

13. ACCOUNTANTS' REPORT

DXN Holdings Bhd.
(Registration No. 199501033918 (363120 - V))
(Incorporated in Malaysia)
and its subsidiaries

**Accountants' Report on the
Consolidated Financial Statements**

13. ACCOUNTANTS' REPORT (Cont'd)

DXN Holdings Bhd.

(Registration No. 199501033918 (363120 - V))

(Incorporated in Malaysia)

and its subsidiaries**Consolidated statements of financial position**

| | Note | 31.12.2021 Audited RM'000 | 28.2.2021 Audited RM'000 | 29.2.2020 Audited RM'000 | 28.2.2019 Audited RM'000 |
|--|------|---------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Property, plant and equipment | 3 | 581,944 | 450,610 | 346,169 | 157,086 |
| Right-of-use assets | 4 | 35,852 | 28,846 | 25,012 | 23,259 |
| Investment properties | 5 | 7,108 | 7,553 | 108,847 | 41,208 |
| Intangible assets | 6 | 42 | 55 | 109 | 3,508 |
| Investment in an associate | 8 | 1 | 1 | 1 | - |
| Investment in joint venture | 9 | 1 | 1 | 1 | 1 |
| Inventories | 10 | - | - | 34,501 | 36,754 |
| Deferred tax assets | 11 | 48,860 | 37,851 | 32,724 | 29,842 |
| Prepayments | 12 | 5,117 | 1,623 | 2,997 | 63,080 |
| Total non-current assets | | 678,925 | 526,540 | 550,361 | 354,738 |
| Biological assets | 13 | 76 | 646 | 1,382 | 1,326 |
| Inventories | 10 | 218,140 | 166,126 | 125,349 | 116,944 |
| Contract assets | 14 | 951 | 865 | 546 | - |
| Trade and other receivables, including derivatives | 15 | 82,280 | 93,118 | 79,647 | 83,052 |
| Current tax assets | | 14,770 | 12,610 | 7,175 | 588 |
| Short term investments | 16.3 | 38,832 | 193,775 | 152,805 | 93,970 |
| Cash and cash equivalents | 16 | 394,884 | 325,978 | 252,489 | 190,473 |
| Total current assets | | 749,933 | 793,118 | 619,393 | 486,353 |
| Total assets | | 1,428,858 | 1,319,658 | 1,169,754 | 841,091 |

13. ACCOUNTANTS' REPORT (Cont'd)

Consolidated statements of financial position (continued)

| | Note | 31.12.2021 Audited RM'000 | 28.2.2021 Audited RM'000 | 29.2.2020 Audited RM'000 | 28.2.2019 Audited RM'000 |
|---|------|---------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Equity | | | | | |
| Share capital | 17 | 60,191 | 60,191 | 60,191 | 60,191 |
| Translation reserve | | (2,513) | (8,956) | (3,219) | (6,977) |
| Retained earnings | | 644,677 | 529,935 | 618,363 | 431,692 |
| Equity attributable to owners of the Company | | 702,355 | 581,170 | 675,335 | 484,906 |
| Non-controlling interests | | 49,777 | 48,520 | 35,356 | 22,940 |
| Total equity | | 752,132 | 629,690 | 710,691 | 507,846 |
| Liabilities | | | | | |
| Loans and borrowings | 18 | 34,851 | 16,403 | 14,789 | 17,183 |
| Retirement benefits | 19 | 5,403 | 5,408 | 4,300 | 3,202 |
| Lease liabilities | | 15,705 | 11,679 | 10,560 | 13,084 |
| Deferred tax liabilities | 11 | 3,674 | 3,777 | 850 | 585 |
| Total non-current liabilities | | 59,633 | 37,267 | 30,499 | 34,054 |
| Loans and borrowings | 18 | 214,613 | 241,460 | 141,530 | 56,749 |
| Lease liabilities | | 8,280 | 6,959 | 6,315 | 7,106 |
| Trade and other payables, including derivatives | 20 | 359,473 | 378,749 | 256,638 | 209,555 |
| Contract liabilities | 14 | - | 8,305 | - | - |
| Current tax liabilities | | 34,727 | 17,228 | 24,081 | 25,781 |
| Total current liabilities | | 617,093 | 652,701 | 428,564 | 299,191 |
| Total liabilities | | 676,726 | 689,968 | 459,063 | 333,245 |
| Total equity and liabilities | | 1,428,858 | 1,319,658 | 1,169,754 | 841,091 |

The notes on pages 17 to 144 are an integral part of these consolidated financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

DXN Holdings Bhd.

(Registration No. 199501033918 (363120 - V))

(Incorporated in Malaysia)

and its subsidiaries**Consolidated statements of profit or loss and other comprehensive income**

| | Note | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|--|------|---|---|--|--|--|
| Revenue | 21 | 1,015,711 | 879,915 | 1,050,205 | 1,104,608 | 907,222 |
| Other income | | 17,039 | 31,870 | 35,284 | 26,337 | 13,871 |
| Changes in work-in-progress and manufactured inventories | | 52,510 | 12,681 | 28,126 | 6,751 | 44,867 |
| Raw materials used and trading inventories sold | | (188,047) | (129,527) | (162,978) | (162,856) | (158,341) |
| Depreciation and amortisation | | (30,540) | (25,406) | (31,026) | (25,129) