risks of unquoted shares.

3.B64(h)(ii)
3.B64(h)(iii) The fair value of the trade and other receivables was an undiscounted amount after adjustment for probable uncollectibility. The gross contractual amount of the receivables was RM10,000,000 of which RM1,300,000 was not expected to be collected.

3.B67(a)
3.45 Provisional fair values were assigned to the property, plant and equipment, pending receipts of the final valuation of those assets. A professional consultant has been commissioned to undertake valuation of those assets. Thus, the initial accounting for the business combination is incomplete by the end of the reporting period and is expected to be completed by the second quarter of the following financial year. The measurement period shall not exceed one year from the acquisition date.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of PT Halia Palm Oil (continued)

(ii) Fair value of the identifiable assets acquired and liabilities recognised (continued):

Goodwill

3.B64(e) Goodwill comprises the value of expected synergies arising from the acquisition and non-identifiable intangible assets which are not separately recognised.

3.B64(k) Non-identifiable intangible assets comprise a customer list and substantial non-contractual customer relationships with its overseas buyers. Due to the contractual terms imposed on acquisition, the customer list is not separable. Whilst, substantial non-contractual customer relationships with its overseas buyers was not identifiable at the acquisition date because it was neither separable from the business as a whole nor could it be controlled through legal or other contractual rights. Therefore, these assets did not meet the recognition criteria as an intangible asset under MFRS 138. Hence, these intangible assets were subsumed in the amount determined for goodwill. None of the goodwill recognised is expected to be deductible for income tax purposes.

3.11 Included in the administrative expenses of the Group and the Company for the financial year ended 31 December 2023 was an amount of RM1,000,000 that represented a severance payment made to the former chief executive officer ("CEO") of PT Halia Palm Oil, following the request of the Company to terminate the employment of the CEO. This amount was excluded from the business combination accounting.

3.B64(m) Acquisition-related costs

Acquisition-related costs of the business combination amounted to RM1,000,000, of which RM900,000 was recognised in profit or loss as administrative expense and RM100,000 relating to share issue was charged directly to equity.

(iii) Effects of acquisition on cash flows:

Reference		RM'000
107.40(a)	Fair value of consideration transferred	80,000
	Less: Non-cash consideration	(55,000)
107.40(b)	Consideration paid in cash	25,000
107.40(c)	Less: Cash and cash equivalents of a subsidiary acquired	(5,000)
	Net cash outflows on acquisition	20,000

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of PT Halia Palm Oil (continued)

(iv) Effects of acquisition in statements of comprehensive income

3.B64(q)(i) From the date of acquisition, the subsidiary's contributed revenue and profit net of tax are as follows:

	RM'000
Revenue	35,000
Profit for the financial year	3,000

3.B64(q)(ii) If the acquisition had occurred on 1 January 2023, the consolidated results for the financial year ended 31 December 2023 would have been as follows:

	RM'000
Revenue	1,918,300
Profit for the financial year	134,900

(b) Disposal of ABC Sdn Bhd

On 1 June 2023, the Company disposed of its 70% equity investment in ABC Sdn Bhd for a total consideration of RM20,100,000. The Company classified its remaining 30% equity interest in ABC Sdn Bhd as associate given that the Company has significant influence over the financial and operating policy decisions of ABC Sdn Bhd.

(i) Summary of the effects of disposal of ABC Sdn Bhd:

Reference		RM'000
	Recognised:	
107.40(b)	Cash consideration received	1,100
	Equity and debts instruments	19,000
107.40(a)	Fair value of consideration received	20,100
10.B98(b)(i) 10.B98(b)(iii)	Fair value of retained investment treated as an associate (Note 11)	5,000
		25,100
10.B98(c)	Reclassification adjustment of exchange translation reserve	1,000
		26,100

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Disposal of ABC Sdn Bhd (continued)

(i) Summary of the effects of disposal of ABC Sdn Bhd (continued):

Reference		RM'000	RM'000
10.B98(a)(i)	**Derecognised:**		
107.40(d)	Fair value of identifiable net assets at disposal date		
	Other investment	(13,900)	
	Inventories	(11,000)	
	Trade and other receivables	(6,000)	
107.40(c)	Cash and cash equivalents	(500)	
	Term loans	4,700	
	Trade and other payables	1,000	(25,700)
10.B98(d)	**Gain on disposal of ABC Sdn Bhd**		**400**

(ii) Effects of disposal on cash flows:

Reference		RM'000
107.40(a)	Fair value of consideration received	20,100
	Less: Non-cash consideration	(19,000)
107.40(b)	Consideration received in cash	1,100
107.40(c)	Less: Cash and cash equivalents of subsidiary disposed	(500)
	Net cash inflows on disposal	**600**

(c) Acquisition of additional interest in XYZ Sdn Bhd

10.23
10.B96
12.18

On 31 July 2023, the Company purchased an additional 10% equity interest (representing 5,000,000 ordinary shares) in XYZ Sdn Bhd, a subsidiary of the Group at a price of RM2 per share. The Company's effective ownership in XYZ Sdn Bhd increased from 70% to 80% as a result of the additional shares purchased.

Effect of the increase in the Company's ownership interest is as follows:

	RM'000
Fair value of consideration transferred	10,000
Increase in share of net assets	(7,500)
Excess charged directly to equity	**2,500**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Non-controlling interests in subsidiaries

12.10(a)(ii) The financial information of the Group's and the Company's subsidiaries that have material non-controlling interests are as follows:

12.12(a)-(c) Equity interest held by non-controlling interests:

Name of company	Principal place of business/ country of incorporation	Ownership interest 31.12.2023 %	Ownership interest 31.12.2022 %
BBB Sdn Bhd	Malaysia	25	25
Ding Berhad	Malaysia	60	60
LLL Pte Ltd	Singapore	40	40

12.12(f) Carrying amount of material non-controlling interests:

Name of company	31.12.2023 RM'000	31.12.2022 RM'000
BBB Sdn Bhd	50,000	42,500
Ding Berhad	42,000	21,000
LLL Pte Ltd	32,000	32,000

12.12(e) Profit or loss allocated to material non-controlling interests:

Name of company	31.12.2023 RM'000	31.12.2022 RM'000
BBB Sdn Bhd	(5,500)	5,000
Ding Berhad	24,000	18,450
LLL Pte Ltd	5,000	3,000

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(e) Summarised financial information of material non-controlling interests ❼ ❽

12.12(g) The summarised financial information (before intra-group elimination) of the Group's and the Company's subsidiaries that have material non-controlling interests are as follows:

		BBB Sdn Bhd RM'000	Ding Berhad RM'000	LLL Pte Ltd RM'000
12.B10(b)	**Summarised statements of financial position As at 31 December 2023**			
	Current assets	100,000	50,000	80,000
	Non-current assets	200,000	100,000	120,000
	Current liabilities	(40,000)	(30,000)	(60,000)
	Non-current liabilities	(60,000)	(50,000)	(60,000)
	Net assets	200,000	70,000	80,000
12.B10(b)	**Summarised statements of comprehensive income Financial year ended 31 December 2023**			
	Revenue	300,000	200,000	250,000
	Profit/(loss) for the finanical year	40,000	(10,000)	20,000
	Total comprehensive income	50,000	20,000	25,000
12.B10(b)	**Summarised cash flow information Financial year ended 31 December 2023**			
	Cash flows from operating activities	80,000	60,000	70,000
	Cash flows used in investing activities	(90,000)	(50,000)	(50,000)
	Cash flows from financing activities	20,000	15,000	10,000
	Net increase in cash and cash equivalents	10,000	25,000	30,000
12.B10(a)	Dividends paid to non-controlling interests	3,000	-	1,000

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(e) Summarised financial information of material non-controlling interests (continued)

12.12(g) The summarised financial information (before intra-group elimination) of the Group's and the Company's subsidiaries that have material non-controlling interests are as follows (continued):

Reference		BBB Sdn Bhd RM'000	Ding Berhad RM'000	LLL Pte Ltd RM'000
12.B10(b)	**Summarised statements of financial position**			
	As at 31 December 2022			
	Current assets	90,000	40,000	90,000
	Non-current assets	180,000	90,000	110,000
	Current liabilities	(40,000)	(35,000)	(70,000)
	Non-current liabilities	(60,000)	(60,000)	(50,000)
	Net assets	170,000	35,000	80,000
12.B10(b)	**Summarised statements of comprehensive income**			
	Financial year ended 31 December 2022			
	Revenue	280,000	210,000	260,000
	Profit/(loss) for the finanical year	30,000	(20,000)	22,000
	Total comprehensive income	40,000	30,000	28,000
12.B10(b)	**Summarised cash flow information**			
	Financial year ended 31 December 2022			
	Cash flows from operating activities	70,000	80,000	75,000
	Cash flows used in investing activities	(80,000)	(60,000)	(55,000)
	Cash flows from financing activities	20,000	25,000	15,000
	Net increase in cash and cash equivalents	10,000	45,000	35,000
12.B10(a)	Dividends paid to non-controlling interests	2,000	1,000	-

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Commentary:

12.13(a)

1. The entity shall disclose significant restrictions (e.g. statutory, contractual and regulatory restrictions) on its ability to access or use the assets and settle the liabilities of the Group, such as:
   - (i) those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities with the Group.
   - (ii) guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the Group.

   Illustrative disclosure where the holding company or its subsidiary is restricted on its ability to access or use the assets and settle the liabilities of the Group

   Significant restrictions
   Country A imposed a restriction on its financial control where XXX Ltd is restricted from transferring funds to the Group in the form of cash dividends or repay loans or advances made by the Group.

2. MFRS 127 *Separate Financial Statements* does not define cost. Cost is, in simple terms, the fair value of consideration paid by the purchaser.

   Hence, an entity that uses the cost method in its separate financial statements to account for its investment in a subsidiary, associate or joint ventures should develop and consistently apply an accounting policy to either expense transaction costs in profit or loss, or capitalise them as part of the cost of the investment.

136.130(a)

3. An entity shall disclose the events and circumstances that led to the recognition or reversal of the impairment losses.

127.17(b)(iii)

4. Disclosure of the proportion of the voting rights is required if it is different from the ownership interest.

12.7
12.9(b)

5. The entity shall disclose significant judgements and assumptions made in determining the existence of controls over another entity even though it holds less than half of the voting rights of the other entity.

6. Where we have not acted as auditors, a statement needs to be included in independent auditors' report to state so.

12.B11

7. The summarised financial information shall be the amounts before inter-company eliminations.

12.B17

8. When an entity's interest in a subsidiary is classified as held for sale in accordance with MFRS 5, the entity is not required to disclose summarised financial information for that subsidiary in accordance with MFRS 12.B10–B16.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INVESTMENT IN ASSOCIATES [1] [2]

Reference		Group 31.12.2023 RM'000	Group 31.12.2022 RM'000	Company 31.12.2023 RM'000	Company 31.12.2022 RM'000
	Shares at cost	45,300	40,300	23,600	18,600
	Share of post-acquisition reserves [3]	33,600	18,300	-	-
136.126	*Less: Impairment losses* [4]	*(xxx)*	*(xxx)*	*(xxx)*	*(xxx)*
		78,900	**58,600**	**23,600**	**18,600**
12.21(b)(iii)	**Market value**				
	- Quoted shares	**13,200**	**11,600**	**13,200**	**11,600**

127.17(b) Details of associates are as follows: [5]

Name of company	Principal place of business/ country of incorporation	Ownership interest [6] 31.12.2023 %	Ownership interest 31.12.2022 %	Nature of relationship [7]
SSS Sdn Bhd	Malaysia	35	35	Processing of final palm-based products. The activities contribute to the Group's agricultural business segment.
ABC Sdn Bhd	Malaysia	30	-	Construction services. The activities contribute to the Group's construction segment.
Slime Sdn Bhd	Malaysia	20	20	Property development. The activities contribute to the Group's property development segment.
TTT Sdn Bhd	Malaysia	25	25	Marketing and trading of palm oil and other agricultural commodities. The activities enhance the Group's operations.
UUU Berhad	Malaysia	10 [8]	10	Palm oil and rubber commodity trading. The activities enhance the Group's operations.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INVESTMENT IN ASSOCIATES (CONTINUED)

12.21(b)(iii) **(a) Fair value information** 9

As at 31 December 2023, the fair value of UUU Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad, was RM13,200,000 (31.12.2022: RM11,600,000) based on the quoted market price available on the stock exchange, which has been categorised within Level 1 fair value hierarchy.

12.21(b)(ii) **(b) Summarised financial information of material associates** 10

The following table illustrates the summarised financial information of the Group's material associates, adjusted for any differences made by the Group when using equity method including fair value adjustments and differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates:

Reference		SSS Sdn Bhd RM'000	TTT Sdn Bhd RM'000
	Group		
	31.12.2023		
12.B12(b)(i)-(iv)	**Assets and liabilities:**		
	Current assets	68,500	76,000
	Non-current assets	48,000	70,000
	Current liabilities	(6,000)	(8,000)
	Non-current liabilities	(16,500)	(19,600)
	Net assets	94,000	118,400
12.B14(b)	**Reconciliation of net assets to carrying amount:**		
	Group's share in %	35%	25%
	Group's share of net assets	32,900	29,600
	Goodwill	6,000	2,000
	Carrying amount	38,900	31,600
12.B12(b)(vi)-(ix)	**Results:**		
	Profit from continuing operations	20,657	19,600
	Profit from discontinued operations	*xxx*	*xxx*
	Other comprehensive income	3,343	3,200
	Total comprehensive income	24,000	22,800
	Included in the total comprehensive income of the associates is:		
12.B12(b)(v)	Revenue	350,000	80,000
12.B12(a)	*Dividend received from the associate during the year*	*xxx*	*xxx*

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INVESTMENT IN ASSOCIATES (CONTINUED)

12.21(b)(ii) **(b) Summarised financial information of material associates (continued)**

The following table illustrates the summarised financial information of the Group's material associates, adjusted for any differences made by the Group when using equity method including fair value adjustments and differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates (continued):

Reference	Group 31.12.2022	SSS Sdn Bhd RM'000	TTT Sdn Bhd RM'000
12.B12(b)(i)-(iv)	**Assets and liabilities:**		
	Current assets	45,000	47,600
	Non-current assets	40,000	55,000
	Current liabilities	(5,000)	(2,000)
	Non-current liabilities	(10,000)	(5,000)
	Net assets	70,000	95,600
12.B14(b)	**Reconciliation of net assets to carrying amount:**		
	Group's share in %	35%	25%
	Group's share of net assets	24,500	23,900
	Goodwill	6,000	2,000
	Carrying amount	30,500	25,900
12.B12(b)(vi)-(ix)	**Results:**		
	Profit from continuing operations	8,000	7,760
	Profit from discontinued operations	*xxx*	*xxx*
	Other comprehensive income	1,286	800
	Total comprehensive income	9,286	8,560
	Included in the total comprehensive income of the associates is:		
12.B12(b)(v)	Revenue	300,000	50,000
12.B12(a)	*Dividend received from the associate during the year*	*xxx*	*xxx*

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INVESTMENT IN ASSOCIATES (CONTINUED)

12.21(c)(ii) **(c) Aggregate information of associates that are individually immaterial**

Reference		31.12.2023 RM'000	31.12.2022 RM'000
12.B16	Aggregate carrying amount	8,400	2,200
	Group's share of results:		
	Group's share of profit or loss from:		
	- Continuing operations	1,100	860
	- Discontinued operations	*xxx*	*xxx*
	Group's share of other comprehensive income	100	50
	Group's share of total comprehensive income	1,200	910

Commentary:

12.22(b) **1** The entity shall disclose when financial statements of an associate used in applying the equity method are as of a date or for a period that is different from that of the entity:
(i) the date of the end of the reporting period of the financial statements of that associate; and
(ii) the reason for using a different date or period.

Illustrative disclosure where an entity's associate has the financial year end which is different from the entity

The financial year end of XXX Ltd is 31 October and change of reporting date is not permitted in Country A. For the purpose of applying equity method of accounting, the financial statements of XXX Ltd for the financial year ended 31 October 2023 have been used and appropriate adjustments have been made to account for significant transactions from XXX Ltd's financial year end to 31 December 2023.

12.22(a) **2** The entity shall disclose the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with significant influence over an associate) on the ability of associates to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity.

Illustrative disclosure where an entity's associates are restricted to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity

<u>Significant restrictions</u>
Country A imposed a restriction on its financial control where XXX Ltd is restricted from transferring funds to the Group in the form of cash dividends or repay loans or advances made by the Group.

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INVESTMENT IN ASSOCIATES (CONTINUED)

Commentary (continued):

12.22(c) ❸ An entity shall disclose the unrecognised share of losses of an associate, both for the reporting period and cumulatively, if the entity has stopped recognising its share of losses of the associate when applying the equity method.

Illustrative disclosure where an entity has stop recognising its share of losses of associate

The Group has not recognised its share of losses of XXX Ltd amounting to RMXXX (2022: RMXXX) because the Group's cumulative share of losses has exceeded its interest in that associate and the Group has no obligation in respect of these losses. The Group's cumulative accumulated losses not recognised were RMXXX (31.12.2022: RMXXX).

128.32(a)
128.42 ❹ In respect of equity-accounted associates, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested as a single asset when there is objective evidence of impairment.

136.130(a) The entity shall disclose the events and circumstances that led to the recognition or reversal of the impairment losses.

12.21(a) ❺ An entity shall disclose the information as required by MFRS 12.21(a) for each associate that is material to the entity.

12.21(a)(iv) ❻ Disclosure of the proportion of the voting rights is required if it is different from the ownership interest.

12.21(a)(ii) ❼ For each associate that is material to the entity, an entity shall disclose the nature of the entity's relationship with the associate (e.g. describing the nature of activities of the associate and whether they are strategic to the entity's activities).

12.7(b)
12.9(d)-(e) ❽ The entity shall disclose significant judgements and assumptions made in determining the existence of significant influence over another entity even though it holds less than 20% of the voting rights of the other entity or non-existence of significant influence over another entity even though it holds 20% or more of the voting rights of the other entity.

13.91-99 ❾ For disclosure requirements under MFRS 13.91 to 99, refer commentary under Note 39(d).

12.B14 ❿ The summarised financial information presented shall be the amounts included in the MFRS financial statements of the associate (and not the entity's share of those amounts).

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. INVESTMENT IN JOINT VENTURES ❶ ❷ ❸

Reference		Group 31.12.2023 RM'000	Group 31.12.2022 RM'000	Company 31.12.2023 RM'000	Company 31.12.2022 RM'000
127.10(a)	Shares at cost	15,200	15,200	3,200	3,200
127.17(c)	Share of post-acquisition reserves ❹	3,300	2,700	-	-
136.126	*Less: Impairment losses* ❺	*(xxx)*	*(xxx)*	*(xxx)*	*(xxx)*
		18,500	**17,900**	**3,200**	**3,200**

127.17(b) Details of joint ventures are as follows:

Name of company	Principal place of business/ country of incorporation	Ownership interest ❻ 31.12.2023 %	Ownership interest ❻ 31.12.2022 %	Nature of relationship ❼
QQQ Sdn Bhd	Malaysia	50	50	Processing of final palm-based products. The activities contribute to the Group's agricultural business segment.
Argus Sdn Bhd	Malaysia	25 ❽	25	Oil palm cultivation. The activities enhance the Group's operations.
RRR Sdn Bhd	Malaysia	30	30	Property development. The activities contribute to the Group's property development segment.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. INVESTMENT IN JOINT VENTURES (CONTINUED)

12.21(b)(ii)

(a) Summarised financial information of material joint ventures 9

The following table illustrates the summarised financial information of the Group's material joint ventures, adjusted for any differences made by the Group when using equity method including fair value adjustments and differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the joint ventures:

Reference		QQQ Sdn Bhd RM'000
	Group	
	31.12.2023	
12.B12(b)(i)-(iv)	**Assets and liabilities:**	
	Current assets	25,200
	Non-current assets	26,000
	Current liabilities	(5,000)
	Non-current liabilities	(14,200)
12.B13(a)	Cash and cash equivalents	2,000
12.B13(b)	Current financial liabilities (excluding trade and other payables and provisions)	3,000
12.B13(c)	Non-current financial liabilities (excluding trade and other payables and provisions)	4,000
12.B14(b)	**Reconciliation of net assets to carrying amount:**	
	Net assets	32,000
	Group's share in %	50%
	Group's share of net assets	16,000
	Goodwill	1,000
	Carrying amount	17,000
12.B12(b)(vi)-(ix)	**Results:**	
	Profit from continuing operations	1,200
	Profit from discontinued operations	*xxx*
	Other comprehensive income	600
	Total comprehensive income	1,800
	Included in the total comprehensive income of the joint ventures is:	
12.B12(b)(v)	Revenue	200,000
12.B13(d)	Depreciation and amortisation	3,000
12.B13(e)	Interest income	500
12.B13(f)	Interest expense	1,000
12.B13(g)	Income tax expense	2,000

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. INVESTMENT IN JOINT VENTURES (CONTINUED)

12.21(b)(ii) **(a) Summarised financial information of material joint ventures (continued)**

The following table illustrates the summarised financial information of the Group's material joint ventures, adjusted for any differences made by the Group when using equity method including fair value adjustments and differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the joint ventures (continued):

Reference		QQQ Sdn Bhd RM'000
	Group	
	31.12.2022	
12.B12(b)(i)-(iv)	**Assets and liabilities:**	
	Current assets	85,000
	Non-current assets	20,000
	Current liabilities	(20,000)
	Non-current liabilities	(54,800)
12.B13(a)	Cash and cash equivalents	2,000
12.B13(b)	Current financial liabilities (excluding trade and other payables and provisions)	3,000
12.B13(c)	Non-current financial liabilities (excluding trade and other payables and provisions)	4,000
12.B14(b)	**Reconciliation of net assets to carrying amount:**	
	Net assets	30,200
	Group's share in %	50%
	Group's share of net assets	15,100
	Goodwill	1,000
	Carrying amount	16,100
12.B12(b)(vi)-(ix)	**Results:**	
	Profit from continuing operations	5,400
	Profit from discontinued operations	*xxx*
	Other comprehensive income	-
	Total comprehensive income	5,400
	Included in the total comprehensive income of the joint ventures is:	
12.B12(b)(v)	Revenue	100,000
12.B13(d)	Depreciation and amortisation	2,000
12.B13(e)	Interest income	500
12.B13(f)	Interest expense	1,000
12.B13(g)	Income tax expense	1,500

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. INVESTMENT IN JOINT VENTURES (CONTINUED)

12.21(c)(i) **(b) Aggregate information of joint ventures that are individually immaterial**

Reference		31.12.2023 RM'000	31.12.2022 RM'000
12.B16	Aggregate carrying amount	1,500	1,800
	Group's share of results:		
	Group's share of profit or loss from:		
	- Continuing operations	-	-
	- Discontinued operations	*xxx*	*xxx*
	Group's share of other comprehensive (loss)/income	(300)	-
	Group's share of total comprehensive (loss)/income	(300)	-

Commentary:

12.22(b) **1** The entity shall disclose when financial statements of a joint venture used in applying the equity method are as of a date or for a period that is different from that of the entity:
(i) the date of the end of the reporting period of the financial statements of that joint venture; and
(ii) the reason for using a different date or period.

Illustrative disclosure where an entity's joint venture has the financial year end which is different from the entity

The financial year end of XXX Ltd is 31 October and change of reporting date is not permitted in Country A. For the purpose of applying equity method of accounting, the financial statements of XXX Ltd for the financial year ended 31 October 2023 have been used and appropriate adjustments have been made to account for significant transactions from XXX Ltd's financial year end to 31 December 2023.

13.97
12.21(b)(iii) **2** If the entity has investment in joint venture which is quoted or listed on any prescribed stock exchange, the market value of such investment, segregating investments quoted in Malaysia and outside Malaysia, shall be disclosed. In addition, fair value information is required to be disclosed in accordance with MFRS 13. For the disclosure requirements under MFRS 13.91 to 99, refer commentary under Note 39(d).

Illustrative disclosure where an entity has investment in joint venture with quoted market price

As at 31 December 2023, the fair value of XXX Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad, was RMXXX (31.12.2022: RMXXX) based on the quoted market price available on the stock exchange, which has been categorised within Level 1 fair value hierarchy.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. INVESTMENT IN JOINT VENTURES (CONTINUED)

Commentary (continued):

12.22(a) ❸ The entity shall disclose the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with joint control over a joint venture) on the ability of joint venture to transfer funds to the entity in the form of cash dividend, or to repay loans or advances made by the entity.

Illustrative disclosure where an entity's joint ventures are restricted to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity

Significant restrictions
Country A imposed a restriction on its financial control where XXX Ltd is restricted from transferring funds to the Group in the form of cash dividends or repay loans or advances made by the Group.

12.22(c) ❹ An entity shall disclose the unrecognised share of losses of a joint venture, both for the reporting period and cumulatively, if the entity has stopped recognising its share of losses of the joint venture when applying the equity method. The illustrative disclosure is as follows:

Illustrative disclosure where an entity has stop recognising its share of losses of joint venture

The Group has not recognised its share of losses of XXX Ltd amounting to RMXXX (2022: RMXXX) because the Group's cumulative share of losses has exceeded its interest in that joint venture and the Group has no obligation in respect of these losses. The Group's cumulative accumulated losses not recognised were RMXXX (31.12.2022: RMXXX).

128.32(a)
128.42 ❺ In respect of equity-accounted joint venture, goodwill is included in the carrying amount of the investment and is not tested for impairment individually. Instead, the entire carrying amount of the investment is tested for impairment as a single asset when there is objective evidence of impairment.

136.130(a) An entity shall disclose the events and circumstances that led to the recognition or reversal of the impairment losses.

12.21(a)(iv) ❻ Disclosure of the proportion of the voting rights is required if it is different from the ownership interest.

12.21(a)(ii) ❼ For each joint arrangement that is material to the entity, an entity shall disclose the nature of the entity's relationship with the joint arrangement (e.g. describing the nature of activities of the joint arrangement and whether they are strategic to the entity's activities).

12.7
12.9(d) ❽ The entity shall disclose significant judgements and assumptions made in determining the existence of joint control over another entity.

12.B14 ❾ The summarised financial information presented shall be the amounts included in the MFRS financial statements of the joint venture (and not the entity's share of those amounts).

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. DEFERRED TAX ASSETS/(LIABILITIES)

112.81(g)(i)
112.81(g)(ii)

Deferred tax relates to the following:

Group	At 1 January 2023 RM'000	Recognised in: Profit or loss RM'000	Recognised in: Other comprehensive income RM'000	Recognised in: Equity RM'000	Acquisition/ disposal RM'000	Assets or disposal group classified as held for sale RM'000	Others RM'000	Exchange differences RM'000	At 31 December 2023 RM'000
Deferred tax liabilities:									
Property, plant and equipment	(12,800)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	(17,300)
Development expenditures	(500)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	(500)
Concession rights	-	xxx	-	-	-	-	-	-	(1,308)
Replanting expenditures	(14,200)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	(17,862)
Convertible bonds	-	xxx	-	xxx	-	-	-	-	(6,580)
Hedges of forecast sales and purchases	(200)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	(300)
Right-of-use assets	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*
	(27,700)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	**(43,850)**
Deferred tax assets:									
Expected credit losses on receivables	2,100	xxx	xxx	xxx	xxx	xxx	xxx	xxx	2,300
Provisions	4,700	xxx	xxx	xxx	xxx	xxx	xxx	xxx	6,150
Tax losses	5,800	xxx	xxx	xxx	xxx	xxx	xxx	xxx	10,500
Lease liabilities	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*
	12,600	xxx	xxx	xxx	xxx	xxx	xxx	xxx	**18,950**
	(15,100)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	**(24,900)**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

112.81(g)(i)
112.81(g)(ii)

Deferred tax relates to the following (continued):

Group	At 1 January 2022 RM'000	Recognised in: Profit or loss RM'000	Recognised in: Other comprehensive income RM'000	Recognised in: Equity RM'000	Acquisition/ disposal RM'000	Assets or disposal group classified as held for sale RM'000	Others RM'000	Exchange differences RM'000	At 31 December 2022 RM'000
Deferred tax liabilities:									
Property, plant and equipment	(11,600)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	(12,800)
Development expenditures	(400)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	(500)
Replanting expenditures	(8,400)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	(14,200)
Hedges of forecast sales and purchases	(100)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	(200)
Right-of-use assets	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*
	(20,500)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	**(27,700)**
Deferred tax assets:									
Expected credit losses on receivables	1,800	xxx	xxx	xxx	xxx	xxx	xxx	xxx	2,100
Provisions	4,400	xxx	xxx	xxx	xxx	xxx	xxx	xxx	4,700
Tax losses	1,500	xxx	xxx	xxx	xxx	xxx	xxx	xxx	5,800
Lease liabilities	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*
	7,700	xxx	xxx	xxx	xxx	xxx	xxx	xxx	**12,600**
	(12,800)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	**(15,100)**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

112.81(g)(i)
112.81(g)(ii)

Deferred tax relates to the following (continued):

Company	At 1 January 2022 RM'000	Recognised in: Profit or loss RM'000	Recognised in: Other comprehensive income RM'000	Recognised in: Equity RM'000	At 31 December 2022 RM'000	Recognised in: Profit or loss RM'000	Recognised in: Other comprehensive income RM'000	Recognised in: Equity RM'000	At 31 December 2023 RM'000
Deferred tax liabilities:									
Property, plant and equipment	(2,100)	xxx	xxx	xxx	(3,000)	xxx	xxx	xxx	(5,112)
Hedges of forecast sales and purchases	(100)	xxx	xxx	xxx	(100)	xxx	xxx	xxx	(200)
Concession rights	-	-	-	-	-	xxx	-	-	(1,308)
Convertible bond	-	-	-	-	-	xxx	-	xxx	(6,580)
	(2,200)	xxx	xxx	xxx	**(3,100)**	xxx	xxx	xxx	**(13,200)**
Deferred tax assets:									
Expected credit losses on receivables	400	xxx	xxx	xxx	500	xxx	xxx	xxx	600
Provisions	300	xxx	xxx	xxx	400	xxx	xxx	xxx	500
	700	xxx	xxx	xxx	**900**	xxx	xxx	xxx	**1,100**
	(1,500)	xxx	xxx	xxx	**(2,200)**	xxx	xxx	xxx	**(12,100)**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Group		Company	
	31.12.2023 RM'000	31.12.2022 Restated RM'000	31.12.2023 RM'000	31.12.2022 Restated RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	4,500	3,700	-	-
Deferred tax liabilities	(29,400)	(18,800)	(12,100)	(2,200)
	(24,900)	(15,100)	(12,100)	(2,200)

112.81(e) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	31.12.2023 RM'000	31.12.2022 RM'000
Unused tax losses	5,000	-
Unabsorbed capital allowance	5,000	5,000
	10,000	5,000

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority. 1

112.81(f) Unrecognised temporary differences relating to investments in subsidiaries, associates and joint ventures

At the reporting date, the Group has unrecognised taxable temporary differences associated with undistributed profits of certain of the Group's foreign subsidiaries, associates and joint ventures amounted to RMXXX (2022: RMXXX) which would result in estimated tax payable of RMXXX (2022: RMXXX) for which deferred tax liabilities have not been recognised as:

(a) The Group has determined that undistributed earnings of its subsidiaries, associates or joint ventures will not be distributed in the foreseeable future;

(b) The joint ventures of the Group cannot distribute its earnings until it obtains the consent of both venturers. At the reporting date, the Group does not foresee giving such consent; and

(c) The Group has an agreement with its associates that the profits of the associates will not be distributed until it obtains the consent of the Group. The Group does not foresee giving such a consent at the reporting date.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Commentary:

112.81(e) 1. An entity shall disclose separately the amount (and expiry date, if any) of deductible temporary differences, unused tax losses, and unused tax credit for which no deferred tax assets is recognised in the statement of financial position.

Illustrative disclosure where there are unused tax losses arising from foreign subsidiaries and local subsidiaries

The unused tax losses are available indefinitely for offset against future taxable profits of the Group except for certain unused tax losses which are available for utilisation up to the following financial years:

	Group	
	31.12.2023 RM'000	31.12.2022 RM'000
2029	xxx	xxx
2030	xxx	xxx
2031	xxx	xxx
2032	xxx	xxx
2033	xxx	-
Total	**xxx**	xxx

Illustrative disclosure where there are unused tax losses arising from local subsidiaries

The unused tax losses are available for offset against future taxable profits of the Group up to the following financial years:

	Group	
	31.12.2023 RM'000	31.12.2022 RM'000
2029	xxx	xxx
2030	xxx	xxx
2031	xxx	xxx
2032	xxx	xxx
2033	xxx	-
Total	**xxx**	**xxx**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7.6
101.78(b)

14. TRADE AND OTHER RECEIVABLES

Reference		Note	Group 31.12.2023 RM'000	Group 31.12.2022 RM'000	Company 31.12.2023 RM'000	Company 31.12.2022 RM'000
	Non-current:					
	Non-trade					
	Amount owing by immediate holding company	**(a)**	5,000	5,000	1,000	-
	Amount owing by subsidiaries	**(b)**	-	-	2,000	1,000
	Amount owing by related companies	**(b)**	3,000	3,000	-	800
132.AG9	Finance lease receivables	**(d)**	5,100	4,300	-	-
	Total trade and other receivables (non-current)		**13,100**	**12,300**	**3,000**	**1,800**
	Current:					
	Trade					
15.116(a)	Trade receivables from contracts with customers	**(c)**	106,400	78,000	51,500	16,200
	Stakeholders sum	*(c)*	*xxx*	*xxx*	*xxx*	*xxx*
	Trade receivables from other sources		*xxx*	*xxx*	*xxx*	*xxx*
	Less: Impairment losses for trade receivables (currrent)	**(c)**	(8,200)	(7,100)	(1,500)	(1,200)
			98,200	70,900	50,000	15,000
	Non-trade					
	Other receivables		11,200	8,390	30,800	4,000
	Amount owing by subsidiaries		-	-	1,000	1,000
	Amount owing by related companies		6,400	6,400	500	500
	Amount owing by directors		2,300	2,300	500	500
	Finance lease receivables	**(d)**	4,600	4,500	-	-
	Deposits		7,900	6,400	1,000	1,000
			32,400	27,990	33,800	7,000
	Total trade and other receivables (current)		**130,600**	**98,890**	**83,800**	**22,000**
	Total trade and other receivables (non-current and current)		**143,700**	**111,190**	**86,800**	**23,800**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

124.18(b)(i) (a) Amount owing by the immediate holding company is unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash. However, this amount is not expected to be settled within the twelve months after the reporting date.

124.18(b)(i) (b) Amount owing by subsidiaries and related companies represent loans to subsidiaries and related companies which are unsecured, subject to interest at 5.8% (31.12.2022: 5.6%) per annum and repayable in 2025.

(c) Trade receivables

7.7
7.31 Trade receivables are non-interest bearing and normal credit terms offered by the Group and the Company ranging from 30 to 90 days (31.12.2022: 30 to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

101.61 *The stakeholders sum which is receivable upon the expiry of defect liability period as provided in the contracts with customers, is expected to be collected as follows:*

	Group		*Company*	
	31.12.2023 RM'000	*31.12.2022 RM'000*	*31.12.2023 RM'000*	*31.12.2022 RM'000*
Within one year	*xxx*	*xxx*	*xxx*	*xxx*
Later than one year	*xxx*	*xxx*	*xxx*	*xxx*
Total	***xxx***	***xxx***	***xxx***	***xxx***

Receivables that are impaired

7.35H The Group's and the Company's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows: ❶ ❷

	Group		**Company**	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
At 1 January	7,100	6,400	1,200	1,000
Charge for the financial year				
- Individually assessed	*xxx*	*xxx*	*xxx*	*xxx*
- Collectively assessed	1,500	1,500	300	300
Reversal of impairment losses	(100)	-	-	-
7.35I(c) Written off	(300)	(800)	-	(100)
At 31 December	**8,200**	**7,100**	**1,500**	**1,200**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Trade receivables (continued)

7.35L Trade receivables with a contractual amount of RM1,000,000 written off during the period are still subject to enforcement activity.

The information about the credit exposures are disclosed in Note 39(b).

7.13C The financial assets and liabilities that have been set off for presentation purpose are as follows:

Group	**Note**	**Gross amount RM'000**	**Balances that are set off RM'000**	**Net carrying amount in the statement of financial position RM'000**
31.12.2023				
Trade receivables		126,853	(20,453)	106,400
Trade payables	**27**	(89,543)	20,453	(69,090)
31.12.2022				
Trade receivables		90,547	(12,547)	78,000
Trade payables	**27**	(76,800)	12,547	(64,253)
Company				
31.12.2023				
Trade receivables		76,155	(24,655)	51,500
Trade payables	**27**	(35,953)	24,655	(11,298)
31.12.2022				
Trade receivables		25,176	(8,976)	16,200
Trade payables	**27**	(36,520)	8,976	(27,544)

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Trade receivables (continued)

Commentary:

7.35H

1. MFRS 7.35H requires tabular disclosure of a reconciliation from the opening balance to the closing balance of the loss allowance by class of financial instrument. The entity shall provide this required reconciliation for trade receivables and contract assets.

7.35H
7.35I

2. **Illustrative disclosure where there is impairment loss recognised for other receivables using general approach**

<u>Other receivables</u>

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

Group	12-month ECLs RM'000	Lifetime ECLs (collectively assessed) RM'000	Lifetime ECLs (individually assessed) RM'000	Credit-impaired (lifetime ECLs) RM'000	Total RM'000
At 1 January 2023	xxx	xxx	xxx	xxx	xxx
Individual financial assets transferred to lifetime expected credit losses (ECLs)	(xxx)	-	xxx	-	xxx
Individual financial assets transferred to credit-impaired financial assets	(xxx)	-	(xxx)	xxx	xxx
Individual financial assets transferred from credit-impaired financial assets	xxx	-	xxx	(xxx)	(xxx)
New financial assets originated or purchased	xxx	-	-	-	xxx
Written off	-	-	(xxx)	(xxx)	(xxx)
Financial assets that have been derecognised	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Changes due to modifications that did not result in derecognition	(xxx)	-	(xxx)	(xxx)	(xxx)
Other changes	xxx	xxx	xxx	xxx	xxx
At 31 December 2023	xxx	xxx	xxx	xxx	xxx

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Trade receivables (continued)

Commentary (continued):

2 Illustrative disclosure where there is impairment loss recognised for other receivables using general approach (continued)

Other receivables (continued)

7.35H
7.35I
The Group's and the Company's other receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of other receivables are as follows (continued):

Company	12-month ECLs RM'000	Lifetime ECLs (collectively assessed) RM'000	Lifetime ECLs (individually assessed) RM'000	Credit-impaired (lifetime ECLs) RM'000	Total RM'000
At 1 January 2023	xxx	xxx	xxx	xxx	xxx
Individual financial assets transferred to lifetime expected credit losses (ECLs)	(xxx)	-	xxx	-	xxx
Individual financial assets transferred to credit-impaired financial assets	(xxx)	-	(xxx)	xxx	xxx
Individual financial assets transferred from credit-impaired financial assets	xxx	-	xxx	(xxx)	(xxx)
New financial assets originated or purchased	xxx	-	-	-	xxx
Written off	-	-	(xxx)	(xxx)	(xxx)
Financial assets that have been derecognised	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Changes due to modifications that did not result in derecognition	(xxx)	-	(xxx)	(xxx)	(xxx)
Other changes	xxx	xxx	xxx	xxx	xxx
At 31 December 2023	xxx	xxx	xxx	xxx	xxx

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Finance lease receivables

16.92 Included in the Group's finance lease receivables are leases on certain items of equipment amounting to RM8,500,000 (31.12.2022: RM7,500,000) under finance lease expiring from one to five years. At the end of the lease term, the Group has given the lessee the option to purchase the equipment at 50% of the market value, a price deemed to be a bargain purchase option. There are no contingent rents in the lease.

Gross investment under finance leases together with the present value of minimum lease payments receivable are as follows:

Reference		Group	
		31.12.2023 RM'000	**31.12.2022 RM'000**
16.93	Gross investment:		
16.94	Not later than one year	4,800	4,600
	One to two years	4,000	3,850
	Two to three years	2,000	1,200
	Three to four years	*xxx*	*xxx*
	Four to five years	*xxx*	*xxx*
	Later than one year and not later than 5 years	*xxx*	*xxx*
		10,800	9,650
	Less: Unguaranteed residual values	(500)	(400)
	Minimum lease payments receivable	10,300	9,250
	Less: Amount representing unearned finance income	(600)	(450)
	Present value of minimum lease payments receivable	9,700	8,800
	Less: Impairment losses	*xxx*	*xxx*
	Present value of minimum lease payments receivable	9,700	8,800

Reference		Group	
101.61		**31.12.2023 RM'000**	**31.12.2022 RM'000**
	Present value of minimum lease payments receivable:		
	Not later than one year	4,600	4,500
	Later than one year and not later than 5 years	5,100	4,300
		9,700	8,800
	Less: Amount due within 12 months	(4,600)	(4,500)
		5,100	4,300

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. OTHER INVESTMENTS

Reference		Group 31.12.2023 RM'000	Group 31.12.2022 RM'000	Company 31.12.2023 RM'000	Company 31.12.2022 RM'000
7.8(h) 7.11A(a) 7.11A(c)	**Financial assets designated at fair value through other comprehensive income ("DFVOCI")**				
	At fair value: 1	45,800	39,800	25,500	5,300
	- Quoted equity securities				
	High Tech Berhad	44,100	38,200	25,500	5,300
	- Unquoted equity securities				
	Invest Sdn. Bhd.	1,700	1,600	-	-
7.8(f)	**Financial assets at amortised cost**				
	At amortised cost:				
	- Debt securities	35,600	37,010	27,800	14,500
	Financial assets at fair value through other comprehensive income ("FVOCI")				
	At fair value:	*xxx*	*xxx*	*xxx*	*xxx*
	- Quoted debt securities	*xxx*	*xxx*	*xxx*	*xxx*
	- Unquoted debt securities	*xxx*	*xxx*	*xxx*	*xxx*
	Total non-current investment securities	**81,400**	**76,810**	**53,300**	**19,800**

7.11A(a) 7.11A(b)

The Group and the Company hold non-controlling interests (between 2% and 9%) in equity securities designated at fair value through other comprehensive income. These investments were irrevocably designated at fair value through other comprehensive income as the Group and the Company consider these investments as strategic long-term investments and the volatility of market prices of these investments would not affect profit or loss. 2

7.16A

[Debt instruments at fair value through other comprehensive income include investments in quoted government and corporate bonds. Fair values of these debt instruments are determined by reference to published price quotations in an active market. The Group and the Company recognised the impairment losses on its debt instruments at fair value through other comprehensive income amounting to RMXXX in 2023.] 3

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. OTHER INVESTMENTS (CONTINUED)

Commentary:

13.91-99 ❶ For disclosure requirements under MFRS 13, refer Note 39(d).

7.11A ❷ MFRS 7.11A requires additional disclosure of which investments in equity instruments have been designated to be measured at fair value through other comprehensive income.

7.11A(e)
7.11B

Illustrative disclosure where an entity transferred the cumulative gain or loss within equity during the period

In 2023, the Group sold its equity interest in Super Sdn. Bhd. as this investment no longer coincides with the Group's investment strategy. The fair value on the date of sale is RMXXX and the accumulated gain recognised in other comprehensive income of RMXXX was transferred to retained earnings.

7.11A(d) **Illustrative disclosure where dividends recognised during the period**

	Group		Company	
	2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
Dividends from equity investments designated at fair value through other comprehensive income recognised in profit or loss in other income				
- Related to investments derecognised during the period	xxx	xxx	xxx	xxx
- Related to investments held at the end of the reporting period	xxx	xxx	xxx	xxx
	xxx	**xxx**	**xxx**	**xxx**

❸ MFRS 7.16A requires the carrying amount of financial assets measured at fair value through other comprehensive income in accordance with MFRS 9.4.1.2A is not reduced by a loss allowance and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying amount of the financial asset. However, an entity shall disclose the loss allowance in the notes to the financial statements.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15.128(a) ### *15A. CONTRACT COSTS*

Reference		Group 31.12.2023 RM'000	Group 31.12.2022 RM'000	Company 31.12.2023 RM'000	Company 31.12.2022 RM'000
	Non-current:				
	Costs to obtain contracts	*xxx*	*xxx*	*xxx*	*xxx*
	Costs to fulfil a contract:				
	Pre-contract costs	*xxx*	*xxx*	*xxx*	*xxx*
	Setup costs	*xxx*	*xxx*	*xxx*	*xxx*
		xxx	*xxx*	*xxx*	*xxx*
	Less:				
15.128(b)	*Impairment losses*	*xxx*	*xxx*	*xxx*	*xxx*
		xxx	***xxx***	***xxx***	***xxx***
	Current:				
15.128(a)	*Costs to obtain contracts*	*xxx*	*xxx*	*xxx*	*xxx*
15.128(a)	*Costs to fulfil a contract:*				
	Pre-contract costs	*xxx*	*xxx*	*xxx*	*xxx*
	Setup costs	*xxx*	*xxx*	*xxx*	*xxx*
		xxx	*xxx*	*xxx*	*xxx*
	Less:				
15.128(b)	*Impairment losses*	*xxx*	*xxx*	*xxx*	*xxx*
		xxx	***xxx***	***xxx***	***xxx***

Costs to obtain contracts

15.129 *Costs to obtain contracts relate to incremental commission fees paid to intermediaries as a result of obtaining contracts with customers. The Group and the Company have applied the practical expedient to recognise the incremental costs of obtaining contracts as an expense when incurred if the amortisation periods of the asset that the Group and the Company otherwise would have recognised are one year or less.* 1

15.99
15.127(b)
15.128(b) *The costs to obtain contracts are amortised in accordance with the pattern of transfer of goods or services to which the asset relates. In 2023, the amortisation of contract costs of the Group and the Company recognised were RMXXX (2022: RMXXX) and RMXXX (2022: RMXXX) respectively.*

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15A. CONTRACT COSTS (CONTINUED)

Costs to fulfil a contract

15.127(a) *Pre-contract costs and setup costs are costs incurred for contracts that are yet to be approved as at the reporting date. These costs will be used in satisfying the performance obligation in the future and expected to be recovered.*

15.99
15.127(b)
15.128(b) *These costs are amortised in accordance with the pattern of transfer of goods or services to which the asset relates. In 2023, the amortisation of contract costs of the Group and the Company were RMXXX (2022: RMXXX) and RMXXX (2022: RMXXX) respectively.*

Commentary:

15.129 1 If an entity elects to use the practical expedient in MFRS 15.94 (about the incremental costs of obtaining a contract), the entity shall disclose that fact.

15.116(a)

16. CONTRACT ASSETS/(LIABILITIES) 1 2

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Contract assets relating to property development contracts	7,580	6,043	3,298	2,144
Contract assets relating to construction service contracts	78,820	72,357	10,102	7,656
Total contract assets	**86,400**	**78,400**	**13,400**	**9,800**
Expected volume discounts	(800)	(530)	-	-
Refund liabilities	(2,780)	(2,513)	-	-
Contract liabilities relating to construction service contracts	(39,620)	(37,757)	(7,800)	(5,600)
Total contract liabilities	**(43,200)**	**(40,800)**	**(7,800)**	**(5,600)**

(a) Contract assets

15.117 The contract assets represent the Group's and the Company's rights to consideration for the work performed for the properties sold and construction contracts but yet to be billed. Contract assets are transferred to receivables when the Group and the Company issue progress billings to the customers. Typically, the amount will be billed within XX days and payments is expected within XX days.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15.116(a)

16. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

15.117

(b) Contract liabilities

The contract liabilities represent progress billings and deposits received for construction contracts for which performance obligations have not been satisfied. The contract liabilities are expected to be recognised as revenue over a period of XX days.

(c) Significant changes in contract balances 3

Reference	Group	31.12.2023		31.12.2022	
		Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000
15.118© 15.116(b)	Revenue recognised that was included in contract liability at the beginning of the financial year	-	33,757	-	28,360
	Increase due to consideration received from customers, but revenue not recognised	-	(36,157)	-	(33,060)
	Increase due to revenue recognised for unbilled goods or services transferred to customers	*xxx*	*xxx*	*xxx*	*xxx*
15.118(b)	Increase as a result of changes in the measure of progress 4	14,050	-	17,458	-
15.118(d)	Transfer from contract assets recognised at the beginning of the period to receivables	(5,000)	-	(2,400)	-
15.118(a)	*Business combination*	*xxx*	*xxx*	*xxx*	*xxx*
15.118(c)	Impairment losses of contract assets	(1,050)	-	(958)	-

FLYING COLOURS BERHAD
(Incorporated in Malaysia)

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15.116(a)

16. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(c) Significant changes in contract balances (continued)

Reference	Company	31.12.2023 Contract assets Increase/ (decrease) RM'000	31.12.2023 Contract liabilities (Increase)/ decrease RM'000	31.12.2022 Contract assets Increase/ (decrease) RM'000	31.12.2022 Contract liabilities (Increase)/ decrease RM'000
15.118(e) 15.116(b)	Revenue recognised that was included in contract liability at the beginning of the financial year	-	4,650	-	6,137
	Increase due to consideration received from customers, but revenue not recognised	-	(6,850)	-	(3,237)
	Increase due to revenue recognised for unbilled goods or services transferred to customers	*xxx*	*xxx*	*xxx*	*xxx*
15.118(b)	Increase as a result of changes in the measure of progress 4	4,710	-	7,305	-
15.118(d)	Transfer from contract assets recognised at the beginning of the period to receivables	(775)	-	(428)	-
15.118(c)	Impairment losses of contract assets	(335)	-	(277)	-

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(d) Revenue recognised in relation to contract balances

Reference		Group		Company	
		31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
15.116(b)	Revenue recognised that was included in contract liability at the beginning of the financial year	33,757	28,360	4,650	6,137
15.116(c)	Revenue recognised from performance obligations satisfied in previous financial year 5	12,350	14,550	2,231	5,233

15.116; 15.118 Revenue recognised that was included in the contract liability balance at the beginning of the year represented primarily revenue from the sale of property development contracts when percentage of completion increases.

15.116 Revenue recognised from performance obligations satisfied (or partially satisfied) in previous years, mainly due to changes in the estimate of the progress towards complete satisfaction of performance obligation of property development contracts.

7.35H

(e) Impairment

The movement in the impairment of contract assets is as follows:

	Group		Company	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
At 1 January	958	-	277	-
Charge for the financial year				
- Individually assessed	*xxx*	*xxx*	*xxx*	*xxx*
- Collectively assessed	1,050	958	335	277
Reversal of impairment losses	-	-	-	-
Written off	-	-	-	-
At 31 December	**2,008**	**958**	**612**	**277**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. CONTRACT ASSETS /(LIABILITIES) (CONTINUED)

Commentary:

15.108
15.BC323

1. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. However, in other cases, an entity satisfies a performance obligation but does not have an unconditional right to consideration, for example, because it first needs to satisfy another performance obligation in the contract, an entity should recognise a contract asset in accordance with MFRS 15. Making the distinction between a contract asset and a receivable is important because doing so provides users of financial statements with relevant information about the risks associated with the entity's rights in a contract. That is because although both would be subject to credit risk, a contract asset is also subject to other risks, for example, performance risk.

15.B49

2. Where the deposit or consideration in advance is collected from customers, a contract liability is recognised as the entity has obligations to transfer the goods or services to the customer. The customer deposit or consideration in advance would be recognised as revenue upon transfer of goods or services to the customer.

15.118

3. An entity shall provide an explanation of the significant changes in the contract asset and contract liability balances during the reporting period. The explanation shall include qualitative and quantitative information.

Alternative illustrative disclosure

	Group		Company	
	31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
At 1 January	xxx	xxx	xxx	xxx
Revenue recognised during the year	xxx	xxx	xxx	xxx
Progress billings issued during the year	xxx	xxx	xxx	xxx
Exchange differences	xxx	xxx	xxx	xxx
At 31 December	xxx	xxx	xxx	xxx

15.118(b)

4. Cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification.

15.116(c)
15.BC347

5. An entity shall disclose the amount of revenue recognised in the period that relates to amounts allocated to performance obligations that were satisfied (or partially satisfied) in previous periods (for example, as a result of a change in transaction price or estimates related to the constraint on revenue recognised). Disclosing those amounts provides relevant information about the timing of revenue recognition that was not a result of performance in the current period and thus provides useful information about the current period operating results and on predicting future revenues.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Reference		31.12.2023		31.12.2022	
		Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
	Group				
7.6 7.8	**Derivatives held for trading at fair value through profit or loss:**				
	Interest-rate swap contracts	3,200	(1,000)	2,500	(1,100)
7.24A	**Derivatives used for hedging:**				
	Forward foreign exchange contracts				
	- buy contracts	2,500	-	2,600	-
	- sell contracts	2,800	(1,500)	1,400	(800)
		8,500	**(2,500)**	**6,500**	**(1,900)**
	Company				
7.6 7.8	**Derivatives held for trading at fair value through profit or loss:**				
	Interest-rate swap contracts	1,500	-	1,600	-
7.24A	**Derivatives used for hedging:**				
	Forward foreign exchange contracts				
	- buy contracts	1,200	-	2,400	-
	- sell contracts	1,500	(1,500)	1,000	(500)
		4,200	**(1,500)**	**5,000**	**(500)**

7.31 Interest rate swap is used to achieve an appropriate mix of fixed and floating interest rate exposure within the Group's and the Company's policy. The notional principal amounts of the Group's and the Company's outstanding interest rate swap as at 31 December 2023 were RM230,000,000 (31.12.2022: RM160,000,000) and RM80,000,000 (31.12.2022: RM70,000,000) respectively.

7.31 Forward foreign exchange exchange contracts are used to manage the foreign currency exposures arising from the Group's and the Company's receivables and payables denominated in currencies other than the functional currencies of Group's entities. Most of the forward foreign exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)

7.24A (a) Fair value hedge

	Carrying amount RM'000	Change in fair value RM'000	Nominal value RM'000	Line item in the financial statements
31.12.2023				
Group				
Derivatives used for hedging:				
Forward foreign exchange contracts				
- buy contracts	xxx	xxx	xxx	Derivative assets
- sell contracts	xxx	xxx	xxx	Derivative assets
- sell contracts	(xxx)	xxx	xxx	Derivative liabilities
	xxx	**xxx**	**xxx**	
Company				
Derivatives used for hedging:				
Forward foreign exchange contracts				
- buy contracts	xxx	xxx	xxx	Derivative assets
- sell contracts	xxx	xxx	xxx	Derivative assets
- sell contracts	(xxx)	xxx	xxx	Derivative liabilities
	xxx	**xxx**	**xxx**	
31.12.2022				
Group				
Derivatives used for hedging:				
Forward foreign exchange contracts				
- buy contracts	xxx	xxx	xxx	Derivative assets
- sell contracts	xxx	xxx	xxx	Derivative assets
- sell contracts	(xxx)	xxx	xxx	Derivative liabilities
	xxx	**xxx**	**xxx**	
Company				
Derivatives used for hedging:				
Forward foreign exchange contracts				
- buy contracts	xxx	xxx	xxx	Derivative assets
- sell contracts	xxx	xxx	xxx	Derivative assets
- sell contracts	(xxx)	xxx	xxx	Derivative liabilities
	xxx	**xxx**	**xxx**	

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)

7.24A

(b) Cash flows hedge

	Carrying amount RM'000	Change in fair value RM'000	Nominal value RM'000	Line item in the financial statements
31.12.2023				
Group				
Derivatives used for hedging:				
Forward foreign exchange contracts				
- sell contracts	xxx	xxx	xxx	Derivative assets
Company				
Derivatives used for hedging:				
Forward foreign exchange contracts				
- sell contracts	xxx	xxx	xxx	Derivative assets
31.12.2022				
Group				
Derivatives used for hedging:				
Forward foreign exchange contracts				
- sell contracts	xxx	xxx	xxx	Derivative assets
Company				
Derivatives used for hedging:				
Forward foreign exchange contracts				
- sell contracts	xxx	xxx	xxx	Derivative assets

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. CASH AND SHORT-TERM DEPOSITS 1

	Group		Company	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Cash and bank balances	18,500	8,500	7,500	3,500
Short-term deposits	20,000	10,000	5,000	3,000
	38,500	**18,500**	**12,500**	**6,500**

107.45 (ii) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	Group		Company	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Short-term deposits with maturities of less than three months 2	20,000	10,000	5,000	3,000
Less: Pledged deposits 3	(1,000)	(500)	-	-
	19,000	9,500	5,000	3,000
Cash and bank balances	18,500	8,500	7,500	3,500
107.8 *Bank overdrafts*	*(xxx)*	*(xxx)*	*(xxx)*	*(xxx)*
	37,500	**18,000**	**12,500**	**6,500**

7.14 Included in the deposits placed with licensed banks of the Group, RM1,000,000 (31.12.2022: RM500,000) is pledged for revolving credit granted to a subsidiary as disclosed in Note 23(g).

107.48 Included in cash and bank balances of the Group and the Company are amount of RM9,350,000 (31.12.2022: RM5,380,000) and RM3,290,000 (31.12.2022: RM1,340,000) respectively held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use in other operations. 4

Commentary:

107.7 1 Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preferred shares acquired within a short period of their maturity and with a specified redemption date.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

Commentary (continued):

FRSIC Consensus 22 107.7

2 MIA issued FRSIC Consensus 22 *Classification of Fixed Deposits and Similar Instruments as Cash and Cash Equivalents* to address the issue on the classification of fixed deposits as cash equivalents. As stated in MFRS 107.7, an investment is qualified as cash equivalents only when it has a short maturity of, say three month or less from the date of acquisition. “Short-term” is not defined in MFRS 107, but the standard indicates a three-month maturity cut-off. Therefore, it is pertinent and relevant to take into account of this three-month presumption when considering whether the fixed deposit is classified as cash equivalents or for investment purposes.

FRSIC Consensus 3

3 In our view, as fixed deposits held on lien are not held for the purpose of meeting short-term cash commitments, it will be excluded from the cash and cash equivalents. However, the entity may adopt the policy of including fixed deposits held on lien in determining the composition of cash and cash equivalents provided there are adequate disclosure which includes the policy adopted by the entity, the balances that are not available for use by the entity, together with a commentary by the management on the nature of the restriction.

4 IFRS Interpretation Committee ("IFRIC") published an Agenda Decision, namely *Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of Cash Flows)* to provide further clarification on demand deposit as a component of cash and cash equivalents in its statement of cash flows and financial position when demand deposit is subject to contractual restrictions on use agreed with third party.

107.6

The IFRIC Committee concluded that restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7. As stated in MFRS 107.6, cash comprises cash on hand and demand deposits.

107.43

(iii) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment.

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Purchase of property, plant and equipment	106,830	34,950	15,830	12,890
Financed by way of lease arrangements	(8,400)	-	-	-
Cash payments on purchase of property, plant and equipment	98,430	34,950	15,830	12,890

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

107.44A
107.44B
(iii) Reconciliation of changes in liabilities arising from financing activities are as follows:

			Non-cash				
	1.1.2023 RM'000	Cash flows RM'000	Acquisition/ (Disposal) RM'000	Foreign exchange movement RM'000	Fair value changes RM'000	Others RM'000	31.12.2023 RM'000
Group							
Term loans	125,700	7,000	(700)	-	-	-	132,000
Lease liabilities	8,700	(1,300)	8,400	-	-	-	15,800
Hire purchase payables	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*
Government loan	-	12,000	-	-	-	(4,000)	8,000
Convertible bonds	-	99,500	-	-	-	(27,600)	71,900
Medium-term notes	27,800	(7,800)	-	-	-	-	20,000
Redeemable preference shares	40,000	-	-	-	-	-	40,000
Revolving credits	2,000	500	-	-	-	-	2,500
	204,200	109,900	7,700	-	-	(31,600)	290,200
Company							
Term loans	37,400	11,065	-	-	-	-	48,465
Convertible bonds	-	99,500	-	-	-	(27,600)	71,900
Medium-term notes	7,000	-	-	-	-	1,000	8,000
Redeemable preference shares	40,000	-	-	-	-	-	40,000
Revolving credits	300	135	-	-	-	-	435
	84,700	110,700	-	-	-	(26,600)	168,800

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

107.44A
107.44B

(iii) Reconciliation of changes in liabilities arising from financing activities are as follows: (continued)

			Non-cash				
	1.1.2022 RM'000	Cash flows RM'000	Acquisition/ (Disposal) RM'000	Foreign exchange movement RM'000	Fair value changes RM'000	Others RM'000	31.12.2022 RM'000
Group							
Term loans	128,925	(3,225)	-	-	-	-	125,700
Lease liabilities	9,900	(1,200)	-	-	-	-	8,700
Hire purchase payables	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*
Medium-term notes	26,800	-	-	-	-	1,000	27,800
Redeemable preference shares	40,000	-	-	-	-	-	40,000
Revolving credits	1,875	125	-	-	-	-	2,000
	207,500	(4,300)	-	-	-	1,000	204,200
Company							
Term loans	24,765	12,635	-	-	-	-	37,400
Medium-term notes	5,000	-	-	-	-	2,000	7,000
Redeemable preference shares	40,000	-	-	-	-	-	40,000
Revolving credits	235	65	-	-	-	-	300
	70,000	12,700	-	-	-	2,000	84,700

16.53(g) *(x) Total cash outflows for leases* ❶

During the financial year, the Group and the Company had total cash outflows for leases of RMXXX and RMXXX respectively.

Commentary:

16.54 ❶ The amounts disclosed shall include costs that a lessee has included in the carrying amount of another asset during the reporting period.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION ❶❷❸❹

5.41(a) 5.41(b) 5.41(d)

(a) Assets/(liabilities) of a disposal group classified as held for sale

On 30 September 2023, the Board of Directors approved and announced a plan to sell a subsidiary, PT BLK Construction, which operates in Indonesia. The assets and liabilities related to PT BLK Construction (part of the construction business segment) have been presented as held for sale. The completion date for the transaction is expected by June 2024.

5.38

Assets of a disposal group classified as held for sale

	Group 31.12.2023 RM'000
Property, plant and equipment (Note 5)	10,400
Inventories	8,000
Trade and other receivables	4,000
Other assets	3,000
	25,400

5.38

Liabilities of a disposal group classified as held for sale

	Group 31.12.2023 RM'000
Trade and other payables	16,500

13.93(a) 13.93(b) 13.93(d)

In accordance with MFRS 5, the assets and liabilities held for sale of the above disposal group had been written down to their fair value less costs to sell. This is a non-recurring fair value which has been measured using observable inputs, being the prices for recent sales of similar businesses, and is therefore within Level 2 of the fair value hierarchy. The fair value has been measured by calculating the ratio of transaction price to annual revenue for the similar businesses and applying the average to PT BLK Construction.

The asset classified as held for sale on the Company's statement of financial position as at 31 December 2023 is as follows:

5.38

	Company 31.12.2023 RM'000
Asset:	
Investment in a subsidiary	10,000

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION (CONTINUED)

5.33(b) **(b) Discontinued operation**

As disclosed in Note (a) above, the Group had discontinued its construction business in Indonesia on 30 September 2023. The segment was not a discontinued operation or classified as held for sale as at 31 December 2022 and the comparative statements of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

(i) Analysis of the result of discontinued operation and the result recognised on the remeasurement of disposal group is as follows:

Reference		Group	
		2023 RM'000	**2022 RM'000**
	Revenue	10,000	8,700
	Expenses	(11,000)	(7,000)
	(Loss)/profit before tax of discontinued operation	(1,000)	1,700
112.81(h)(ii)	Income tax benefit/(expense)	200	(500)
	(Loss)/profit after tax of discontinued operation	(800)	1,200
	Loss before tax recognised on the remeasurement of assets of disposal group	(2,500)	-
112.81(h)(i)	Income tax benefit	500	-
	Loss for the financial year recognised on the remeasurement of assets of disposal group	(2,000)	-
	(Loss)/profit for the financial year from discontinued operation, net of tax	**(2,800)**	**1,200**

(ii) The following items have been (credited)/charged in arriving at profit before tax:

Reference		Group	
		2023 RM'000	**2022 RM'000**
5Sch(I)(10)	Auditors' remuneration	45	40
	Depreciation of property, plant and equipment (Note 5)	7,000	6,400
	Gain on disposal of property, plant and equipment	(200)	(600)

5.33(c) (iii) Cash flows generated from/(used in) discontinued operation:

	Group	
	2023 RM'000	**2022 RM'000**
Net cash flows from operating activities	9,200	7,900
Net cash flows used in investing activities	(5,600)	(2,300)
Net cash flows used in financing activities	(1,200)	(1,100)
	2,400	**4,500**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION (CONTINUED)

Commentary:

1 Non-current assets or disposal groups held for sale

5.6
5.7
5.8

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when:

- the asset or disposal group is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset or disposal group is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

5.15
5.18

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the entity's accounting policies. Thereafter, generally the assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell.

5.5
5.23
5.21

Any impairment loss on the disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property that is measured at fair value, which continue to be measured in accordance with the entity's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. A gain for any subsequent increase in fair value less costs to sell of an asset is recognised but not in excess of the cumulative impairment loss that has been recognised.

5.5

The measurement provision of MFRS 5 do not apply to the following non-current assets whether individually or as part of a disposal group:

(a) Deferred tax assets (MFRS 112 *Income Taxes*)
(b) Assets arising from employee benefits (MFRS 119 *Employee Benefits*)
(c) Non-current assets that are accounted for in accordance with the fair value model in MFRS 140 *Investment Property*
(d) Non-current assets that are measured at fair value less costs to sell in accordance with MFRS 141 *Agriculture*
(e) Contractual rights under insurance contract as defined in MFRS 17 *Insurance Contracts*

5.19

On subsequent remeasurement of a disposal group, the carrying amounts of any assets and liabilities that are not within the scope of the measurement requirements of this MFRS, but are included in a disposal group classified as held for sale, shall be remeasured in accordance with applicable MFRSs before the fair value less costs to sell of the disposal group is remeasured.

5.25
128.20

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale.

101.54(j)
101.54(p)

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION (CONTINUED)

Commentary (continued):

2 Discontinued operation

5.32 A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

5.34 Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is re-presented as if the operation has been discontinued from the start of the comparative period.

3 Presentation requirements for non-current assets or disposal group held for sale:

Nature	Statement of financial position			Statement of comprehensive income		
	CY?	PY?	Required by	CY?	PY?	Required by
A) Presentation:						
Non-current asset ("NCA")/ Disposal Group ("DG"):						
(a) NCA/DG first classified as held for sale	✓	×	MFRS 5.38 MFRS 5.40	N/A	N/A	
(b) NCA/DG ceased to be classified as held for sale	✓	×	MFRS 5.38 MFRS 5.40	N/A	N/A	
Discontinued operations ("DC"):						
(c) Component of an entity held for sale and classified as a DC	✓	×	MFRS 5.38 MFRS 5.40	✓	✓	MFRS 5.33(a) MFRS 5.34
(d) Component of an entity disposed of and classified as a DC	N/A	N/A		✓	✓	MFRS 5.33(a) MFRS 5.34
(e) Component of an entity ceased to be DC	✓	×	MFRS 5.38 MFRS 5.40	✓	✓	MFRS 5.33(a) MFRS 5.36

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. ASSETS/(LIABILITIES) OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION (CONTINUED)

Commentary (continued):

4 Measurement requirements for non-current assets or disposal group held for sale:

Nature	Measure in accordance with MFRS 5			Cease depreciation (or amortisation)		
	CY?	PY?	Required by	CY?	PY?	Required by
B) Measurement:						
Non-current asset ("NCA")/ Disposal Group ("DG")/ Discontinued operation ("DC"):						
(a) NCA/DG/DC first classified as held for sale	✓	N/A	MFRS 5.15	✓	N/A	MFRS 5.25
(b) NCA/DG/DC ceased to be classified as held for sale	×	✓	MFRS 5.27 MFRS 5.28	×	N/A	MFRS 5.28[1]
When DG is a subsidiary/associates/joint venture[2]:						
(c) Subsi/Ass/JV first classified as held for sale	✓	N/A	MFRS 5.15	N/A	N/A	
(d) Subsi/Ass/JV ceased to be classified as held for sale	×	×	MFRS 5.28[3] MFRS 5.28[3]	N/A	N/A	

5.28 [1] The entity shall include any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in profit or loss from continuing operations in the period in which the criteria for classification as held for sale are no longer met.

128.20 [2] Pursuant to MFRS 128.20, an entity shall apply MFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale and cease equity accounting on that investment, or a portion of that investment which classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method until disposal of the portion that is classified as held for sale takes place.

5.28 [3] Financial statements for the periods since classification as held for sale shall be amended from the date of its classification as held for sale accordingly if the disposal group or non-current asset that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. Accordingly, the investment, or the portion of an investment, in associate or joint venture shall be accounted retrospectively using the equity method for the period from the date of its classification as held for sale until it ceases to be classified as held for sale.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.78(e)

20. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		----------- Amounts -----------	
	31.12.2023 '000	31.12.2022 '000	31.12.2023 RM'000	31.12.2022 RM'000
101.79(a)(ii) **Issued and fully paid up (no par value):**				
101.79(a)(iv) At 1 January	200,000	200,000	250,000	250,000
101.79(a)(iii) Issued during the financial year	75,000	-	150,000	-
Acquisition of a subsidiary	25,000	-	50,000	-
Transaction costs of share issue	-	-	(2,000)	-
At 31 December	**300,000**	**200,000**	**448,000**	**250,000**

101.79(a)(v) The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the Company:

(i) issued 25,000,000 new ordinary shares at a price of RM2 per ordinary share as partial discharge of the purchase consideration for the acquisition of the 80% equity interest in PT Halia Palm Oil pursuant to a share sale agreement dated 20 January 2023; and

(ii) issued 75,000,000 new ordinary shares at a price of RM2 per ordinary share for working capital purposes.

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

S127
101.78(e)
101.79(a)(vi)
101.79(b)

21. TREASURY SHARES 1

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The Company's share buyback scheme was first approved by the Company's shareholders in the Annual General Meeting held on 30 May 2020 for the Company to repurchase 10% of its issued ordinary shares within a 5-year period. The directors of the Company believe that the repurchase plan are applied in the best interests of the Company and its shareholders. The mandate for share buybacks was renewed in each subsequent Annual General Meeting of shareholders. The share repurchases made to date were financed by internally generated funds and are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016 in Malaysia.

For the financial year ended 31 December 2022, the Company repurchased 5,000,000 shares of its issued shares from the open market. The average price paid for the shares repurchased was RM2.00.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. TREASURY SHARES (CONTINUED)

At 31 December 2023, the Company's treasury shares are held at a carrying amount of RM20,000,000 (31.12.2022: RM20,000,000).

There was no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year. 2

Commentary:

132.33 1 When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

S127(13) 2 When shares repurchased were cancelled, the costs of the shares to cancel the treasury shares shall be applied in the reduction of the retained earnings in accordance with the requirement of Section 127(13) of the Companies Act 2016 ("the Act").

S127(15) Cancellation of shares shall not be deemed to be a reduction of share capital in accordance with the requirement of Section 127(15) of the Act.

Illustrative disclosure if there is subsequent cancellation of treasury shares

The shares repurchased were cancelled and the costs of the shares to cancel the treasury shares were applied in the reduction of the retained earnings in accordance with the requirement of Section 127(13) of the Companies Act 2016 ("the Act").

22. OTHER RESERVES

		Group		Company	
	Note	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Equity component of convertible bonds	(a)	21,400	-	21,400	-
Fair value reserve of financial assets at FVOCI	(b)	9,607	8,045	4,000	1,000
Cash flow hedge reserve	(c)	5,606	4,600	3,900	1,700
Share option reserve	(d)	8,600	8,600	8,600	8,600
Exchange reserve	(e)	36,975	31,550	-	-
		82,188	52,795	37,900	11,300

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. OTHER RESERVES (CONTINUED)

101.79(b)

(a) Equity component of convertible bonds ❶

This represents the residual amount of convertible bonds after deducting the fair value of the liability component. This amount is presented net of transaction costs and deferred tax liability arising from convertible bonds. Further details on the convertible bonds are disclosed in Note 23(d).

101.79(b)

(b) Fair value reserve of financial assets at FVOCI

This reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income ("FVOCI") until the investments are derecognised or impaired.

The Group and the Company have elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 15. These changes are accumulated within the fair value reserve of financial assets at FVOCI. The Group and the Company transfer amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

[The Group and the Company also have certain debt investments measured at FVOCI, as explained in Note 15. For these investments, changes in fair value are accumulated within the fair value reserve of financial assets at FVOCI. The accumulated changes in fair value are transferred to profit or loss when the investment is derecognised or impaired.]

101.79(b)

(c) Cash flow hedge reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments entered into for cash flow hedges of forecast transactions.

101.79(b)

(d) Share option reserve

5Sch(I)(5)
5Sch(I)(6)
2.45(a)

The share option reserve comprises the cumulative value of director services received for the issue of share options. The reserve is recorded over the vesting period commencing from the grant date and is reduced by the expiry or exercise of the share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

Share options are granted to directors who have rendered services of three years and above. The options granted are vesting immediately and settlement is by issuance of fully paid ordinary shares. The exercise price in each grant is set 10% below the weighted average of the market prices of the Company's ordinary shares in the last five trading days before the grant date. The contractual term of each option granted is five years. There are no cash settlement alternatives. The options carry neither rights to dividends nor voting rights. Options may be exercised any time from the date of vesting to the date of expiry.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. OTHER RESERVES (CONTINUED)

(d) Share option reserve (continued)

2.45(b) Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movement in, share options:

Reference		Number 2023 '000	WAEP 2023	Number 2022 '000	WAEP 2022
2.45(b)(i)	At 1 January	10,000	RM1.80	-	-
2.45(b)(ii)	Granted on 30 June 2022	-	-	5,000	RM1.75
2.45(b)(ii)	Granted on 31 October 2022	-	-	5,000	RM1.85
2.45(b)(iv)	*Exercised during the year*	*xxx*	*xxx*	*xxx*	*xxx*
2.45(b)(iii)	*Forfeited during the year*	*xxx*	*xxx*	*xxx*	*xxx*
2.45(b)(v)	*Expired during the year*	*xxx*	*xxx*	*xxx*	*xxx*
2.45(b)(vi)	At 31 December	10,000	RM1.80	10,000	RM1.80
2.45(b)(vii)	Exercisable at 31 December	1,000	RM1.80	1,000	RM1.75

2.45(d)
2.47(a) The options outstanding at 31 December 2023 have exercise prices range from RM1.75 to RM1.85 (31.12.2022: RM1.75 to RM1.85) and the weighted average remaining contractual life for the share options outstanding as at 31 December 2023 was 3.8 years (31.12.2022: 4.5 years).

2.46
2.47(a)(i) The fair values of the share options 2 granted were determined using a binomial option pricing model, and the inputs were:

	31.12.2022
Fair value of share options and assumptions	
Weighted average fair value of share option at grant date (RM)	0.86
Weighted average share price (RM)	2
Option life (years)	4.8
Risk-free rate (%)	4.5
Expected dividends (%)	3
Expected volatility (%)	25

2.47(a)(ii)
2.47(a)(iii) The expected volatility is based on the historical share price volatility over the last 3 years. When determine the fair value, the management has also taken into consideration of the exercise restrictions and exercise behaviour. It was assumed that the directors would exercise the options after the vesting date when the share price is three times of the exercise price.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. OTHER RESERVES (CONTINUED)

101.79(b) **(e) Exchange reserve**

121.32 The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency as well as the foreign currency differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation or another currency.

Commentary:

132.28-32 **1** Compound financial instruments issued by the entity comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

132.32 132.38 132.31 The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any transaction costs that are directly attributable are allocated to the liability and equity components in proportion to the allocated proceeds.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition except on conversion or expiry.

The liability component of convertible bonds is disclosed in Note 23(d).

2.7 2.19 2.20 **2** The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

2.13 Equity-settled share-based payments with parties other than employees are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted at the date the Company obtains the goods or the counterparty renders the service.

2.30 For cash-settled share-based payment, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in the fair value recognised in profit or loss for the financial year.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. LOANS AND BORROWINGS 1

Reference		Note	Group 31.12.2023 RM'000	Group 31.12.2022 RM'000	Company 31.12.2023 RM'000	Company 31.12.2022 RM'000
101.69	**Non-current:**					
	Term loans	**(a)**	116,500	112,700	36,900	28,700
	Lease liabilities	**(b)**	13,800	7,700	-	-
	Hire purchase payables	***(x)***	*xxx*	*xxx*	-	-
	Government loan	**(c)**	8,000	-	-	-
	Convertible bonds	**(d)**	71,900	-	71,900	-
	Medium-term notes	**(e)**	20,000	27,800	8,000	7,000
	Redeemable preference shares	**(f)**	40,000	40,000	40,000	40,000
			270,200	188,200	156,800	75,700
101.69	**Current:**					
	Term loans	**(a)**	15,500	13,000	11,565	8,700
	Revolving credit	**(g)**	2,500	2,000	435	300
	Lease liabilities	**(b)**	2,000	1,000	-	-
	Hire purchase payables	***(x)***	*xxx*	*xxx*	-	-
			20,000	16,000	12,000	9,000
			290,200	**204,200**	**168,800**	**84,700**
	Total loans and borrowings:					
	Term loans	**(a)**	132,000	125,700	48,465	37,400
	Lease liabilities	**(b)**	15,800	8,700	-	-
	Hire purchase payables	***(x)***	*xxx*	*xxx*	-	-
	Government loan	**(c)**	8,000	-	-	-
	Convertible bonds	**(d)**	71,900	-	71,900	-
	Medium-term notes	**(e)**	20,000	27,800	8,000	7,000
	Redeemable preference shares	**(f)**	40,000	40,000	40,000	40,000
	Revolving credit	**(g)**	2,500	2,000	435	300
			290,200	**204,200**	**168,800**	**84,700**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. LOANS AND BORROWINGS (CONTINUED)

7.7
7.14
7.31

(a) Term loans

Term loan 1 of a subsidiary of RM40,483,000 (31.12.2022: RM44,485,000) bears interest at 6.85% (31.12.2022: 6.85%) per annum and is repayable by quarterly instalments of RM1,737,000 over ten years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the freehold land and building of a subsidiary;
(ii) Legal charge over the investment properties of a subsidiary;
(iii) Legal charge over the biological assets of a subsidiary;
(iv) Legal charge over the freehold land held for development; and
(v) Corporate guarantee of the Company.

Term loan 2 of a subsidiary of RM31,572,000 (31.12.2022: RM43,815,000) bears interest at 6.85% (31.12.2022: 6.85%) per annum and is repayable by monthly instalments of RM1,223,000 over five years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the investment properties of a subsidiary;
(ii) Legal charge over the biological assets of a subsidiary;
(iii) Legal charge over the freehold land held for development; and
(iv) Corporate guarantee of the Company.

Term loan 3 of a subsidiary of RM11,480,000 (31.12.2022: Nil) bears interest at 7.15% (31.12.2022: Nil) per annum and is repayable by monthly instalments of RM1,223,000 over ten years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the investment properties of a subsidiary;
(ii) Legal charge over the biological assets of a subsidiary;
(iii) Legal charge over the freehold land held for development; and
(iv) Corporate guarantee of the Company.

Term loan 4 of the Company of RM19,675,000 (31.12.2022: RM22,379,000) bears interest at 6.85% (31.12.2022: 6.85%) per annum and is repayable by quarterly instalments of RM1,042,000 over ten years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the investment properties of the Company;
(ii) Legal charge over freehold land and building of the Company; and
(iii) Legal charge over the freehold land held for development of the Company.

Term loan 5 of the Company of RM13,820,000 (31.12.2022: RM15,021,000) bears interest at 6.85% (31.12.2022: 6.85%) per annum and is repayable by bi-monthly instalments of RM370,000 over ten years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the freehold land and building of the Company;
(ii) Legal charge over the investment properties of the Company; and
(iii) Legal charge over the freehold land held for development of the Company.

FLYING COLOURS BERHAD
(Incorporated in Malaysia)

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. LOANS AND BORROWINGS (CONTINUED)

7.7
7.14
7.31

(a) Term loans (continued)

Term loan 6 of the Company of RM14,970,000 (31.12.2022: Nil) bears interest at 7.15% (31.12.2022: Nil) per annum and is repayable by bi-monthly instalments of RM434,000 over eight years commencing from the day of first drawdown and is secured and supported as follows:
(i) Legal charge over the freehold land and building of the Company;
(ii) Legal charge over the investment properties of the Company; and
(iii) Legal charge over the freehold land held for development of the Company.

7.19

Breach of loan covenants 2

According to the terms of the agreement, the secured Term loan 3 contains a debt covenant that at the end of reporting period, the subsidiary shall maintain a debt to equity ratio of 0.5 as disclosed in Note 43. As at 31 December 2023, the subsidiary's debt to equity ratio was 0.7, resulting in the entire loan to be classified as current liability. The management is currently negotiating with the bank to amend the terms of the covenants.

(b) Lease liabilities

16.58
7.39
7.B11

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

	Group	
	31.12.2023 RM'000	**31.12.2022 RM'000**
Minimum lease payments:		
Not later than one year	2,100	1,050
Later than one year and not later than 5 years	10,900	8,550
Later than 5 years	7,400	-
	20,400	9,600
Less: Future finance charges	(4,600)	(900)
Present value of minimum lease payments	15,800	8,700
Present value of minimum lease payments:		
Not later than one year	2,000	1,000
Later than one year and not later than 5 years	9,100	7,700
Later than 5 years	4,700	-
	15,800	8,700
Less: Amount due within 12 months	(2,000)	(1,000)
Amount due after 12 months	13,800	7,700

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. LOANS AND BORROWINGS (CONTINUED)

7.14 **(x) Hire purchase payables**

Hire purchase payables of the Group of RMXXX (31.12.2022: RMXXX) bears interest ranging from xx% to xx% (31.12.2022: xx% to xx%) per annum and are secured by the Group's motor vehicles under hire purchase arrangements as disclosed in Note 5(c).

120.10A **(c) Government loan**

On 31 December 2023, the Group received an interest-free loan of RM12,000,000 from the Malaysian government to finance a research project on the refinery of oil palm over a period of 5 years. The loan is repayable in full at the end of the fifth year. Using prevailing market interest rate of 5.4% for an equivalent loan, the fair value of the loan is estimated to be RM8,000,000. The difference of RM4,000,000 between the gross proceeds and the fair value of the loan is recognised as deferred income as disclosed in Note 25. Interest expense of RM120,000 shall be recognised in the financial year ending 31 December 2024.

132.28
132.31
7.17

(d) Convertible bonds (a)

Group and Company:	**31.12.2023 RM'000**
Proceeds from issue of 100,000,000 convertible bonds	105,000
Transaction costs	(5,500)
Fair value of convertible bonds issued on 10 September 2023	99,500
Equity component (Note 22(a))	(28,100)
Liability component on initial recognition on 10 September 2023	71,400
Interest expense	500
	71,900

During the financial year, the Company issued 100,000,000 units of convertible bonds at a price of RM1.05 per unit. Each bond is convertible at any time up to maturity into 10,000,000 ordinary shares at the conversion price of RM2 each, which is at a rate of one ordinary share for every ten convertible bonds held. Unconverted bonds shall become repayable on demand. The bonds mature ten years from the issue date and carry a coupon interest rate of 6.5% payable on 31 December each year.

112.81(a)
132.38

The amount of the convertible bonds classified as equity is net of attributable transaction costs. Deferred tax liability of RM6,700,000 has been recognised directly to statements of changes in equity.

(a) Refer to commentary (1) in Note 22's commentary.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. LOANS AND BORROWINGS (CONTINUED)

7.7
7.31

(e) Medium-term notes

The Company and a wholly-owned subsidiary of the Company, HHH Development Sdn Bhd ("HHH") established a multi-currency Medium-Term Notes ("MTN") Programme arranged by Credit Diners (M) Sdn Bhd with the purpose to issue MTN up to RM10,000,000 and RM30,000,000 respectively. The MTN programme can be utilised during the 10-year tenure commencing from the date of the first issue under the MTN programme on 1 June 2021. The net proceeds from the issuance of the MTN is expected to be utilised for general corporate purposes, which include financing on potential acquisition, strategic expansion, general working capital and capital expenditures.

The salient features of the MTN Programme are as follows:
(i) The Company and HHH may, subject to compliance with all the relevant laws and regulations, from time to time, issue MTN in series or tranches with aggregate nominal value of the outstanding MTN not exceeding RM10,000,000 and RM30,000,000 respectively and agreed between the relevant dealer(s) and the Company and HHH;
(ii) Each series or tranche of MTN may be issued in various amounts and tenors, and may bear fixed, floating, variable or hybrid rates of interest ranging from 7.1% to 7.5% (31.12.2022: 7.0% to 7.35%);
(iii) The payment obligations of HHH under the MTN and certain other obligations under the documents pursuant to the MTN Programme ("Programme Documents") will be unconditionally and irrevocably guaranteed by the Company in accordance with the provisions of the applicable Programme Documents; and
(iv) The Company and HHH shall maintain their debts to equity ratio of not more than 1.25 times.

132.15
132.18(a)
101.79(a)(v)

(f) Redeemable preference shares

On 1 June 2021, 40,000,000 redeemable preference shares of RM1 each were issued by the Company at an issue price of RM1 per share. The salient features of the redeemable preference shares are as follows:
- They do not carry the right to vote;
- They carry a fixed cumulative dividend of 5% per annum;
- They are not convertible to ordinary shares; and
- They are redeemable at the option of the holders on or after 31 December 2024 at RM1.25 each.

7.7
7.14
7.31

(g) Revolving credit

The revolving credit of the Group and the Company are secured by way of:
(i) a pledge of short-term deposits;
(ii) legal charge over the investment properties of a subsidiary; and
(iii) legal charge over the biological assets of a subsidiary.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. LOANS AND BORROWINGS (CONTINUED)

Commentary:

101.72 ❶ An entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting period, even if:

(a) The original term was for a period longer than twelve months, and
(b) An agreement to refinance, or to reschedule payment, on a longer-term basis is completed after the reporting period and before the financial statements are authorised for issue.

The entity shall consider the following factors in determining the classification of loans and borrowings:

Unconditional right to defer settlement of the liability for at least 12 months after the reporting period? (MFRS 101.69(d))

A right is **NOT CREATED** as at the end of the reporting period by agreement entered into **AFTER** the reporting period. Circumstances include:	A right is **CREATED** as at the end of the reporting period by agreement entered into **BEFORE** the reporting period. Circumstances include:
- The liabilities are due to be settled within 12 months after the reporting date even if the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorised for issue. (MFRS 101.72)	- An agreement to refinance or roll over a liability is in place at the end of the reporting period and the entity expects and has discretion to refinance or roll over the obligation for at least 12 months after the reporting period under an existing loan facility. (MFRS101.73)
- Refinancing on a long-term basis is agreed after the reporting period. (MFRS 101.76(a))	- N/A

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. LOANS AND BORROWINGS (CONTINUED)

Commentary (continued):

1. An entity shall consider the following factors in determining the classification of loans and borrowings (continued):

- The borrower breaches a provision of a long-term arrangement on or before the end of reporting period with the effect that the liabilities becomes repayable on demand, even if the lender agrees after the reporting period not to demand payment, as a consequences of the breach. (MFRS101.74)	- The borrower breaches a provision of a long-term arrangement on or before the end of reporting period with the effect that the liabilities becomes repayable on demand, but, the lender agrees by the end of the reporting period to provide a period of grace of at least 12 months after the reporting period within which the entity can rectify the breach and during which the lender cannot demand immediate repayment. (MFRS101.75)
- A period of grace is granted after the reporting period. (MFRS101.76(c))	- N/A
- The breach is rectified after the reporting period. (MFRS101.76(b))	- N/A
↓	↓
Classify the liability as **CURRENT**	Classify the liability as **NON-CURRENT**

7.19 2. If, during the period, there were breaches of loan agreement terms other than those described in MFRS 7.18, an entity shall disclose the same information as required by MFRS 7.18 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period).

7.18 For loans payable recognised at the end of the reporting period, an entity shall disclose:
(a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loan payable;
(b) the carrying amount of the loans payables in default at the end of the reporting period; and
(c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. EMPLOYEE BENEFITS ❶❷❸

	Group	
	31.12.2023 RM'000	**31.12.2022 RM'000**
Non-current:		
Liabilities		
Defined benefit pension plan	7,349	5,799
Post-employment healthcare benefit plan	1,151	1,101
	8,500	6,900

Reference		Note	Group	
			2023 RM'000	**2022 RM'000**
	Included in profit or loss (Note 34)			
	Defined benefit pension plan	**(a)**	2,475	2,329
	Post-employment healthcare benefit plan	**(b)**	1,070	970
			3,545	3,299
	Remeasurement			
119.120(c)	Defined benefit pension plan	**(a)**	(380)	(2,030)

119.67-68
119.83
The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation. *[Where there is no deep market in such bonds, the market rates on government bonds denominated in that currency are used.]*

119.139(a) **(a) Defined benefit pension plan**

The Group's defined benefit pension plan requires contributions to be made to a separately administered fund. This plan provides benefits to members in the form of a guaranteed level of pension payable in perpetuity. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

119.147(a) The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. Employees are not required to contribute to the plans.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined benefit pension plan (continued)

119.140(a) The amounts recognised in the statements of financial position are as follows:

	Group	
	31.12.2023 RM'000	**31.12.2022 RM'000**
Present value of funded obligations	15,349	14,599
Fair value of plan assets	(8,000)	(8,800)
Net defined benefit liability	7,349	5,799

Movement in the net defined benefit liability

The following table illustrates a reconciliation of the net defined benefit liability and its components:

Reference		**Present value of obligation RM'000**	**Fair value of plan assets RM'000**	**Net defined benefit liability RM'000**
	At 1 January 2022	(14,900)	9,300	(5,600)
	Included in profit or loss			
119.141(a)	Current service cost	(1,900)	-	(1,900)
119.141(b)	Interest (expense)/income	(894)	465	(429)
		(2,794)	465	(2,329)
	Included in other comprehensive income			
	Remeasurement gain of the net defined benefit liability			
119.141(c)(i)	- Return on plan assets, excluding amounts included in interest (expense)/income	-	930	930
	- Actuarial (loss)/gain arising from changes in:			
119.41(c)(ii)	(a) Demographic assumptions	(700)	-	(700)
119.41(c)(iii)	(b) Financial assumptions	1,800	-	1,800
		1,100	930	2,030
	Others			
119.141(e)	Effects of changes in foreign exchange rates	50	50	100
119.141(g)	Benefit payments	651	(651)	-
119.141(g)	Payments on settlement	1,294	(1,294)	-
	At 31 December 2022	(14,599)	8,800	(5,799)

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined benefit pension plan (continued)

Movement in the net defined benefit liability (continued)

The following table illustrates a reconciliation of the net defined benefit liability and its components (continued):

Reference		Present value of obligation RM'000	Fair value of plan assets RM'000	Net defined benefit liability RM'000
	At 31 December 2022 (continued)	(14,599)	8,800	(5,799)
	Included in profit or loss			
119.141(a)	Current service cost	(2,000)	-	(2,000)
119.141(b)	Interest (expense)/income	(915)	440	(475)
		(2,915)	440	(2,475)
	Included in other comprehensive income			
	Remeasurement gain/(loss) of the net defined benefit liability			
119.141(c)(i)	- Return on plan assets, excluding amounts included in interest (expense)/income	-	(120)	(120)
	- Actuarial gain/(loss) arising from changes in:			
119.41(c)(ii)	(a) Demographic assumptions	1,000	-	1,000
119.41(c)(iii)	(b) Financial assumptions	(500)	-	(500)
		500	(120)	380
	Others			
119.141(e)	Effects of changes in foreign exchange rates	(100)	30	(70)
119.141(g)	Contribution by employers	-	615	615
119.141(g)	Benefit payments	1,765	(1,765)	-
	At 31 December 2023	(15,349)	8,000	(7,349)

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined benefit pension plan (continued)

119.142 Components of plan assets

The plan assets comprise:

Reference		Group	
		31.12.2023 RM'000	31.12.2022 RM'000
119.142(b)	Equity investments:		
	- Quoted equity investments in Singapore:		
	(a) bank sector investments	700	600
	(b) trading sector investments	800	600
	- Quoted equity investments in China:		
	(a) telecommunication sector investments	500	680
	(b) manufacturing sector investments	500	420
	- Equity investment funds	300	750
		2,800	3,050
119.142(c)	Debt investments:		
	- Quoted foreign government bonds	4,000	4,500
	- Structured debts	1,000	1,050
		5,000	5,550
119.142(a)	Cash and cash equivalents	200	200
		8,000	8,800

All equity and debts investments are quoted in active markets. All government bonds are issued by Malaysian government and are rated AAA or AA, based on Synergy's ratings. In general, the Group maintains a mix portfolio of 35-65 in equity and debt instruments respectively.

119.139(b)
119.146
The defined benefit plans expose the Group to actuarial risks, includes longevity risk, currency risk, interest rate risk and equity market risk. The Group does not use derivatives to manage its risk. The Group actively monitors how the duration and the expected yield of the investments are matched with the expected cash outflows.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. EMPLOYEE BENEFITS (CONTINUED)

(b) Post-employment healthcare benefit plan

The method of accounting and significant assumptions is similar to those used for defined benefit pension plan set out above with addition of actuarial assumptions relating to the long-term increase in healthcare costs of 6% (31.12.2022: 5.8%).

119.140(a) Movement in the defined benefit liability

The following table illustrates a reconciliation of the net defined benefit liability and its components:

Reference		Defined benefit obligation RM'000
	At 1 January 2022	**400**
119.141(a)	Current service cost	600
119.141(b)	Interest expense	370
119.141(g)	Benefit payments	(349)
119.141(e)	Effects of changes in foreign exchange rates	80
	At 31 December 2022	**1,101**
119.141(a)	Current service cost	730
119.141(b)	Interest expense	340
119.141(g)	Benefit payments	(920)
119.141(e)	Effects of changes in foreign exchange rates	(100)
	At 31 December 2023	**1,151**

119.144 Significant actuarial assumptions

The significant actuarial assumptions applied in the measurement of defined benefit pension plan and post-employment healthcare benefit plan are as follows:

	31.12.2023		**31.12.2022**	
	China %	**Singapore %**	**China %**	**Singapore %**
Discount rate	4.7	4.0	4.8	4.1
Future salary growth	5.0	5.0	4.5	4.5
Future increases in employee benefits	3.2	3.1	3.2	3.1
Future increases in healthcare costs	2.7	2.3	2.4	2.2

Assumptions on future mortality are determined based on the published past statistics and actual experience in each jurisdiction. The measurements assume an average life expectancy of 23 years for an employee retiring at age 60.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. EMPLOYEE BENEFITS (CONTINUED)

119.145(a) Sensitivity analysis

The sensitivity of the defined benefit obligation to the significant actuarial assumptions at the end of reporting period are shown below:

	Reasonably possible change in assumption	Effect on defined benefit obligation	
Group	**%**	**RM'000**	**RM'000**
31.12.2023			
Discount rate	1.0	(2,850)	2,940
Future salary growth	1.0	1,320	(1,210)
Future increases in employee benefits	1.0	3,300	(3,080)
Future increases in healthcare costs	1.0	1,580	(1,370)
31.12.2022			
Discount rate	1.0	(2,650)	2,835
Future salary growth	1.0	1,220	(1,091)
Future increases in employee benefits	1.0	3,078	(2,880)
Future increases in healthcare costs	1.0	1,465	(1,284)

119.145(b) The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in significant actuarial assumptions occurring at the end of reporting period. ❹

119.147(b) The expected payments or contributions to the defined benefit plan in future years are shown below:

	Group	
	31.12.2023 RM'000	**31.12.2022 RM'000**
Within the next 12 months (next annual reporting period)	xxx	xxx
Between 2 to 5 years	xxx	xxx
Between 5 to 10 years	xxx	xxx
Beyond 10 years	xxx	xxx
Total expected payments	xxx	xxx

119.147(c) The average duration of the defined benefit plan obligation at the end of the reporting period is XX years (2022: XX years).

Commentary:

119.122
119.127-130

❶ Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) and the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. EMPLOYEE BENEFITS (CONTINUED)

Commentary (continued):

119.123
119.134
❶ The net interest is calculated by applying the discount to the net balance of the defined benefit obligation and fair value of plan assets. The following costs is recognised in profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

❷ **Termination benefits**

119.165 Termination benefits are expensed at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognise costs for restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

❸ **Other long-term employee benefits**

119.153 Other long-term employee benefits include long term paid absences, long term disability benefits and other long service benefits.

119.155
119.156
Liability recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the entity in respect of services provided by employees up to the reporting date. The net total of the following amounts should be recognised in profit or loss, except to the extent that another MFRS requires or permits their inclusion in the cost of an asset:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of the net defined benefit liability or asset.

119.145(c) ❹ An entity shall disclose changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis and the reason for such change.

25. DEFERRED INCOME

		Group		Company	
	Note	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Non-current					
Government grants:					
At 1 January		10,500	11,600	1,800	1,500
Received during the financial year	**(a)**	9,000	6,900	3,700	2,300
Initial difference from valuing government loan at below-market interest rates	**(b)**	4,000	-	-	-
Released to profit or loss		(8,500)	(8,000)	(2,000)	(2,000)
At 31 December		15,000	10,500	3,500	1,800

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. DEFERRED INCOME (CONTINUED)

120.39(b) **(a) Government grants relates to assets**

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

120.39(b) **(b) Government loan**

On 31 December 2023, the Group received an interest-free loan of RM12,000,000 from the Malaysian government to finance a research project on the refinery of oil palm over a period of 5 years. The loan is repayable in full at the end of the fifth year. Using the prevailing market interest rate of 5.4% for an equivalent loan, the fair value of the loan is estimated to be RM8,000,000 as disclosed in Note 23(c). The difference of RM4,000,000 from the net of the gross proceeds and the fair value of the loan is recognised as above. Interest expense of RM120,000 shall be recognised in financial year ending 31 December 2024.

The deferred income is offset against the research costs when incurred.

26. PROVISIONS 1

Reference		Warranties	Site restoration costs	Legal claims	Total
	Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
	At 1 January 2022	10,400	-	2,000	12,400
	Recognised in profit or loss	1,000	2,000	-	3,000
	Utilised during the financial year	(975)	-	-	(975)
	Reversed during the financial year	*xxx*	*xxx*	*xxx*	*xxx*
	Unwinding of discount	375	-	-	375
137.84(a)	At 31 December 2022	10,800	2,000	2,000	14,800
137.84(b)	Recognised in profit or loss	5,500	-	1,000	6,500
137.84(c)	Utilised during the financial year	(2,600)	-	-	(2,600)
137.84(d)	Reversed during the financial year	(880)	-	-	(880)
137.84(e)	Unwinding of discount	280	500	-	780
137.84(a)	At 31 December 2023	**13,100**	**2,500**	**3,000**	**18,600**
	31.12.2023				
	Non-current	8,600	2,500	-	11,100
	Current	4,500	-	3,000	7,500
		13,100	**2,500**	**3,000**	**18,600**
	31.12.2022				
	Non-current	9,300	2,000	-	11,300
	Current	1,500	-	2,000	3,500
		10,800	**2,000**	**2,000**	**14,800**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. PROVISIONS (CONTINUED)

Reference		Site restoration costs	Legal claims	Total
	Company	**RM'000**	**RM'000**	**RM'000**
	At 1 January 2022	-	500	500
	Recognised in profit or loss	500	-	500
	Utilised during the financial year	*xxx*	*xxx*	*xxx*
	Reversed during the financial year	(15)	-	(15)
	Unwinding of discount	15	-	15
137.84(a)	At 31 December 2022	500	500	1,000
137.84(b)	Recognised in profit or loss	2,500	-	2,500
137.84(c)	Utilised during the financial year	(800)	-	(800)
137.84(d)	Reversed during the financial year	(250)	-	(250)
137.84(e)	Unwinding of discount	50	-	50
137.84(a)	At 31 December 2023	**2,000**	**500**	**2,500**
	31.12.2023			
	Non-current	2,000	-	2,000
	Current	-	500	500
		2,000	**500**	**2,500**
	31.12.2022			
	Non-current	500	-	500
	Current	-	500	500
		500	**500**	**1,000**

(a) Warranties 2

137.85(a) 137.85(b) 137.39 15.B30 15.117 The provision for warranties represents the present value of the directors' best estimates of future economic obligation that will be required under the Group's obligation for warranties on plastic mould sold *[and services provided]* during the last two financial years. The provision is recognised based on estimation made from historical warranty data associated with similar goods *[and services]* of the level of repairs and returns within the warranty period.

(b) Site restoration costs

137.21 137.85(a) 137.85(b) 101.125 101.129 In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. PROVISIONS (CONTINUED)

(b) Site restoration costs (continued)

A provision of RM2,500,000 was made during the financial year ended 31 December 2023 in respect of the Company's obligation to dismantle and remove the items and restore the site on which the plant is located in China after the end of six tenure periods. The Company has estimated a range of reasonably possible outcomes of the total cost of RM3,250,000, reflecting different assumptions about the pricing of the individual components of cost. The provision has been calculated using a discount rate of 4.5%, which is the risk-free rate in the jurisdiction of the liability.

(c) Legal claims

137.16
137.85

The provisions relate to a legal action by a former employee on his retrenchment issue and legal claims brought against the Group by its customers of the manufacturing operating segment. The probability-weighted expected outcome is applied in the measurement, taking into account past court judgements made in similar cases and advice of legal experts.

In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts as provided in the financial statements.

Commentary:

1 Other illustrative material accounting policy information for provisions:

Illustrative material accounting policy information for decommissioning liability

116.16(c)
137.45
137.47

The Group records a provision for decommissioning costs of a manufacturing facility for the production of retardant materials. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability.

Illustrative material accounting policy information for onerous contracts

137.66
137.68
137.69

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the lower of the present value of the expected cost of terminating the contract and the present value of the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. PROVISIONS (CONTINUED)

Commentary (continued):

❶ **Other illustrative material accounting policy information for provisions: (continued)**

Illustrative material accounting policy information for restructuring

137.71
137.72
137.82
A provision for restructuring is recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Illustrative material accounting policy information for contingent liabilities acquired in a business combination

3.56 A contingent liability acquired in a business combination is initially measured at fair value at the acquisition date. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with MFRS 137 and the amount initially recognised less, if appropriate, cumulative amount of income recognised in accordance with the principles of MFRS 15.

137.45
137.47
137.60
❷ If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

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

101.77 27. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		31.12.2023 RM'000	**31.12.2022 RM'000**	**31.12.2023 RM'000**	**31.12.2022 RM'000**
Non-current:					
Non-trade					
Amount owing to ultimate holding company	**(c)**	4,000	4,000	2,000	2,000
Amount owing to subsidiaries	**(c)**	-	-	1,000	1,000
Amount owing to related companies	**(c)**	2,000	2,000	1,000	1,000
		6,000	**6,000**	**4,000**	**4,000**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.77

27. TRADE AND OTHER PAYABLES (CONTINUED)

	Note	Group 31.12.2023 RM'000	Group 31.12.2022 RM'000	Company 31.12.2023 RM'000	Company 31.12.2022 RM'000
Current:					
Trade					
Trade payables	**(a)**	69,090	64,253	11,298	27,544
Retention sum	*(a)*	*xxx*	*xxx*	*xxx*	*xxx*
		69,090	64,253	11,298	27,544
Non-trade					
Other payables	**(b)**	9,728	2,347	2,502	2,856
Contingent consideration		5,262	-	1,000	1,000
Accruals		8,550	6,400	500	500
Amount owing to ultimate holding company	**(c)**	3,000	2,300	500	500
Amount owing to related companies	**(c)**	4,500	6,400	1,000	1,000
Amount owing to related parties	**(c)**	2,370	4,500	-	-
		33,410	21,947	5,502	5,856
Total trade and other payables (current)		**102,500**	**86,200**	**16,800**	**33,400**
Total trade and other payables (non-current and current)		**108,500**	**92,200**	**20,800**	**37,400**

101.61

(a) Trade payables are non-interest bearing and are normally settled on 60-day terms. *The retention sum which is payable upon the expiry of defect liability period is expected to be settled as follows*:

	Group 31.12.2023 RM'000	*Group 31.12.2022 RM'000*	*Company 31.12.2023 RM'000*	*Company 31.12.2022 RM'000*
Within one year	xxx	xxx	xxx	xxx
Later than one year	xxx	xxx	xxx	xxx
Total	**xxx**	**xxx**	**xxx**	**xxx**

(b) Other payables are non-interest bearing and have an average term of 6 months.

(c) Amount owing to ultimate holding company, related companies and related parties are unsecured, non-interest bearing, repayable upon demand and are expected to be settled in cash.

7.39(c)

For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 39(b)(ii).

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. REVENUE 1

15.113(a)
15.B89(a)

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue from contract customers:				
Sale of agricultural commodities	476,574	307,300	-	-
Sale of goods	309,950	256,800	-	-
Property development	557,760	333,480	102,300	98,600
Construction contracts	428,918	272,555	40,300	51,900
Concession arrangement *	104,000	-	104,000	-
	1,877,202	1,170,135	246,600	150,500
Revenue from other source:				
Rental income from investment property	29,098	20,865	3,900	3,500
	1,906,300	**1,191,000**	**250,500**	**154,000**

* These relate to construction revenue recognised in accordance with IC Interpretation 12 and MFRS 15 in respect of the construction of the convention centre and power plant pursuant to the concession arrangements as disclosed in Note 9(b).

15.114-115

(a) Disaggregation of revenue 2

15.IE210
15.B89

The Group and the Company report the following major segments: plantation, construction services, service concession, property development and manufacturing in accordance with MFRS 8 *Operating Segments*. For the purpose of disclosure for disaggregation of revenue, it disaggregates revenue into primary geographical markets, major goods or services, timing of revenue recognition (i.e. goods transferred at a point in time or services transferred over time).

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. REVENUE (CONTINUED)

15.114
15.115
15.IE210
15.B89

(a) Disaggregation of revenue (continued)

Group 2023	Plantation RM'000	Construction services RM'000	Service concession RM'000	Property development RM'000	Manufacturing RM'000	Total RM'000
Primary geographical markets:						
Asia	262,116	428,918	104,000	557,760	185,970	1,538,764
North America	166,801	-	-	-	77,487	244,288
Europe	47,657	-	-	-	46,493	94,150
	476,574	**428,918**	**104,000**	**557,760**	**309,950**	**1,877,202**
Major goods or services:						
Crude palm oil	357,431	-	-	-	-	357,431
Palm kernel	119,143	-	-	-	-	119,143
Construction services	-	300,243	104,000	-	-	404,243
Engineering services	-	128,675	-	-	-	128,675
Office properties	-	-	-	223,104	-	223,104
Residential units	-	-	-	334,656	-	334,656
Plastic moulds	-	-	-	-	309,950	309,950
	476,574	**428,918**	**104,000**	**557,760**	**309,950**	**1,877,202**
Timing of revenue recognition:						
At a point in time	476,574	-	-	-	309,950	786,524
Over time	-	428,918	104,000	557,760	-	1,090,678
	476,574	**428,918**	**104,000**	**557,760**	**309,950**	**1,877,202**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. REVENUE (CONTINUED)

15.114
15.115
15.IE210
15.B89

(a) Disaggregation of revenue (continued)

Group 2022	Plantation RM'000	Construction services RM'000	Property development RM'000	Manufacturing RM'000	Total RM'000
Primary geographical market:					
Asia	169,015	272,555	333,480	154,080	929,130
North America	107,555	-	-	64,200	171,755
Europe	30,730	-	-	38,520	69,250
	307,300	**272,555**	**333,480**	**256,800**	**1,170,135**
Major goods or services:					
Crude palm oil	230,475	-	-	-	230,475
Palm kernel	76,825	-	-	-	76,825
Construction services	-	190,789	-	-	190,789
Engineering services	-	81,766	-	-	81,766
Office properties	-	-	133,392	-	133,392
Residential units	-	-	200,088	-	200,088
Plastic moulds	-	-	-	256,800	256,800
	307,300	**272,555**	**333,480**	**256,800**	**1,170,135**
Timing of revenue recognition:					
At a point in time	307,300	-	-	256,800	564,100
Over time	-	272,555	333,480	-	606,035
	307,300	**272,555**	**333,480**	**256,800**	**1,170,135**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. REVENUE (CONTINUED)

15.114
15.115
15.IE210
15.B89

(a) Disaggregation of revenue (continued)

Company 2023	**Construction services RM'000**	**Service concession RM'000**	**Property development RM'000**	**Total RM'000**
Primary geographical market:				
Asia	**40,300**	**104,000**	**102,300**	**246,600**
Major goods or services:				
Construction services	30,300	104,000	-	134,300
Engineering services	10,000	-	-	10,000
Office properties	-	-	42,300	42,300
Residential units	-	-	60,000	60,000
	40,300	**104,000**	**102,300**	**246,600**
Timing of revenue recognition:				
Over time	**40,300**	**104,000**	**102,300**	**246,600**

2022	**Construction services RM'000**	**Property development RM'000**	**Total RM'000**
Primary geographical market:			
Asia	**51,900**	**98,600**	**150,500**
Major goods or services:			
Construction services	21,900	-	21,900
Engineering services	30,000	-	30,000
Office properties	-	48,600	48,600
Residential units	-	50,000	50,000
	51,900	**98,600**	**150,500**
Timing of revenue recognition:			
Over time	**51,900**	**98,600**	**150,500**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. REVENUE (CONTINUED)

15.120
15.IE212-218

(b) Transaction price allocated to the remaining performance obligations 3 4

Group **At 31 December 2023**	**2024 RM'000**	**2025 RM'000**	**2026 RM'000**	**Total RM'000**
Revenue expected to be recognised on:				
- Construction contracts	250,000	150,000	50,000	450,000
- Property development contracts	300,000	200,000	60,000	560,000
	550,000	350,000	110,000	1,010,000

Company **At 31 December 2023**	**2024 RM'000**	**2025 RM'000**	**2026 RM'000**	**Total RM'000**
Revenue expected to be recognised on:				
- Construction contracts	30,000	20,000	-	50,000
- Property development contracts	150,000	60,000	20,000	230,000
	180,000	80,000	20,000	280,000

15.121(a)
15.122

The Group and the Company apply the practical expedient in paragraph 121(a) of MFRS 15 and do not disclose information about remaining performance obligations that have original expected durations of one year or less. 5

Commentary:

IC Int 22

1 IC Interpretation 22 *Foreign Currency Transaction and Advance Consideration* clarified the date of the transaction for the purpose of determining exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The exchange rate should be based on the rate at the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

15.B89

2 Examples of categories that might be appropriate include, but are not limited to, all of the following:
(a) type of good or service (for example, major product lines);
(b) geographical region (for example, country or region);
(c) market or type of customer (for example, government and non-government customers);
(d) type of contract (for example, fixed-price and time-and-materials contracts);
(e) contract duration (for example, short-term and long-term contracts);
(f) timing of transfer of goods or services (for example, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time); and
(g) sales channels (for example, goods sold directly to consumers and goods sold through intermediaries).

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. REVENUE (CONTINUED)

Commentary (continued):

15.120

3. An entity shall disclose the following information about its remaining performance obligations:
   (a) the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period; and
   (b) an explanation of when the entity expects to recognise as revenue the amount disclosed in accordance with paragraph 120(a), which the entity shall disclose in either of the following ways:
      (i) on a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations; or
      (ii) by using qualitative information.

15.IE220-221

Illustrative disclosure by using qualitative information

As of 31 December 2023, the aggregate amount of the transaction price allocated to the remaining performance obligation for property development contracts is RM6.8 million and the entity will recognise this revenue as the building is completed, which is expected to occur over the next 12–18 months.

15.122

4. An entity shall disclose whether any consideration from contracts with customers is not included in the transaction price and, therefore, not included in the information disclosed for the remaining obligations of performance obligation that are unsatisfied (or partially unsatisfied).

15.121

5. An entity may apply the practical expedient to not disclose the information about the remaining obligations for a performance obligation that are unsatisfied (or partially unsatisfied) if either of the following conditions is met:
   (a) the performance obligation is part of a contract that has an original expected duration of one year or less; or
   (b) the entity recognises revenue from the satisfaction of the performance obligation when the entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

15.122

If an entity elects to use the practical expedient, it shall disclose the fact.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. COST OF SALES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cost of agricultural commodities sold	433,682	276,570	-	-
Cost of manufactured goods sold	282,054	231,120	-	-
Cost of sales of property development units	507,560	300,130	45,700	58,600
Cost of construction services	390,314	248,000	21,460	43,100
Service concession costs	94,640	-	94,640	-
Direct operating expenses of investment properties	26,480	16,080	1,200	1,200
	1,734,730	1,071,900	163,000	102,900

30. OTHER INCOME

Reference		Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
	Dividend income from financial assets at FVOCI	1,500	1,350	1,050	1,000
140.76(d)	Fair value gain on investment properties	4,000	3,000	2,000	2,100
140.75(f)(i)	Rental income from investment property	3,600	2,200	-	-
141.40	Fair value gain of produce growing on bearer plants	68,600	-	-	-
7.20(a)(i)	Net fair value gain on derivatives	800	-	-	600
7.20(a)(i)	Net fair value gain on fair value hedge	-	1,300	-	2,200
101.34(a)	*Net fair value gain on disposal of financial asset at FVOCI*	*xxx*	*xxx*	*xxx*	*xxx*
101.34(a) 101.98(c)	Gain on disposal of property, plant and equipment	300	200	500	300
12.19(b)	Gain on disposal of a subsidiary	400	-	-	-
121.52(a)	Net unrealised foreign exchange gain	-	4,968	200	-
	Reversal of provisions	880	-	250	15
	Amortisation of government grant income	8,500	8,000	2,000	2,000
16.53(f)	*Income from subleasing right-of-use assets*	*xxx*	*xxx*	*xxx*	*xxx*
16.90(b)	*Income relating to variable lease payments not included in the measurement of finance lease receivables*	*xxx*	*xxx*	*xxx*	*xxx*
	Gain arising from sale and leaseback transactions	*xxx*	*xxx*	*xxx*	*xxx*
	Miscellaneous	520	432	2,950	1,785
		89,100	21,450	8,950	10,000

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. FINANCE INCOME

Reference		Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
	Interest income on short-term deposits	480	220	100	100
	Interest income on finance lease receivables	120	80	-	-
7.20(b)	Interest income on debt securities measured at amortised cost	2,420	2,870	1,650	1,800
	Interest income on impaired financial assets	80	80	-	-
		3,100	**3,250**	**1,750**	**1,900**

32. FINANCE COSTS ❶

Reference		Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
7.20(b)	Interest expense on:				
	- Term loans	9,206	9,154	3,016	2,034
	- Revolving credit	248	178	98	75
	- Convertible bonds	2,452	-	2,452	-
	- Medium-term notes	892	1,334	1,295	2,321
	- Redeemable preference shares	2,000	2,000	1,000	500
16.53(b)	- Lease liabilities	1,300	1,200	-	-
137.84(e)	Unwinding of discounts on:				
	- Contingent consideration	262	-	-	-
	- Provisions	780	375	50	15
		17,140	**14,241**	**7,911**	**4,945**

Commentary:

123.5 ❶ Borrowing costs are interests and other costs that an entity incurs in connection with borrowing of funds.

123.8 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.

123.5
123.8 Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. FINANCE COSTS (CONTINUED)

Commentary (continued):

123.17 ❶ The entity begins capitalising borrowing costs when it 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.

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

33. PROFIT BEFORE TAX

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

Reference		Note	Group		Company	
			2023 RM'000	**2022 RM'000**	**2023 RM'000**	**2022 RM'000**
	Auditors' remuneration - statutory audit:					
	- Baker Tilly Monteiro Heng PLT		250	240	110	100
	- Member firms of Baker Tilly International		50	20	-	-
	- Other auditors		78	65	-	-
	Other services					
	- Baker Tilly Monteiro Heng PLT		60	55	40	38
	- Member firms of Baker Tilly International		*xxx*	*xxx*	*xxx*	*xxx*
	- Other auditors		*xxx*	*xxx*	*xxx*	*xxx*
101.104, 116.75(a)	Depreciation of property, plant and equipment	**5, 19(b)**	12,530	12,350	4,930	4,790
101.98(a), 136.126(a), 101.104	Impairment loss on property, plant and equipment	**5**	1,000	1,500	-	-
138.118(d)	Amortisation of intangible assets	**9**	7,900	4,950	6,000	2,000
136.126(a)	Impairment loss on intangible assets	**9**	500	3,000	-	-
16.53(c)	*Expense relating to short-term lease* ❶		*xxx*	-	*xxx*	-
16.53(d)	*Expense relating to lease of low value assets* ❷		*xxx*	-	*xxx*	-
16.53(e)	*Expense relating to variable lease payment not included in the measurement of lease liabilities*		*xxx*	-	*xxx*	-
16.53(i)	*Losses arising from sale and leaseback transactions*		*xxx*	-	*xxx*	-

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. PROFIT BEFORE TAX (CONTINUED)

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

Reference		Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
141.50(a)	Fair value loss of produce growing on bearer plants		-	3,047	-	-
7.20(a)(i)	Net fair value loss on derivatives		-	1,850	100	-
7.20(a)(i)	Net fair value loss on fair value hedge		800	-	3,900	-
136.126(a)	Impairment losses on financial					
15.113(b)	assets and contract assets:					
	- Impairment loss on trade and other receivables		1,500	1,500	300	300
	- Impairment loss on contract assets		1,050	958	335	277
136.126(b)	- Reversal of impairment losses on trade and other receivables		(100)	-	-	-
101.98(a)	Inventories written down		200	240	20	25
138.126	Research and development expenditure		1,000	500	-	-
121.52(a)	Net realised foreign exchange loss		6,200	6,500	-	-
121.52(a)	Net unrealised foreign exchange loss		5,838	-	-	500
	Provision for warranties	**26**	5,500	1,000	-	-
	Provision for site restoration costs	**26**	-	2,000	2,500	500
	Provision for legal claims	**26**	1,000	-	-	-
101.104	Employee benefits expense	**34**	58,600	48,200	24,900	19,900

Commentary:

16.53(c) **1** To exclude expense relating to leases with lease term of one month or less.

16.53(d) **2** To exclude expense relating to short-term lease of low-value assets which has been included in the disclosure for "expense relating to short-term lease".

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.104

34. EMPLOYEE BENEFITS EXPENSE

Reference		Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
	Wages and salaries		49,255	32,001	22,700	10,000
119.53	Defined contribution plans ❶		5,800	4,300	2,200	1,300
	Defined benefit plans ❷	**24**	3,545	3,299	-	-
2.51(a)	Share-based payments		-	8,600	-	8,600
2.50			**58,600**	**48,200**	**24,900**	**19,900**
	Included in employee benefits expenses are:					
5Sch(I)(2)(a)	**Directors of the Company**					
	Executive directors					
	- Fees		2,000	2,000	600	600
	- Other emoluments		6,600	6,000	2,200	1,600
			8,600	8,000	2,800	2,200
	Non-executive directors					
	- Fees		*xxx*	*xxx*	*xxx*	*xxx*
	- Other emoluments		*xxx*	*xxx*	*xxx*	*xxx*
			xxx	*xxx*	*xxx*	*xxx*
			8,600	**8,000**	**2,800**	**2,200**

Commentary:

119.44

❶ As required by law, the entity 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.

❷ Refer commentary in Note 24

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. INCOME TAX EXPENSE

112.79 The major components of income tax expense for the financial years ended 31 December 2023 and 31 December 2022 are as follows:

Reference		Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
	Statements of comprehensive income					
	Continuing operations					
	Current income tax:					
112.80(a)	- Current income tax charge		42,070	22,335	11,050	5,310
112.80(b)	- Adjustment in respect of prior years		(570)	(1,335)	250	(110)
			41,500	21,000	11,300	5,200
	Deferred tax:					
112.80(c)	Origination of temporary differences		3,100	2,400	3,200	750
112.80(d)	Effect of changes in tax rate		-	(100)	-	(50)
			3,100	2,300	3,200	700
	Income tax expense attributable to continuing operations		44,600	23,300	14,500	5,900
	Income tax (benefit)/expense attributable to discontinued operation	**19(b)**	(700)	500	-	-
	Income tax expense recognised in profit or loss		**43,900**	**23,800**	**14,500**	**5,900**

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2022: 24%) of the estimated assessable profit for the financial year. 1

Commentary:

112.84 1 **Illustrative disclosure when an entity exposes to foreign income tax**

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2022: 24%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. INCOME TAX EXPENSE (CONTINUED)

112.81(c) The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit before tax from continuing operations	178,500	93,200	58,200	27,200
(Loss)/profit before tax from discontinued operation	(3,500)	1,700	-	-
Accounting profit before tax	175,000	94,900	58,200	27,200
Tax at Malaysian statutory income tax rate of 24%	42,000	22,776	13,968	6,528
Different tax rates in other countries	(1,323)	140	-	-
Share of results of associates	(3,308)	(1,400)	-	-
Share of results of joint ventures	(150)	(675)	-	-
Effect of changes in tax rate	-	(100)	-	(50)
Adjustments:				
Income not subject to tax	(12,200)	(9,600)	(418)	(1,328)
Non-deductible expenses	18,251	13,994	700	860
Deferred tax not recognised on tax losses and temporary differences	1,200	-	-	-
Adjustment in respect of current income tax of prior years	(570)	(1,335)	250	(110)
112.80(e) *Utilisation of previously unrecognised tax losses and capital allowances*	*xxx*	*xxx*	*xxx*	*xxx*
112.80(f) *Deferred tax not recognised on previously unrecognised tax losses and temporary differences*	*xxx*	*xxx*	*xxx*	*xxx*
112.80(g) *Write-down of deferred tax asset / (Reversal of a previously write-down of deferred tax assets)*	*xxx*	*xxx*	*xxx*	*xxx*
Adjustment in respect of deferred tax of prior years	*xxx*	*xxx*	*xxx*	*xxx*
Income tax expense	**43,900**	**23,800**	**14,500**	**5,900**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.90
101.91
112.81(ab)

36. OTHER COMPREHENSIVE INCOME

Group 2023	Exchange reserve RM'000	Fair value reserve for financial assets at FVOCI RM'000	Cash flow hedge reserve RM'000	Retained earnings RM'000	Sub-total (Gross) RM'000	Non-controlling interest RM'000	Total (Gross) RM'000	Income tax (expense)/ benefit RM'000	Total (Net of tax) RM'000
Items that will not be reclassified subsequently to profit or loss	-	1,562	-	607	**2,169**	681	**2,850**	(100)	**2,750**
Remeasurement of defined benefit plans	-	-	-	480	**480**	-	**480**	(100)	**380**
Fair value gain of equity instruments designated at fair value through other comprehensive income	-	1,562	-	-	**1,562**	638	**2,200**	-	**2,200**
Share of other comprehensive income of associates	-	-	-	127	**127**	43	**170**	-	**170**
Items that may be reclassified subsequently to profit or loss	5,425	-	1,376	-	**6,801**	919	**7,720**	(370)	**7,350**
Exchange differences on translation of foreign operations	5,000	-	-	-	**5,000**	50	**5,050**	-	**5,050**
Reclassification adjustments of exchange translation reserve	(1,000)	-	-	-	**(1,000)**	-	**(1,000)**	-	**(1,000)**
Fair value gain of debt instruments at fair value through other comprehensive income	*-*	*xxx*	*-*	*-*	***xxx***	*-*	***xxx***	*xxx*	***xxx***
Cash flow hedges	-	-	2,376	-	**2,376**	394	**2,770**	(570)	**2,200**
Reclassification adjustments of cash flow hedges	-	-	(1,000)	-	**(1,000)**	-	**(1,000)**	200	**(800)**
Share of other comprehensive income of associates	1,425	-	-	-	**1,425**	475	**1,900**	-	**1,900**
	5,425	1,562	1,376	607	**8,970**	1,600	**10,570**	(470)	**10,100**
Income tax expense	-	-	(370)	(100)	**(470)**	-	**(470)**		
	5,425	**1,562**	**1,006**	**507**	**8,500**	**1,600**	**10,100**		

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.90
101.91
112.81(ab)

36. OTHER COMPREHENSIVE INCOME (CONTINUED)

Group 2022	Exchange reserve RM'000	Fair value reserve for financial assets at FVOCI RM'000	Cash flow hedge reserve RM'000	Retained earnings RM'000	Sub-total (Gross) RM'000	Non-controlling interest RM'000	Total (Gross) RM'000	Income tax (expense)/ benefit RM'000	Total (Net of tax) RM'000
Items that will not be reclassified subsequently to profit or loss	-	3,245	-	2,305	**5,550**	580	**6,130**	(200)	**5,930**
Remeasurement of defined benefit plans	-	-	-	2,230	**2,230**	-	**2,230**	(200)	**2,030**
Fair value gain of equity instruments designated at fair value through other comprehensive income	-	3,245	-	-	**3,245**	555	**3,800**	-	**3,800**
Share of other comprehensive income of associates	-	-	-	75	**75**	25	**100**	-	**100**
Items that may be reclassified subsequently to profit or loss	2,250	-	(1,600)	-	**650**	220	**870**	300	**1,170**
Exchange differences on translation of foreign operations	1,800	-	-	-	**1,800**	70	**1,870**	-	**1,870**
Fair value gain of debt instruments at fair value through other comprehensive income	*-*	*xxx*	*-*	*-*	***xxx***	*-*	***xxx***	*xxx*	***xxx***
Cash flow hedges	-	-	(2,100)	-	**(2,100)**	-	**(2,100)**	400	**(1,700)**
Reclassification adjustments of cash flow hedges	-	-	500	-	**500**	-	**500**	(100)	**400**
Share of other comprehensive income of associates	450	-	-	-	**450**	150	**600**	-	**600**
	2,250	3,245	(1,600)	2,305	**6,200**	800	**7,000**	100	**7,100**
Income tax expense	-	-	300	(200)	**100**	-	**100**		
	2,250	**3,245**	**(1,300)**	**2,105**	**6,300**	**800**	**7,100**		

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.90
101.91
112.81(ab)

36. OTHER COMPREHENSIVE INCOME (CONTINUED)

Company	Fair value reserve for financial assets at FVOCI RM'000	Cash flow hedge reserve RM'000	Total (Gross) RM'000	Income tax (expense)/ benefit RM'000	Total (Net of tax) RM'000
2023					
Items that will not be reclassified subsequently to profit or loss					
Fair value gain of equity instruments designated at fair value through other comprehensive income	3,000	-	**3,000**	-	**3,000**
Items that may be reclassified subsequently to profit or loss	-	2,500	**2,500**	(300)	**2,200**
Cash flow hedges	-	2,900	**2,900**	(400)	**2,500**
Reclassification adjustments of cash flow hedges	-	(400)	**(400)**	100	**(300)**
	3,000	2,500	**5,500**	(300)	**5,200**
Income tax expense	-	(300)	**(300)**		
	3,000	**2,200**	**5,200**		
2022					
Items that will not be reclassified subsequently to profit or loss					
Fair value gain of equity instruments designated at fair value through other comprehensive income	2,000	-	**2,000**	-	**2,000**
Items that may be reclassified subsequently to profit or loss	-	2,000	**2,000**	(500)	**1,500**
Cash flow hedges	-	3,000	**3,000**	(700)	**2,300**
Reclassification adjustments of cash flow hedges	-	(1,000)	**(1,000)**	200	**(800)**
	2,000	2,000	**4,000**	(500)	**3,500**
Income tax expense	-	(500)	**(500)**		
	2,000	**1,500**	**3,500**		

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per ordinary share

133.10 Basic earnings/(loss) per share are based on the profit/(loss) for the financial year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

Reference		2023 RM'000	2022 RM'000
133.70(a)	Profit/(loss) attributable to ordinary equity holders of the Company: 1		
	- Continuing operations	121,000	60,700
	- Discontinued operation	(2,800)	1,200
		118,200	61,900

Reference		2023 '000	2022 '000
133.70(b)	Weighted average number of ordinary shares for basic earnings/(loss) per share	250,000	200,000

Reference		2023 Sen	2022 Sen
133.68	Basic earnings/(loss) per share attributable to ordinary equity holders of the Company		
	- Continuing operations	48.4	30.4
	- Discontinued operation	(1.1)	0.6
		47.3	31.0

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. EARNINGS/(LOSS) PER SHARE (CONTINUED)

Diluted earnings per ordinary share

133.31 Diluted earnings/(loss) per share are based on the profit/(loss) for the financial year attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible bonds) 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 dilutive potential ordinary shares into ordinary shares, calculated as follows:

Reference		2023 RM'000	2022 RM'000
133.70(a)	Profit attributable to ordinary equity holders of the Company: 1		
	- Continuing operations	121,000	60,700
	Interest expense on convertible bonds	2,452	-
	Profit used to determine diluted earnings per share	123,452	60,700
	(Loss)/profit from discontinued operation	(2,800)	1,200
		120,652	61,900

Reference		2023 '000	2022 '000
133.70(b)	Weighted average number of ordinary shares for basic earnings/(loss) per share	250,000	200,000
	Effect of dilution from:		
	- Convertible bonds	10,000	-
	- Share options	10,000	10,000
	Weighted average number of ordinary shares for diluted earnings/(loss) per share	270,000	210,000

Reference		2023 Sen	2022 Sen
133.68	Diluted earnings/(loss) per share attributable to ordinary equity holders of the Company		
	- Continuing operations	45.7	28.9
	- Discontinued operation	(1.0)	0.6
		44.7	29.5

133.68 There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the authorisation of these financial statements other than the issuance of 159,400 ordinary shares pursuant to the exercise of ESOS.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. EARNINGS/(LOSS) PER SHARE (CONTINUED)

Commentary:

133.12
133.66

1. An entity shall present in the statement of comprehensive income basic and diluted earnings per share for:
   (2) profit or loss from continuing operations attributable to the **ordinary equity holders** of the parent entity; and
   (3) profit or loss attributable to the ordinary equity holders of the parent entity for the period **for each class of ordinary shares that has a different right to share** in profit for the period.

   Accordingly, for the purpose of basic and diluted earnings/(loss) per ordinary share calculation, an entity shall adjust the profit or loss attributable to the parent entity for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

   Illustrative disclosure of reconciliation of profit or loss attributable to ordinary equity holders of the Company

	2023 RM'000	2022 RM'000
Profit/(loss) for the financial year attributable to owners of the Company	xxx	xxx
Less: Dividends on non-redeemable preference shares	(xxx)	(xxx)
Less: Distribution to holders of perpetual securities	(xxx)	(xxx)
Profit/(loss) attributable to ordinary equity holders of the Company	xxx	xxx

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

101.107 **38. DIVIDENDS**

	Company	
	2023 RM'000	**2022 RM'000**
Recognised during the financial year:		
Dividends on ordinary shares:		
- Single tier final dividend for the financial year ended 31 December 2022: 5.26 sen per ordinary share	10,000	-
- Single tier final dividend for the financial year ended 31 December 2021: 5.12 sen per ordinary share	-	10,000
- Single tier interim dividend for the financial year ended 31 December 2023: 3.45 sen per ordinary share	10,000	-
- Single tier interim dividend for the financial year ended 31 December 2022: 2.63 sen per ordinary share	-	5,000
	20,000	15,000

101.137(a) At the forthcoming Annual General Meeting, a single tier final dividend of 5.17 sen (2022: 5.26 sen) per ordinary share, amounting to RM15,000,000 (2022: RM10,000,000) in respect of the current financial year, based on the number of outstanding ordinary shares in issue (net of treasury shares) as at 31 December 2023, will be proposed for the shareholders' approval.

110.12
110.13 The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2024.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS

7.6
7.8

(a) Categories of financial instruments

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

(i) Amortised cost
(ii) Fair value through profit or loss ("FVPL")
(iii) Designated fair value through profit or loss ("DFVPL")
(iv) Fair value through other comprehensive income ("FVOCI")
(v) Designated fair value through other comprehensive income ("DFVOCI")

	Carrying amount RM'000	Amortised cost RM'000	FVPL RM'000	*DFVPL RM'000*	*FVOCI RM'000*	DFVOCI RM'000	Derivatives used for hedging RM'000
At 31 December 2023							
Financial assets							
Group							
Other investments	81,400	35,600	-	*xxx*	*xxx*	45,800	-
Trade and other receivables	143,700	143,700	-	*xxx*	*xxx*	-	-
Derivative financial assets	8,500	-	3,200	*xxx*	*xxx*	-	5,300
Cash and short-term deposits	38,500	38,500	-	*xxx*	*xxx*	-	-
	272,100	217,800	3,200	*xxx*	*xxx*	45,800	5,300
Company							
Other investments	53,300	27,800	-	*xxx*	*xxx*	25,500	-
Trade and other receivables	86,800	86,800	-	*xxx*	*xxx*	-	-
Derivative financial assets	4,200	-	1,500	*xxx*	*xxx*	-	2,700
Cash and short-term deposits	12,500	12,500	-	*xxx*	*xxx*	-	-
	156,800	127,100	1,500	*xxx*	*xxx*	25,500	2,700
Financial liabilities							
Group							
Loans and borrowings 1	(274,400)	(274,400)	-	*xxx*	*xxx*	-	-
Trade and other payables	(108,500)	(103,238)	(5,262)	*xxx*	*xxx*	-	-
Derivatives financial liabilities	(2,500)	-	(1,000)	*xxx*	*xxx*	-	(1,500)
	(385,400)	(377,638)	(6,262)	*xxx*	*xxx*	-	(1,500)
Company							
Loans and borrowings	(168,800)	(168,800)	-	*xxx*	*xxx*	-	-
Trade and other payables	(20,800)	(19,800)	(1,000)	*xxx*	*xxx*	-	-
Derivatives financial liabilities	(1,500)	-	-	*xxx*	*xxx*	-	(1,500)
	(191,100)	(188,600)	(1,000)	*xxx*	*xxx*	-	(1,500)

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

7.6
7.8

(a) Categories of financial instruments (continued)

	Carrying amount RM'000	Amortised cost RM'000	FVPL RM'000	*DFVPL RM'000*	*FVOCI RM'000*	DFVOCI RM'000	Derivatives used for hedging RM'000
At 31 December 2022							
Financial assets							
Group							
Other investments	76,810	37,010	-	*xxx*	*xxx*	39,800	-
Trade and other receivables	111,190	111,190	-	*xxx*	*xxx*	-	-
Derivative financial assets	6,500	-	2,500	*xxx*	*xxx*	-	4,000
Cash and short-term deposits	18,500	18,500	-	*xxx*	*xxx*	-	-
	213,000	166,700	2,500	*xxx*	*xxx*	39,800	4,000
Company							
Other investments	19,800	14,500	-	*xxx*	*xxx*	5,300	-
Trade and other receivables	23,800	23,800	-	*xxx*	*xxx*	-	-
Derivative financial assets	5,000	-	1,600	*xxx*	*xxx*	-	3,400
Cash and short-term deposits	6,500	6,500	-	*xxx*	*xxx*	-	-
	55,100	44,800	1,600	*xxx*	*xxx*	5,300	3,400
Financial liabilities							
Group							
Loans and borrowings ❶	(195,500)	(195,500)	-	*xxx*	*xxx*	-	-
Trade and other payables	(92,200)	(92,200)	-	*xxx*	*xxx*	-	-
Derivatives financial liabilities	(1,900)	-	(1,100)	*xxx*	*xxx*	-	(800)
	(289,600)	(287,700)	(1,100)	*xxx*	*xxx*	-	(800)
Company							
Loans and borrowings	(84,700)	(84,700)	-	*xxx*	*xxx*	-	-
Trade and other payables	(37,400)	(36,400)	(1,000)	*xxx*	*xxx*	-	-
Derivatives financial liabilities	(500)	-	-	*xxx*	*xxx*	-	(500)
	(122,600)	(121,100)	(1,000)	*xxx*	*xxx*	-	(500)

Commentary:

9.2.1(b) ❶ To exclude lease liabilities accounted under MFRS 16.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

7.31 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 include credit risk, liquidity risk, foreign currency risk, interest rate risk and market price 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 use derivative financial instruments, such as, foreign exchange forward contracts to hedge certain exposures. 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 Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

7.33(a)
7.33(b)
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 and the Company are exposed to credit risk from their operating activities (primarily trade receivables) and from their investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. 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 worthiness of a customer is assessed based on a set of evaluation criteria and individual credit limits are defined in accordance with this assessment.

7.35F(b)
7.B8A
9.B5.5.37
The Group and the Company consider a financial asset to be in default when:
- the counterparty 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 90 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.

9.App A
7.35F(d)
7.35G(a)(iii)
At the end of the reporting period, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Those events evidence that a financial asset is credit-impaired include observable data about the following events:
- significant financial difficulty of the counterparty;
- a breach of contract, including a default event;
- a concession or restructuring of loans granted by the lender of the counterparty relating to the counterparty's financial difficulty; or
- it is probable that the counterparty will enter bankruptcy or other financial reorganisation.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

9.5.4.4
7.35F(e)

The gross carrying amount of a financial asset is written off (either partially or in full) 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.

Trade receivables and contract assets

7.35K(a)

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

7.33(b)
7.35K(b)

The carrying amount of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. 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. The Group and the Company use ageing analysis to monitor the credit quality of trade receivables. In managing credit risks of trade receivables, the Group and the Company also take appropriate actions (including but not limited to legal actions) to recover long past due balances.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

7.34(c)
7.B8

Credit risk concentration profile
The Group and the Company determine the credit risk concentration of its trade receivables and contract assets by industry sector profile on an ongoing basis. The credit risk concentration profile of the Group's and the Company's trade receivables and contract assets at the reporting date are as follows:

Trade receivables:

	31.12.2023		31.12.2022	
Group	**RM'000**	**%**	**RM'000**	**%**
Crude palm oil and palm kernel	42,900	44%	16,723	24%
Construction services	29,801	30%	23,455	33%
Property development	20,189	21%	24,189	34%
Plastic mould manufacturing	1,855	2%	1,938	3%
Others	3,455	3%	4,595	6%
	98,200	100%	70,900	100%
Company				
Construction services	25,874	52%	6,352	42%
Property development	23,875	47%	8,284	55%
Others	251	1%	364	3%
	50,000	100%	15,000	100%

Contract assets:

	31.12.2023		31.12.2022	
Group	**RM'000**	**%**	**RM'000**	**%**
Construction services	78,820	91%	72,357	92%
Property development	7,580	9%	6,043	8%
	86,400	100%	78,400	100%
Company				
Construction services	10,102	75%	7,656	78%
Property development	3,298	25%	2,144	22%
	13,400	100%	9,800	100%

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

7.35F(c)
7.35G(a),(b)

The Group and the Company apply the simplified approach to provide for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit losses provision for all trade receivables and contract assets. The Group and the Company use a provision matrix to measure expected credit losses for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information. Forward-looking information considered includes consideration of various external sources of actual and forecast economic information that relate to the Group's and the Company's core operations. The Group and the Company believe that changes in economic conditions over these periods would not materially impact the impairment calculation of the receivables.

The information about the credit risk exposure on the Group's and the Company's trade receivables and contract assets using provision matrix are as follows:

7.35M
7.35N
7.IG20D

		Trade receivables				
Group	**Contract assets**	**Current**	**> 30 days past due**	**> 60 days past due**	**> 90 days past due**	**Total**
At 31 December 2023						
Expected credit loss rate	x-x%	x-x%	x-x%	x-x%	x-x%	x-x%
Gross carrying amount at default	87,450	xxx	xxx	xxx	xxx	106,400
Impairment losses	1,050	xxx	xxx	xxx	xxx	1,500
At 31 December 2022						
Expected credit loss rate	x%	x%	x%	x%	x%	x%
Gross carrying amount at default	79,358	xxx	xxx	xxx	xxx	78,000
Impairment losses	958	xxx	xxx	xxx	xxx	1,500
Company						
At 31 December 2023						
Expected credit loss rate	x-x%	x-x%	x-x%	x-x%	x-x%	x-x%
Gross carrying amount at default	13,735	xxx	xxx	xxx	xxx	51,500
Impairment losses	335	xxx	xxx	xxx	xxx	300
At 31 December 2022						
Expected credit loss rate	x%	x%	x%	x%	x%	x%
Gross carrying amount at default	10,077	xxx	xxx	xxx	xxx	16,200
Impairment losses	277	xxx	xxx	xxx	xxx	300

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

7.35G(a) *[For construction contracts, as there are only a few customers, the Group and the Company assessed the risk of loss of each customer individually based on their financial capability, past trend of payments and other external information relating to the debtors that are publicly available.]*

7.35I The significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the changes in the impairment loss allowance during the financial year 2023 is due to the growth of the Group's business in Asian resulted in increase in trade receivables of RMXXX and increase in the Group's impairment losses in the financial year 2023 of RMXXX.

Other receivables and other financial assets

7.33(b)
7.35K(a) For other receivables and other financial assets (including investment securities, cash and cash equivalents and derivatives), 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.

7.35F(a)(ii)
7.35G(a) The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated, where applicable:

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

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

7.35G(b) Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

7.35F(a)(ii) Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. 1

9.B5.5.23
7.35F(a)(i) The Group and the Company consider a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group and the Company consider this to be BBB. The Group and the Company use the ratings from the [Agency X] to determine whether the debt instrument has significantly increased in credit risk and to estimate expected credit losses.

7.35G(a) Some intercompany balances between entities within the Group comprise loans or advances which are repayable on demand. The Company regularly monitors the financial performance and position of these entities on an individual basis. When these entities' financial perfomance and position deteriorates significantly, the Company assumes that there is a significant increase in credit risk, and thereby a lifetime expected credit loss assessment is necessary. As the Company is able to determine the timing of repayment of the loans or advances, the Company will consider the loans or advances to be in default when these entities are unable to pay based on the expected manner of recovery and recovery period. The Company determines the probability of default for these loans or advances using internally available information. The Company considers the loans or advances to be credit-impaired when the entities are unlikely to repay their debts.

7.35K(a) As at the end of the reporting date, the Group and the Company consider the other receivables and other financial assets as low credit risk and any loss allowance would be negligible.

Finance lease receivables 2

The credit risk associated with finance lease receivables is mitigated by way of obtaining security over the leased equipment. At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amounts recognised in the statements of financial position.

As at the end of the reporting date, the Group and the Company consider the finance lease receivables as low credit risk and any loss allowance would be negligible.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Financial guarantee contracts

7.35K(a) The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM83,535,000 (31.12.2022: RM88,300,000) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 39(b)(ii). As at the reporting date, there was no loss allowance for impairment as determined by the Company for the financial guarantee.

The financial guarantees have not been recognised since the fair value on initial recognition was not material as the guarantee is provided as credit enhancement to subsidiaries' secured borrowings.

Commentary:

7.35F(a)(ii) ❶ An entity shall explain if the presumption in MFRS 9.5.5.11, that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has been rebutted.

9.5.5.15(b) ❷ An entity has an accounting policy choice to measure the loss allowance using simplified or general approach. That accounting policy shall be applied to all lease receivables but may be applied separately to finance and operating lease receivables.

Illustrative disclosure where there is impairment loss recognised for financial assets using general approach

7,35F(b)
7.35F(d)-(e)
7.35G(a)

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Category	Definition of category	Basis of recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected loss. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Lifetime expected loss
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected loss
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery.	Asset is written off

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Commentary (continued):

Illustrative disclosure where there is impairment loss recognised for financial assets using general approach (continued)

7.35M The tables below detail the credit quality of the Group's and the Company's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

Group	Note	External credit rating	Internal credit rating	12-months or lifetime expected credit losses (ECLs)	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
At 31 December 2023							
Other receivables	xx	n.a	Performing	12-months ECL	xxx	(xxx)	xxx
Debt securities	xx	BBB-	Performing	12-months ECL	xxx	-	xxx
					xxx	xxx	xxx

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Commentary (continued):

Illustrative disclosure where there is impairment loss recognised for financial assets using general approach (continued)

7.35M The tables below detail the credit quality of the Group's and the Company's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades (continued):

Company	Note	External credit rating	Internal credit rating	12-months or lifetime expected credit losses (ECLs)	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
At 31 December 2023							
Other receivables	xx	n.a	Performing	12-months ECL	xxx	(xxx)	xxx
Debt securities	xx	BBB-	Performing	12-months ECL	xxx	-	xxx
					xxx	xxx	xxx

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk ❶ ❷

7.33(a) 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 arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

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

7.39(a)
7.39(b)
16.58

<u>Maturity analysis</u>
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:

Group		**Contractual cash flows**			
At 31 December 2023	**Carrying amount RM'000**	**On demand or within 1 year RM'000**	**Between 1 and 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
Trade and other payables	108,500	102,500	6,000	-	108,500
Redeemable preference shares	40,000	2,000	54,000	-	56,000
Convertible bonds	71,900	6,500	26,000	126,000	158,500
Lease liabilities	15,800	2,100	15,700	-	17,800
Hire purchase payables	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*
Term loans	132,000	18,000	93,668	29,852	141,520
Revolving credit	2,500	2,764	-	-	2,764
Government loan	8,000	1,600	1,900	5,450	8,950
Medium-term notes	20,000	4,000	8,450	11,500	23,950
Derivative financial liabilities	2,500	2,500	-	-	2,500
	401,200	**141,964**	**205,718**	**172,802**	**520,484**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

ii) Liquidity risk (continued)

7.39(a)
7.39(b)
16.58

Maturity analysis (continued)
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 (continued):

Group		**Contractual cash flows**			
At 31 December 2022	**Carrying amount RM'000**	**On demand or within 1 year RM'000**	**Between 1 and 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
Trade and other payables	92,200	86,200	6,000	-	92,200
Redeemable preference shares	40,000	2,000	54,000	-	56,000
Lease liabilities	8,700	1,050	8,550	-	9,600
Hire purchase payables	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*
Term loans	125,700	15,000	73,076	27,564	115,640
Revolving credit	2,000	2,287	-	-	2,287
Medium-term notes	27,800	8,950	13,050	13,800	35,800
Derivative financial liabilities	1,900	1,900	-	-	1,900
	298,300	**117,387**	**154,676**	**41,364**	**313,427**

Company		**Contractual cash flows**			
At 31 December 2023	**Carrying amount RM'000**	**On demand or within 1 year RM'000**	**Between 1 and 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
Trade and other payables	20,800	16,800	4,000	-	20,800
Redeemable preference shares	40,000	2,000	54,000	-	56,000
Convertible bonds	71,900	6,500	26,000	126,000	158,500
Term loans	48,465	12,000	25,500	17,500	55,000
Revolving credit	435	562	-	-	562
Medium-term notes	8,000	1,830	2,500	4,930	9,260
Derivative financial liabilities	1,500	1,500	-	-	1,500
Financial guarantee contracts	-	83,535	-	-	83,535
	191,100	**124,727**	**112,000**	**148,430**	**385,157**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

7.39(a) Maturity analysis (continued)
7.39(b) The maturity analysis of the Group's and the Company's financial liabilities by their
16.58 relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows (continued):

Company		**Contractual cash flows**			
At 31 December 2022	**Carrying amount RM'000**	**On demand or within 1 year RM'000**	**Between 1 and 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
Trade and other payables	37,400	33,340	4,000	-	37,340
Redeemable preference shares	40,000	2,000	54,000	-	56,000
Term loans	37,400	9,000	22,800	5,200	37,000
Revolving credit	300	413	-	-	413
Medium-term notes	7,000	2,000	2,650	3,700	8,350
Derivative financial liabilities	500	500	-	-	500
Financial guarantee contracts	-	88,300	-	-	88,300
	122,600	**135,553**	**83,450**	**8,900**	**227,903**

Commentary:

1 Illustrative disclosure when there are significant doubts about going concern but mitigating actions judged sufficient to make going concern appropriate and the entity determines no material uncertainties (Close call)

As at [31 December 20XX], the Group's current liabilities exceed its current assets by RMXXX, and the Group has RMXXX of borrowings. This includes committed bank facilities that are subject to financial covenants. [The Group is required to maintain a maximum debt-to-equity ratio of 0.5 to comply with a bank covenant. During the financial year, the Group has breached this covenant.] [Subsequent to financial year end, the Group successfully concluded a refinancing plan under which the Group received relaxation of covenants in its banking facilities.]

2 Illustrative disclosure when the entities have committed borrowing facilities that can access to meet their liquidity needs

7.B11F(a) As at [31 December 20XX], the Group and the Company have unutilised overdraft facilities of RMXXX and RMXXX respectively. The Group and the Company able to drawdown the available overdraft facilities to finance their capital expenditure, working capital and other funding requirements and there are no restrictions on the available credit facilities for such intended purposes.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk

7.33(a) Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when sales, purchases and borrowings that are denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

7.33(b) Management has set up a policy that requires all companies within the Group and the Company to manage their treasury activities and exposures. The Group's and the Company's policy is to hedge all material foreign currency exposures arising from its transactions and balances using derivative instruments that have maturity periods that match the corresponding maturity periods of the hedged items. In addition, the Group and the Company also take advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

FLYING COLOURS BERHAD
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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

The Group's and the Company's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

	Group				Company			
	Functional currencies				Functional currencies			
	Ringgit Malaysia RM'000	United States Dollar RM'000	Singapore Dollar RM'000	Total RM'000	Ringgit Malaysia RM'000	United States Dollar RM'000	Singapore Dollar RM'000	Total RM'000
At 31 December 2023								
Financial assets and liabilities not held in functional currencies:								
Trade receivables								
United States Dollar	5,570	-	-	5,570	372	-	-	372
Singapore Dollar	11,140	-	-	11,140	551	-	-	551
Indonesian Rupiah	3,342	-	-	3,342	-	-	-	-
Chinese Renminbi	-	-	-	-	355	-	-	355
Other currencies	2,028	-	-	2,028	-	-	-	-
	22,080	-	-	22,080	1,278	-	-	1,278
Other receivables								
United States Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Singapore Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Indonesian Rupiah	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Cash and short-term deposits								
United States Dollar	1,300	-	-	1,300	-	-	-	-
Singapore Dollar	2,100	-	-	2,100	-	-	-	-
Indonesian Rupiah	1,875	-	-	1,875	-	-	-	-
	5,275	-	-	5,275	-	-	-	-

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

The Group's and the Company's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows (continued):

	Group Functional currencies				Company Functional currencies			
At 31 December 2023 (continued)	**Ringgit Malaysia RM'000**	**United States Dollar RM'000**	**Singapore Dollar RM'000**	**Total RM'000**	**Ringgit Malaysia RM'000**	**United States Dollar RM'000**	**Singapore Dollar RM'000**	**Total RM'000**
Financial assets and liabilities not held in functional currencies: (continued)								
Trade payables								
United States Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Singapore Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Indonesian Rupiah	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Other payables								
United States Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Singapore Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Indonesian Rupiah	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Loans and borrowings								
United States Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Singapore Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Indonesian Rupiah	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

The Group's and the Company's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows (continued):

	Group				Company			
	Functional currencies				Functional currencies			
At 31 December 2022	**Ringgit Malaysia RM'000**	**United States Dollar RM'000**	**Singapore Dollar RM'000**	**Total RM'000**	**Ringgit Malaysia RM'000**	**United States Dollar RM'000**	**Singapore Dollar RM'000**	**Total RM'000**
Financial assets and liabilities not held in functional currencies:								
Trade receivables								
United States Dollar	4,195	-	-	4,195	403	-	-	403
Singapore Dollar	8,390	-	-	8,390	762	-	-	762
Indonesian Rupiah	2,517	-	-	2,517	-	-	-	-
Chinese Renminbi	431	-	-	431	-	-	-	-
Other currencies	2,178	-	-	2,178	2,178	-	-	2,178
	17,711	-	-	17,711	3,343	-	-	3,343
Other receivables								
United States Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Singapore Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Indonesian Rupiah	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Cash and short-term deposits								
United States Dollar	1,088	-	-	1,088	-	-	-	-
Singapore Dollar	1,733	-	-	1,733	-	-	-	-
Indonesian Rupiah	1,914	-	-	1,914	-	-	-	-
	4,735	-	-	4,735	-	-	-	-

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

The Group's and the Company's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows (continued):

	Group				Company			
	Functional currencies				Functional currencies			
At 31 December 2022 (continued)	**Ringgit Malaysia RM'000**	**United States Dollar RM'000**	**Singapore Dollar RM'000**	**Total RM'000**	**Ringgit Malaysia RM'000**	**United States Dollar RM'000**	**Singapore Dollar RM'000**	**Total RM'000**
Financial assets and liabilities not held in functional currencies: (continued)								
Trade payables								
United States Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Singapore Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Indonesian Rupiah	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Other payables								
United States Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Singapore Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Indonesian Rupiah	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Loans and borrowings								
United States Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Singapore Dollar	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Indonesian Rupiah	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

7.40(a)
7.40(b)

Sensitivity analysis for foreign currency risk
The Group's and the Company's principal foreign currency exposure relates mainly to United States Dollar ("USD") and Singapore Dollar ("SGD").

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

	Change in rate	Effect on profit for the financial year	Effect on equity
	%	**RM'000**	**RM'000**
Group:			
31 December 2023			
- USD	+ 15%	xxx	xxx
	- 15%	xxx	xxx
- SGD	+ 15%	xxx	xxx
	- 15%	xxx	xxx
31 December 2022			
- USD	+ 15%	xxx	xxx
	- 15%	xxx	xxx
- SGD	+ 15%	xxx	xxx
	- 15%	xxx	xxx
Company:			
31 December 2023			
- USD	+ 15%	xxx	xxx
	- 15%	xxx	xxx
- SGD	+ 15%	xxx	xxx
	- 15%	xxx	xxx
31 December 2022			
- USD	+ 15%	xxx	xxx
	- 15%	xxx	xxx
- SGD	+ 15%	xxx	xxx
	- 15%	xxx	xxx

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Interest rate risk

7.33(a)
7.33(b)

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

7.40(a)
7.40(b)

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 and the Company's total equity and profit for the financial year.

	Change in basis points	Effect on profit for the financial year	Effect on equity
		RM'000	RM'000
Group:			
31 December 2023	+ 50	xxx	xxx
	- 50	xxx	xxx
31 December 2022	+ 50	xxx	xxx
	- 50	xxx	xxx
Company:			
31 December 2023	+ 50	xxx	xxx
	- 50	xxx	xxx
31 December 2022	+ 50	xxx	xxx
	- 50	xxx	xxx

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(v) Market price risk

7.33(a)
7.33(b)

Market price risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments, agricultural produce stocks as a result of changes in market price (other than interest or exchange rates).

The Group's and the Company's investments in quoted equity instruments are subject to market price risk. Such exposures are not hedged as the investments are mostly stable blue chip companies and government securities, where the risks accepted are commensurate with the expected returns.

The Group's agricultural produce stocks are subject to price risk. The Group's strategy is to hedge forecast sales of expected production of crude palm oil and palm kernel in each quarter using the 3-month palm oil and palm kernel futures contracts. The Group does not anticipate that prices of other manufactured products will decline significantly in the foreseeable future and, therefore, has not entered into derivatives or other contracts to manage the risk of decline in prices of manufactured products.

7.40(a)
7.40(b)

<u>Sensitivity analysis for equity price risk</u>
The following table demonstrates the sensitivity to a reasonably change in the FTSE Bursa Malaysia KLCI ("FBM KLCI"), with all other variables held constant on the Group's and the Company's total equity and profit for the financial year.

	Change in % of FBMKLCI	Effect on profit for the financial year	Effect on equity
	%	RM'000	RM'000
Group:			
31 December 2023	+ 10%	xxx	xxx
	- 10%	xxx	xxx
31 December 2022	+ 10%	xxx	xxx
	- 10%	xxx	xxx

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(v) Market price risk (continued)

7.40(a)
7.40(b)

Sensitivity analysis for equity price risk (continued)

	Change in % of FBMKLCI	Effect on profit for the financial year	Effect on equity
	%	RM'000	RM'000
Company:			
31 December 2023	+ 10%	xxx	xxx
	- 10%	xxx	xxx
31 December 2022	+ 10%	xxx	xxx
	- 10%	xxx	xxx

7.40(a)
7.40(b)

Sensitivity analysis for commodity price risk

The following table demonstrates the sensitivity to a reasonably change of prices of palm oil products, with all other variables held constant on the Group's total equity and profit for the financial year.

	Change in % of price	Effect on profit for the financial year	Effect on equity
	%	RM'000	RM'000
Group:			
31 December 2023	+ 10%	xxx	xxx
	- 10%	xxx	xxx
31 December 2022	+ 10%	xxx	xxx
	- 10%	xxx	xxx

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Hedging activities

7.21A The Group and the Company are exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk.

The Group's and the Company's risk management strategy and how it is applied to manage risk are explained in Note 39(b).

(i) Fair value hedge

7.22B(a) Foreign exchange forward contracts are designated as hedging instruments in fair value hedges of forecast sales and forecast purchases in USD. These forecast transactions are highly probable, and they comprise about xx% of the Group's total expected sales in USD and about xx% of its total expected purchases in USD. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

7.22B(b) 7.22B(c) 7.22C There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward contracts match the terms of the expected highly probable forecast transactions (i.e. notional amount and expected payment rate). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of foreign exchange forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

7.22B(c) 7.23D The hedged ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and hedging instruments.
- Different indexes linked to the hedged risk of the hedged items and hedging instruments.
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Hedging activities (continued)

(i) Fair value hedge (continued)

7.23B

(a) Fair value hedges of recognised trade receivables:

	Average RM/USD rate		Foreign currency amount		Contract value		Fair value loss in profit or loss	
	2023	2022	2023	2022	2023	2022	2023	2022
			USD'000	USD'000	RM'000	RM'000	RM'000	RM'000
Group								
Forward USD foreign currency:								
"Sell" contracts:								
- 3 months to maturity	3.3444	3.2200	5,000	4,000	16,722	12,880	400	100
- 6 months to maturity	3.4800	3.2560	3,000	4,000	10,440	13,024	600	200
			8,000	**8,000**	**27,162**	**25,904**	**1,000**	**300**
Company								
Forward USD foreign currency:								
"Sell" contracts:								
- 3 months to maturity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
- 6 months to maturity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
			xxx	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**

7.23B

(b) Fair value hedges of recognised trade payables:

	Average RM/USD rate		Foreign currency amount		Contract value		Fair value gain in profit or loss	
	2023	2022	2023	2022	2023	2022	2023	2022
			USD'000	USD'000	RM'000	RM'000	RM'000	RM'000
Group								
Forward USD foreign currency:								
"Buy" contracts:								
- 3 months to maturity	3.301	3.478	4,000	2,000	13,204	6,956	(200)	(100)

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Hedging activities (continued)

(i) Fair value hedge (continued)

7.23B

(b) Fair value hedges of recognised trade payables (continued):

	Average RM/USD rate		Foreign currency amount		Contract value		Fair value gain in profit or loss	
	2023	2022	2023	2022	2023	2022	2023	2022
			USD'000	USD'000	RM'000	RM'000	RM'000	RM'000
Company								
Forward USD foreign currency:								
"Buy" contracts:								
- 3 months to maturity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

During the financial year, the hedge was 100% effective in hedging the fair value exposure to changes in foreign exchange currency. As a result, the carrying amounts of trade receivables and payables were adjusted by RM1,000,000 (31.12.2022: RM300,000) and RM200,000 (31.12.2022: RM100,000) respectively. The adjustments were included in profit or loss simultaneously with the fair value loss of foreign exchange forward contracts.

7.24B(a)

Hedge item in financial position	Carrying amount		Accumulated fair value adjustments		Change in fair value		Accumulated fair value of ceased items	
	2023	2022	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Trade receivables	8,000	8,000	(1,300)	(300)	(1,000)	(300)	-	-
Trade payables	(4,000)	2,000	300	100	200	100	-	-
	4,000	**10,000**	**(1,000)**	**(200)**	**(800)**	**(200)**	**-**	**-**
Company								
Trade receivables	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Trade payables	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	xxx	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**

No ineffectiveness recognised in profit or loss during the financial year.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Hedging activities (continued)

(ii) Cash flow hedge

7.22B(a) Foreign exchange forward contracts are designated as hedging instruments in cash flows hedges of forecast sales in USD. These forecast transactions are highly probable, and they comprise about xx% of the Group's total expected sales in USD. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates.

7.22B(b) 7.22B(c) 7.22C There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward contracts match the terms of the expected highly probable forecast transactions (i.e. notional amount and expected payment rate). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of foreign exchange forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedged ineffectiveness can arise from:

7.22B(c) 7.23D
- Differences in the timing of the cash flows of the hedged items and hedging instruments.
- Different indexes linked to the hedged risk of the hedged items and hedging instruments.
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

7.23B

	Average RM/USD rate		Foreign currency amount		Contract value		Fair value loss/ (gain) in other comprehensive income	
	2023	2022	2023	2022	2023	2022	2023	2022
			USD'000	USD'000	RM'000	RM'000	RM'000	RM'000
Group								
Forward USD foreign currency:								
"Sell" contracts:								
- 6 months to maturity	3.3150	3.2340	8,000	6,000	26,520	19,404	1,600	3,000
- 9 months to maturity	3.4510	3.2510	6,000	4,000	20,706	13,004	(3,800)	(1,300)
			14,000	**10,000**	**47,226**	**32,408**	**(2,200)**	**1,700**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Hedging activities (continued)

(ii) Cash flow hedge (continued)

7.23B

	Average RM/USD rate		Foreign currency amount		Contract value		Fair value loss/ (gain) in other comprehensive income	
	2023	2022	2023	2022	2023	2022	2023	2022
			USD'000	USD'000	RM'000	RM'000	RM'000	RM'000
Company								
Forward USD foreign currency:								
"Sell" contracts:								
- 6 months to maturity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
- 9 months to maturity	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
			xxx	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on foreign exchange forward contracts as of 31 December 2023 are recognised in the profit or loss in the period or periods during which the hedged forecast transaction affects the profit or loss.

The cash flow hedges of the expected future purchases in 2024 were assessed to be highly effective, and as at 31 December 2023, a net unrealised loss of RM2,200,000 was included in other comprehensive income in respect of these contracts. Comparatively in prior financial year, the cash flow hedges of the expected future purchases in 2023 were also assessed to be highly effective and an unrealised profit of RM1,700,000 was included in other comprehensive income in respect of these contracts.

7.24B(b) The amounts removed from other comprehensive income during the financial year and included in the carrying amount of the hedging items as a basis adjustment for 2023 are detailed in Note 36, totalling decrease of RM800,000 (2022: increase of RM400,000). The amounts retained in other comprehensive income at 31 December 2023 are expected to mature and affect the statement of profit or loss in 2024.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Hedging activities (continued)

(ii) Cash flow hedge (continued)

7.24B(b)

	Change in value used for calculation of hedge ineffectiveness		Balance in hedge reserve for continuing hedge		Balance remaining in the cash flow hedge reserve from hedging relationship for which hedge accounting is no longer applied	
	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Trade receivables	xxx	xxx	xxx	xxx	xxx	xxx
Company						
Trade receivables	xxx	xxx	xxx	xxx	xxx	xxx

7.24C(b)

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income ("OCI") is as follows:

Group	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in profit or loss	Cost of hedging recognised in OCI	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
	RM'000	RM'000	RM'000	RM'000	
31 December 2023					
Highly probable forecast sales	xxx	xxx	xxx	xxx	xxx
Highly probable forecast purchases	xxx	xxx	xxx	xxx	xxx
31 December 2022					
Highly probable forecast sales	xxx	xxx	xxx	xxx	xxx
Highly probable forecast purchases	xxx	xxx	xxx	xxx	xxx

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement

7.29(a) The carrying amounts of cash and cash equivalents, 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.

13.95
13.93(c) The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers. There have been no transfers between Level 1 and Level 2 during the financial year (31.12.2022: no transfer in either directions).

Commentary:

13.6
13.9
13.16 Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

13.27 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.

13.72 To increase consistency and comparability in fair value measurements and related disclosure, MFRS 13 establishes a fair value hierarchy that categories into three levels (refer to MFRS 13.76 to 90) the inputs to valuation technique used to measure fair value. The fair value hierarchy gives the highest priority to quoted price (unadjusted) in active markets for identical assets and liabilities (Level 1 inputs) and lower priority to unobservable inputs (Level 3 inputs).

When measuring the fair value of an asset or a liability, the entity uses 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:

13.76 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.

13.81 Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

13.86 Level 3: Unobservable inputs for the asset or liability.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (continued)

7.25
13.93(b)
13.99

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

	Carrying amount	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			
		Fair value				Fair value			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2023									
Financial assets									
Quoted equity securities	44,100	44,100	-	-	44,100	-	-	-	-
Unquoted equity securities	1,700	-	-	1,700	1,700	-	-	-	-
Quoted debt securities	26,500	-	-	-	-	27,700	-	-	27,700
Unquoted debt securities	9,100	-	-	-	-	-	-	9,200	9,200
Interest-rate swap contracts	3,200	-	3,200	-	3,200	-	-	-	-
Forward foreign exchange contracts	5,300	-	5,300	-	5,300	-	-	-	-
Amount owing by immediate holding company	5,000	-	-	-	-	-	-	5,200	5,200
Amount owing by related companies	3,000	-	-	-	-	-	-	3,100	3,100
Financial lease receivables	5,100	-	-	-	-	-	-	5,500	5,500
Financial liabilities									
Interest-rate swap contracts	(1,000)	-	(1,000)	-	(1,000)	-	-	-	-
Forward foreign exchange contracts	(1,500)	-	(1,500)	-	(1,500)	-	-	-	-
Term loans	(116,500)	-	-	-	-	-	-	(120,000)	(120,000)
Government loan	(8,000)	-	-	-	-	-	-	(8,100)	(8,100)
Convertible bonds	(71,900)	-	-	-	-	-	(72,000)	-	(72,000)
Medium-term notes	(20,000)	-	-	-	-	-	-	(22,500)	(22,500)
Redeemable preference shares	(40,000)	-	-	-	-	-	-	(40,500)	(40,500)
Hire purchase payables	*(xxx)*	-	-	-	-	-	-	*(xxx)*	*(xxx)*
Amount owing to ultimate holding company	(4,000)	-	-	-	-	-	-	(4,100)	(4,100)
Amount owing to related companies	(2,000)	-	-	-	-	-	-	(2,100)	(2,100)

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (continued)

7.25
13.93(b)
13.99

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments (continued):

	Carrying amount	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			
		Fair value				Fair value			
Group	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
31 December 2022									
Financial assets									
Quoted equity securities	38,200	38,200	-	-	38,200	-	-	-	-
Unquoted equity securities	1,600	-	-	1,600	1,600	-	-	-	-
Quoted debt securities	28,300	-	-	-	-	28,800	-	-	28,800
Unquoted debt securities	8,710	-	-	-	-	-	-	8,910	8,910
Interest-rate swap contracts	2,500	-	2,500	-	2,500	-	-	-	-
Forward foreign exchange contracts	4,000	-	4,000	-	4,000	-	-	-	-
Amount owing by immediate holding company	5,000	-	-	-	-	-	-	5,100	5,100
Amount owing by related companies	3,000	-	-	-	-	-	-	3,100	3,100
Financial lease receivables	4,300	-	-	-	-	-	-	4,500	4,500
Financial liabilities									
Interest-rate swap contracts	(1,100)	-	(1,100)	-	(1,100)	-	-	-	-
Forward foreign exchange contracts	(800)	-	(800)	-	(800)	-	-	-	-
Term loans	(112,700)	-	-	-	-	-	-	(110,000)	(110,000)
Medium-term notes	(27,800)	-	-	-	-	-	-	(27,900)	(27,900)
Redeemable preference shares	(40,000)	-	-	-	-	-	-	(40,500)	(40,500)
Hire purchase payables	*(xxx)*	-	-	-	-	-	-	*(xxx)*	*(xxx)*
Amount owing to ultimate holding company	(4,000)	-	-	-	-	-	-	(4,100)	(4,100)
Amount owing to related companies	(2,000)	-	-	-	-	-	-	(2,100)	(2,100)

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (continued)

7.25
13.93(b)
13.99

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments (continued):

Company	Carrying amount Total RM'000	Fair value of financial instruments carried at fair value — Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value — Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2023									
Financial assets									
Quoted equity securities	25,500	25,500	-	-	25,500	-	-	-	-
Quoted debt securities	26,500	-	-	-	-	27,700	-	-	27,700
Unquoted debt securities	1,300	-	-	-	-	-	-	1,100	1,100
Interest-rate swap contracts	1,500	-	1,500	-	1,500	-	-	-	-
Forward foreign exchange contracts	2,700	-	2,700	-	2,700	-	-	-	-
Amount owing by immediate holding company	1,000	-	-	-	-	-	-	1,100	1,100
Amount owing by subsidiaries	2,000	-	-	-	-	-	-	2,100	2,100
Financial liabilities									
Forward foreign exchange contracts	(1,500)	-	(1,500)	-	(1,500)	-	-	-	-
Term loans	(36,900)	-	-	-	-	-	-	(37,000)	(37,000)
Convertible bonds	(71,900)	-	-	-	-	-	(72,000)	-	(72,000)
Medium-term notes	(8,000)	-	-	-	-	-	-	(8,100)	(8,100)
Redeemable preference shares	(40,000)	-	-	-	-	-	-	(40,500)	(40,500)
Amount owing to ultimate holding company	(2,000)	-	-	-	-	-	-	(1,900)	(1,900)
Amount owing to subsidiaries	(1,000)	-	-	-	-	-	-	(900)	(900)
Amount owing to related companies	(1,000)	-	-	-	-	-	-	(900)	(900)

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (continued)

7.25
13.93(b)
13.99

The following table provides the fair value measurement hierarchy of the Group's and the Company's financial instruments (continued):

	Carrying amount	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value			
		Fair value				Fair value			
Company	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
31 December 2022									
Financial assets									
Quoted equity securities	5,300	5,300	-	-	5,300	-	-	-	-
Quoted debt securities	13,300	-	-	-	-	13,600	-	-	13,600
Unquoted debt securities	1,200	-	-	-	-	-	-	1,100	1,100
Interest-rate swap contracts	1,600	-	1,600	-	1,600	-	-	-	-
Forward foreign exchange contracts	3,400	-	3,400	-	3,400	-	-	-	-
Amount owing by subsidiaries	1,000	-	-	-	-	-	-	1,100	1,100
Amount owing by related companies	800	-	-	-	-	-	-	900	900
Financial liabilities									
Forward foreign exchange contracts	(500)	-	(500)	-	(500)	-	-	-	-
Term loans	(28,700)	-	-	-	-	-	-	(28,800)	(28,800)
Medium-term notes	(7,000)	-	-	-	-	-	-	(7,100)	(7,100)
Redeemable preference shares	(40,000)	-	-	-	-	-	-	(40,500)	(40,500)
Amount owing to ultimate holding company	(2,000)	-	-	-	-	-	-	(1,900)	(1,900)
Amount owing to subsidiaries	(1,000)	-	-	-	-	-	-	(900)	(900)
Amount owing to related companies	(1,000)	-	-	-	-	-	-	(900)	(900)

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (continued)

Level 2 fair value

13.93(d) Fair value of financial instruments carried at fair value

The fair value of interest rate swap contracts is calculated as the present value of the estimated future cash flows based on observable market based yield curves.

The fair value of foreign exchange forward contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

13.97 Fair value of financial instruments not carried at fair value

The fair value of liability component of convertible bonds is calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities that do not have a conversion option.

Level 3 fair value

13.93(d) Fair value of financial instruments carried at fair value

The fair value of unquoted equity investments has been estimated using a discounted cash flows model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in the management's estimate of fair value for these unquoted equity investments.

13.97 Fair value of financial instruments not carried at fair value

The fair value of unquoted debt securities, amount owing by immediate holding company, amount owing by subsidiaries, amount owing by related companies, finance lease receivables, bank borrowings, government loan, medium-term notes, redeemable preference shares, finance lease liabilities, amount owing to ultimate holding company, amount owing to subsidiaries and amount owing to related companies are determined using the discounted cash flows method based on discount rates that reflects the issuer's borrowing rate as at the end of the reporting period.

Commentary:

7.29 **Disclosure of the fair values of financial instruments is not required:**

- When the carrying amount is a reasonable approximation of fair value (e.g.: short-term trade receivables and payables); or
- For lease liabilities.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (continued)

Level 3 fair value (continued)

13.93(e) The following table shows a reconciliation of fair value measurement of investment in unquoted equity securities classified as financial asset designated at fair value through other comprehensive income:

	Group
	2023 **RM'000**
At 1 January	1,600
Additions	100
Disposal	*(xxx)*
Transfer into Level 3	*xxx*
Transfer out of Level 3	*(xxx)*
Gains and losses recognised in other comprehensive income	*xxx*
Exchange differences	*xxx*
At 31 December	**1,700**

13.93(d) The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs.

Description	**Valuation technique**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Investment in unquoted equity securities	Discounted cash flows	Long-term growth rate for cash flows for subsequent years (31.12.2022: 3.5% - 4.5%)	Increase in the growth rate would result in an increase in fair value.
		Long-term operating margin (31.12.2022: 5.0% - 10.0%)	Increase in margin would result in an increase in fair value.
		Weighted average cost of capital ("WACC") (31.12.2022: 11.0%-13.0%)	Increase in WACC would result in a decrease in fair value.
		Discount for lack of marketability (31.12.2022: 5.0% - 12.0%)	Increase in the discount would result in a decrease in fair value.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (continued)

Level 3 fair value (continued)

13.93(g) Valuation processes applied by the Group ❶
The Group's and the Company's finance department include a team that performs valuation analysis for unquoted equity securities required for financial reporting purposes, including Level 3 fair values. This team reports directly to the chief financial officer.

The main level 3 inputs used by the Group and the Company are derived and evaluated as follows:

a) Discount rates for financial assets are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
b) Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by the Group's and the Company's internal credit risk management group.
c) Growth rate for unquoted equity securities are estimated based on market information for similar types of companies.

Changes in Level 3 fair values are analysed by the team at the end of each reporting period. There has been no change to the valuation technique during the financial year.

Commentary:

❶ **Illustrative disclosure where the fair value of unquoted equity investment is determined by an external valuer**

The Group's finance department includes a team that performs valuation analysis for unquoted equity securities required for financial reporting purposes, including Level 3 fair values. This team reports directly to the chief financial officer.

The fair value of unquoted equity securities is determined by external independent valuation company, Messrs Advisory & Co., a member of XXX, with appropriate recognised professional qualifications and recent experience in valuation of unquoted financial instruments. The valuation company provides the fair value of the Group's and the Company's unquoted financial instruments every year end. Changes in Level 3 fair values are analysed by the team after obtaining the valuation report from the valuation company. There has been no change to the valuation technique during the financial year.

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (continued)

Commentary (continued):

Disclosure requirements under MFRS 13 (Paragraph 91-99)

(a) Recurring : Includes those that other MFRS require or permit in the statement of financial position at the end of each reporting period

(b) Non-recurring: Includes those that other MFRS require or permit in the statement of financial position in particular circumstances

: Apply where assets and liabilities not measured at fair value but for which the fair value is disclosed [MFRS 13.97]

Assets and liabilities measured at fair values			Recurring FV measurement			Non- recurring FV measurement		
			Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1	Fair value at the end of the reporting period	93 (a)	✓	✓	✓	✓	✓	✓
2	Reasons for the measurement e.g.: MFRS 5	93(a)	X	X	X	✓	✓	✓
3	Level of fair value hierarchy	93(b)	✓	✓	✓	✓	✓	✓
4	The amounts of any transfers between Level 1 and Level 2, the reasons for those transfer and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfer into each level shall be disclosed and discussed separately from transfers out of each level.	93(c)	✓	✓	✓	X	X	X
5	Description of valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique, disclose that change and reason(s) for making it.	93(d)	X	✓	✓	X	✓	✓
6	Quantitative information about the significant unobservable inputs used	93(d)	X	X	✓	X	X	✓

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (continued)

Commentary (continued):

Disclosure requirements under MFRS 13 (Paragraph 91-99) (continued)

Assets and liabilities measured at fair values			Recurring FV measurement			Non- recurring FV measurement		
			Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
7	A reconciliation from the opening balances to the closing balance, disclosing separately changes during the period attributable to the following: (i) total gains or losses recognised in P/L; (ii) total gains or losses recognised in OCI; (iii) purchases, sales, issues and settlements; (iv) the amounts of any transfers into or out of level 3, the reasons for those transfer and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.	93(e)	X	X	✓	X	X	X
8	The amount of the total gains or losses for the period in (e)(i) included in profit or loss that is attributable to the change in unrealised gains or losses at the end of the reporting period and the line item in profit or loss	93(f)	X	X	✓	X	X	X
9	A description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period).	93(g)	X	X	✓	X	X	✓
10	A narrative description of the sensitivity of the FV measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.	93(h)(i)	X	X	✓	X	X	X
11	For financial assets and financial liabilities, to disclose the fact and effect if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly.	93(h)(ii)	X	X	✓	X	X	X
12	Disclose the fact, if the highest and best use of a non-financial asset differs from its current use.	93(i)	✓	✓	✓	✓	✓	✓

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40. COMMITMENTS

(a) Commitments

The Group and the Company have made commitments for the following capital expenditures:

Reference		Group		Company	
		31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
140.75(h)	- Investment properties	2,000	2,000	2,000	500
138.122(e)	*- Intangible assets*	*xxx*	*xxx*	*xxx*	*xxx*
116.74(c)	- Property, plant and equipment	15,000	10,000	3,500	1,500
141.49(b)	- Biological assets	25,000	12,000	-	-
		42,000	**24,000**	**5,500**	**2,000**

12.23(a)
12.B18-B20

The commitments relating to the Group's and the Company's interest in joint ventures are as follows:

	Group		Company	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Commitment to fund development costs of joint ventures	**8,000**	**6,000**	**1,500**	**1,000**

(b) Lease commitments - as lessee

16.59(b)(iv) *The Group and the Company have various lease contracts that have not yet commenced as at 31 December 2023. The future lease payments for these non-cancellable lease contracts are RMXXX within one year, RMXXX within five years and RMXXX thereafter.*

16.55 *At 31 December 2023, the Group and the Company are committed to RMXXX and RMXXX for short-term leases respectively that are dissimilar to the portfolio of short-term leases expensed during the year.* 1

Commentary:

16.55 1 A lessee shall disclose the amount of its lease commitments for short-term leases accounted for applying MFRS 16.6 if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed applying MFRS 16.53(c) relates.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40. COMMITMENTS (CONTINUED)

(c) Operating lease commitments - as lessor

16.92(a) The Group and the Company lease several of their investment properties which have remaining lease term between two to six years. Rental charges are revised every three years to reflect current market conditions.

16.97 The maturity analysis of the Group's and the Company's lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	Group		Company	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
- Not later than one year	500	400	*xxx*	*xxx*
- One to two years	625	500	*xxx*	*xxx*
- Two to three years	625	500	*xxx*	*xxx*
- Three to four years	625	500	*xxx*	*xxx*
- Four to five years	625	500	*xxx*	*xxx*
- More than five years	500	400	*xxx*	*xxx*
	3,500	**2,800**	***xxx***	***xxx***

41. CONTINGENCIES

101.25
137.86

(a) Contingent liabilities

	Group		Company	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Legal claims assessed as possible	10,000	5,000	2,000	2,000
Share of joint ventures' contingent liabilities:				
12.23(b) *- Restoration costs*	*xxx*	*xxx*	*xxx*	*xxx*
	10,000	**5,000**	**2,000**	**2,000**

137.86
137.92

A competitor has filed a lawsuit against a subsidiary of the Group for a possible infringement of a patented product. The subsidiary has filed a counter-claim against the plaintiff and the case hearing has been fixed on 28 May 2024 in the High Court. The directors are of the opinion that the information required to be disclosed in accordance with MFRS 137 is expected to prejudice the position of the Group, pending decision of the High Court and subject to appeal to Higher Courts. Accordingly, details of this lawsuit have not been disclosed.

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

41. CONTINGENCIES (CONTINUED)

137.89 **(b) Contingent assets**

Certain land of the Group has been a subject of a Government compulsory land acquisition. The Group has disputed the adequacy of the amount of compensation received and filed a claim against the Government in the High Court for an additional compensation of RM10,000,000. Based on past judgements by the Courts on similar cases and the advice of legal experts, the directors are of the opinion that it is probable the claim for additional compensation will succeed.

42. RELATED PARTIES

124.9 **(a) Identity of related parties**

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

Related parties of the Group include:

(i) Company's holding company;
(ii) Entities having significant influence over the Group;
(iii) Subsidiaries;
(iv) Associates;
(v) Joint ventures;
(vi) Entities in which directors have substantial financial interests; and
(vii) Key management personnel of the Group and the Company’s holding company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42. RELATED PARTIES (CONTINUED)

124.18
124.19
124.21
124.24

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Sales of goods				
Company's holding company	2,000	1,000	600	500
Entities having significant influence over the Group	500	400	200	200
Subsidiaries	-	-	1,000	1,000
Associates	2,000	3,000	1,500	2,000
Joint ventures	3,000	2,000	1,000	1,000
Key management personnel of the Group and the Company's holding company	500	500	400	400
Entities in which directors have substantial financial interests	500	400	500	400
	8,500	7,300	5,200	5,500
Purchase of goods				
Subsidiaries	-	-	3,000	2,500
Associates	1,000	1,000	500	500
Joint ventures	500	500	400	400
	1,500	1,500	3,900	3,400
Rental income				
Subsidiaries	-	-	1,000	1,000
Associates	2,000	2,000	1,000	1,000
Joint ventures	3,000	3,000	1,000	1,000
	5,000	5,000	3,000	3,000

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Note 14 and 27.

The Company provides secured corporate guarantees to banks in respect of banking facilities granted to the subsidiaries as disclosed in Note 39(b)(i).

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42. RELATED PARTIES (CONTINUED)

124.18
124.19
124.21
124.24

(b) Significant related party transactions (continued)

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows (continued):

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Management fee				
Subsidiaries	-	-	3,000	2,500
Sale of a property				
An associate	5,000	4,000	-	-
Transfer of a software system				
Company's holding company	*	*	*	*

124.14

* During the financial year ended 31 December 2023, the Group received a software system from its ultimate holding company, Flying Colours Holdings Sdn Bhd. The software system was transferred at nil consideration. The Group expects significant economic benefits to be derived from the use of this software system in the Group's operations but the amount of the benefits could not be reasonably quantified for reporting purposes.

124.17

(c) Compensation of key management personnel

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Short-term employee benefits	12,000	11,000	4,500	3,600
Post-employment employee benefits	3,000	2,500	2,000	1,800
Share-based payments	-	3,000	-	1,000
	15,000	16,500	6,500	6,400

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

43. CAPITAL MANAGEMENT

101.134
101.135

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 years ended 31 December 2023 and 31 December 2022.

The Group and the Company monitor capital using debt to equity ratio. The debt to equity ratio is calculated as total debts divided by total equity. The Group's and the Company's policy is to keep the debt to equity ratio between 30% and 60%. The debt to equity ratio at 31 December 2023 and 31 December 2022 are as follows:

		Group		Company	
	Note	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Trade and other payables	27	108,500	92,200	20,800	37,400
Loans and borrowings	23	290,200	204,200	168,800	84,700
Total debts		398,700	296,400	189,600	122,100
Total equity		881,800	535,200	512,100	264,000
Debt to equity ratio		45%	55%	37%	46%

101.135(e)
7.19

A subsidiary of the Group is required to maintain a debt to equity ratio of 0.5 to comply with a bank covenant. The subsidiary has breached this covenant as disclosed in Note 23(a).

44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) During the financial year, the Company has entered into two material service concession arrangements, one is with the State Government of Penang in Malaysia to construct and operate the State Government convention center and the other is with the State Government of Shenzhen in China to build and operate a power plant to supply electricity to consumers in a designated area. The Company is granted a right to intangible assets or a license to charge public customers for the use of the public infrastructure and the concession rights have been granted for a period of twenty five years. Further details are disclosed in Note 9(b).

(b) On 31 March 2023, the Company acquired a 80% controlling interest in the equity shares of PT Halia Palm Oil for a total purchase consideration of RM80,000,000. Further details are disclosed in Note 10(a).

FLYING COLOURS BERHAD
(Incorporated in Malaysia)

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(c) On 1 June 2023, the Company disposed its 70% equity investment in ABC Sdn Bhd for a total consideration of RM20,100,000. The Company classified its remaining 30% equity interest in ABC Sdn Bhd as associate given the Company has significant influence over the financial and operating policy decisions of ABC Sdn Bhd. Further details are disclosed in Note 10(b).

(d) On 31 July 2023, the Company purchased an additional 10% equity interest (representing 5,000,000 ordinary shares) in XYZ Sdn Bhd, a subsidiary of the Group at a price of RM2 per share. Further details are disclosed in Note 10(c).

(e) On 30 September 2023, the Board of Directors approved and announced a plan to sell a subsidiary, PT BLK Construction, which operates in Indonesia. The assets and liabilities related to PT BLK Construction (part of the construction business segment) have been presented as held for sale. The completion date for the transaction is expected by June 2024. Further details are disclosed in Note 19(a).

(f) On 31 December 2023, the Group received an interest-free loan of RM12,000,000 from the Malaysian government to finance a research project on the refinery of oil palm over a period of 5 years. The loan is repayable in full at the end of the fifth year. Further details are disclosed in Note 23(c). The difference between the gross proceeds and the fair value of the loan is recognised as deferred income as disclosed in Note 25.

45. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

110.21 **(a) Probable acquisition of a business**

On 26 February 2023, the Company entered into a negotiation for an arrangement to acquire a 75% equity interest of XYZ Ltd from its controlling shareholder, PQR Ltd. XYZ Ltd is in the business of commodity marketing and trading in international markets. The directors of the Company believe that the acquisition of a controlling stake in XYZ Ltd would create synergies and increase the Group's market shares in agricultural business. Negotiation with the controlling shareholder is at the advanced stage and the Company expects to complete the agreement by end of November 2024. The estimated financial effects of this probable acquisition are as follows:

	RM'000
Cash consideration	120,000
Non-controlling interests at fair value	40,000
	160,000
Fair value of identifiable net assets acquired	(120,000)
Goodwill arising on acquisition	40,000

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

45. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONTINUED)

110.19
110.20

(b) Update of information about a lawsuit

A lawsuit was disclosed as a contingent liability at the end of the financial year 2023. The Group has, after the end of the reporting period, commenced negotiation with the plaintiff to settle the dispute out of court. Negotiation is in the advanced stage and it is possible that the claims by the plaintiff will be settled out of court by the end of financial year 2024. The amount of the possible settlement is not disclosed because any such disclosure may prejudice seriously the position of the Group in the negotiation with the plaintiff or the pending court hearing.

46. SEGMENT INFORMATION

8.20 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 Group's Chief Executive Officer ("CEO") for the purpose of making decisions about resource allocation and performance assessment.

The five reportable operating segments are as follows:

Segments	Products and services
Plantation	Cultivation of oil palms, milling of fresh fruit bunches and production of crude palm oil and palm kernel.
Construction services	Construction of commercial and industrial building and provision of mechanical and engineering services.
Service concession	Construction and operation of public infrastructure.
Property development	Development and sales of residential, commercial and/or industrial buildings.
Manufacturing	Manufacturing and selling of plastic mould related products.

8.16 Other non-reportable segments involved in business of fast-food operation and equipment leasing which are below the quantitative thresholds for determining reportable segments.

8.27(a) Inter-segment pricing is determined on negotiated basis.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46. SEGMENT INFORMATION (CONTINUED)

8.22(a) Factors used to identify reportable segments

The oil palm business was developed internally whereas other businesses were acquired as individual units, and the management at the time of the acquisition was retained. The oil palm cultivation operating segment and the milling operating segment are aggregated into the reportable plantation operating segment due to the nature of the production process and they shared same methods of distribution and customers' base. The performance of the two separate operations is evaluated internally as a single business unit.

The service concession operating segment and the property development operating segment are organised and identified as separate reportable segments due to the regulatory environments in which the businesses operate.

The construction operating segment and the engineering service operating segment are aggregated into the reportable construction segment due to similar construction technology and long-term profit margins. The two operating segments are evaluated internally as a single business unit.

8.23 Segment profit

8.27(b) Segment performance is used to measure performance as Group's CEO 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.

8.23 Segment assets

8.27(c) The total of segment asset is measured based on all assets (excluding investment in associates and joint ventures) of a segment, as included in the internal reports that are reviewed by the Group's CEO.

8.23 Segment liabilities

8.27(d) Segment liabilities are not included in the internal reports that are reviewed by the Group's CEO, hence no disclosures are made on segment liabilities.

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46. SEGMENT INFORMATION (CONTINUED)

Reference	2023	Note	Plantation RM'000	Construction services RM'000	Service concession RM'000	Property development RM'000	Manufacturing RM'000	Discontinued operation RM'000	Adjustments and eliminations RM'000	Total RM'000
	Revenue:									
8.23(a)	Revenue from external customers	A	476,574	408,918	104,000	547,760	309,950	10,000	49,098	1,906,300
8.23(b)	Inter-segment revenue	B	-	20,000	-	10,000	-	-	(30,000)	-
			476,574	**428,918**	**104,000**	**557,760**	**309,950**	**10,000**	**19,098**	**1,906,300**
	Results:									
	Included in the measure of segment profit/(loss) are:									
8.23(c)	Interest income		1,000	1,100	-	1,000	-	-	-	3,100
8.23(f)	Dividend income		-	1,500	-	-	-	-	-	1,500
8.23(d)	Interest expense		(5,300)	(4,000)	-	(4,398)	(2,400)	-	-	(16,098)
8.23(e)	Depreciation and amortisation		(8,000)	(6,332)	(2,866)	(132)	(2,100)	(7,000)	(1,000)	(27,430)
8.23(f)	Net gain on investment property		-	-	-	4,000	-	-	-	4,000
8.23(f)	Rental income from investment property		-	-	-	3,600	-	-	-	3,600
8.23(f)	Impairment of non-financial assets		-	-	-	-	(1,500)	-	-	(1,500)
8.23(f)	Net impairment losses on financial assets and contract assets		-	-	-	-	(2,450)	-	-	(2,450)
8.23(f)	Provision for warranties		-	-	-	-	5,500	-	-	5,500
8.23(f)	Employee benefits expense		14,986	23,658	241	9,845	9,870	-	-	58,600
8.23(f)	Fair value gain of FFBs harvested and produce on bearer plants		68,600	-	-	-	-	-	-	68,600
	Not included in the measure of segment profit/(loss) but provided to Group's CEO are:									
8.23(g)	Share of results of associates and joint ventures		5,080	3,950	-	4,800	-	-	-	13,830
	Segment profit/(loss)	C	**62,320**	**29,080**	**4,100**	**45,600**	**11,300**	**(3,500)**	**26,100**	**175,000**
8.23(h)	Income tax expense		(16,850)	(8,450)	(1,000)	(12,600)	(2,800)	700	(2,900)	(43,900)
8.21(b) 8.28(b)	Profit/(loss) for the financial year	C	**45,470**	**20,630**	**3,100**	**33,000**	**8,500**	**(2,800)**	**23,200**	**131,100**
	Assets:									
8.24(a)	Investments in associates and joint ventures		35,700	21,300	-	40,400	-	-	-	97,400
8.24(b)	Additions to non-current assets		39,800	40,300	20,100	63,200	42,030	-	-	205,430
8.23	**Segment assets**	D	**320,600**	**288,600**	**69,900**	**375,200**	**208,700**	**25,400**	**167,100**	**1,455,500**

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Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46. SEGMENT INFORMATION (CONTINUED)

Reference	2022	Note	Plantation RM'000	Construction services RM'000	Property development RM'000	Manufacturing RM'000	Discontinued operation RM'000	Adjustments and eliminations RM'000	Total RM'000
	Revenue:								
8.23(a)	Revenue from external customers	A	307,300	262,555	323,480	256,800	8,700	32,165	1,191,000
8.23(b)	Inter-segment revenue	B	-	10,000	10,000	-	-	(20,000)	-
			307,300	**272,555**	**333,480**	**256,800**	**8,700**	**12,165**	**1,191,000**
	Results:								
	Included in the measure of segment profit/(loss) are:								
8.23(c)	Interest income		1,000	1,250	1,000	-	-	-	3,250
8.23(f)	Dividend income		-	1,350	-	-	-	-	1,350
8.23(d)	Interest expense		(5,300)	(3,841)	(2,425)	(2,300)	-	-	(13,866)
8.23(e)	Depreciation and amortisation		(5,637)	(2,715)	(2,563)	(2,435)	(6,400)	(3,950)	(23,700)
8.23(f)	Net gain on investment property		-	-	3,000	-	-	-	3,000
8.23(f)	Rental income from investment property		-	-	2,200	-	-	-	2,200
8.23(f)	Impairment of non-financial assets		(500)	(1,500)	(1,000)	(1,500)	-	-	(4,500)
8.23(f)	Net impairment losses on financial assets and contract assets		-	-	-	(2,458)	-	-	(2,458)
8.23(f)	Provision for warranties		-	-	-	1,000	-	-	1,000
8.23(f)	Employee benefits expense		15,348	278	13,745	18,829	-	-	48,200
8.23(f)	Fair value loss of FFBs harvested and produce on bearer plants		(3,047)	-	-	-	-	-	(3,047)
	Not included in the measure of segment profit/(loss) but provided to Group's CEO are:								
8.23(g)	Share of results of associates and joint ventures		2,300	3,300	2,700	-	-	-	8,300
	Segment profit	C	40,600	14,300	23,500	11,200	1,700	3,600	94,900
8.23(h)	Income tax expense		(9,280)	(4,700)	(5,200)	(3,300)	(500)	(820)	(23,800)
8.21(b) 8.28(b)	Profit for the financial year	C	**31,320**	**9,600**	**18,300**	**7,900**	**1,200**	**2,780**	**71,100**
	Assets:								
8.24(a)	Investments in associates and joint ventures		24,300	18,200	34,000	-	-	-	76,500
8.24(b)	Additions to non-current assets		8,200	10,300	18,300	12,300	-	-	49,100
8.23	**Segment assets**	D	**280,600**	**167,100**	**275,300**	**108,300**	**-**	**126,500**	**957,800**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46. SEGMENT INFORMATION (CONTINUED)

Reconciliation of reportable segment revenue, profit or loss, assets, liabilities and other material items are as follows:

8.28(a)

A Revenue from external customers

	2023 RM'000	2022 RM'000
Non-reportable segments	59,098	40,865
Discontinued operation	(10,000)	(8,700)
	49,098	**32,165**

8.28(a)

B Inter-segment revenue

Inter-segment revenues are eliminated on consolidation.

8.28(b)

C Reconciliation of profit or loss

	2023 RM'000	2022 RM'000
Non-reportable segments	19,270	300
Share of results of associates and joint ventures	13,830	8,300
Elimination of inter-segment unrealised profits	(6,000)	(4,000)
Unallocated amounts:		
- Other corporate expenses	(1,000)	(1,000)
	26,100	**3,600**
Less: Income tax expense	(2,900)	(820)
	23,200	**2,780**

8.28(c)

D Reconciliation of assets

	2023 RM'000	2022 RM'000
Non-reportable segments	19,700	5,000
Investments in associates and joint ventures	36,900	21,000
Inter-segment assets	XXX	XXX
	167,100	**126,500**

Reference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46. SEGMENT INFORMATION (CONTINUED)

8.33 Geographical information ❶
Revenue and non-current assets information based on the geographical location of customers are as follows:

31 December 2023	Revenue RM'000	❷ Non-current assets RM'000
Malaysia	1,262,854	663,366
United States of America	244,288	28,389
China	190,630	47,315
Singapore	114,378	56,778
Other countries	94,150	37,852
	1,906,300	**833,700**

31 December 2022	Revenue RM'000	Non-current assets RM'000
Malaysia	759,435	367,902
United States of America	171,755	18,030
China	119,100	30,050
Singapore	71,460	36,060
Other countries	69,250	24,040
	1,191,000	**476,082**

8.34 Information about major customers ❸
For construction segment, revenue from one customer represented approximately RM200,000,000 (2022: RM130,000,000) for the Group's total revenue.

Commentary:

❶ If the entity operates predominantly in Malaysia, the illustrative disclosure is as follows:

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

8.33(b) ❷ Non-current assets exclude financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

8.34 ❸ If revenues from transactions with a single external customer amount to 10% or more of an entity's revenues, the entity shall disclose that fact, the total amount of revenues from each such customer, and the identity of the segment or segments reporting the revenues.

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Reference

S251(2)

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

We, **HASHID ALIM BIN SAMAD** and **WONG KAH HIM**, being two of the directors of FLYING COLOURS BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 13 to 249 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 December 2023 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

……………………………………….
HASHID ALIM BIN SAMAD
Director

……………………………………….
WONG KAH HIM
Director

Date: (date)

FLYING COLOURS BERHAD
(Incorporated in Malaysia)

Reference

S251(1)

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

I, **LEE KAR TEE**, being the officer primarily responsible for the financial management of FLYING COLOURS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 13 to 249 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.

……………………………………………………
LEE KAR TEE
(MIA Membership No.: 12345)

Subscribed and solemnly declared by the abovenamed at Petaling Jaya in the State of Selangor Darul Ehsan on (date).

Before me,

……………………………………………………
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLYING COLOURS BERHAD
(Incorporated in Malaysia)

Reference

AAPG 1

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Flying Colours Berhad, which comprise the statements of financial position as at 31 December 2023 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 material accounting policy information, as set out on pages 13 to 249.

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 December 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Material Uncertainty Related to Going Concern[1]

We draw attention to Note X to the financial statements, which disclosed that the Group incurred a net loss of RMXXX during the financial year ended XXX and, as of that date, the Group's current liabilities exceeded its current assets by RMXXX and recorded a capital deficiency of RMXXX, thereby indicating the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

[1] To be included when the use of going concern basis of accounting is appropriate but a material uncertainty exists.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FLYING COLOURS BERHAD
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Reference

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. *[In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters below to be the key audit matters to be communicated in our report]*

Group
[Description of each key audit matter in accordance with ISA 701.]

Company
[Description of each key audit matter in accordance with ISA 701.]

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*. [or, As described below, we have concluded that such a material misstatement of the other information exists.*

Description of material misstatement of the other information.]

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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FLYING COLOURS BERHAD
(Incorporated in Malaysia)

Reference

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FLYING COLOURS BERHAD
(Incorporated in Malaysia)

Reference

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 10 to the financial statements.

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.

ISA 700.46
S265(5)

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Cheah Pooi Lin
No. 03462/11/2025 J
Chartered Accountant

Kuala Lumpur

Date: (date)

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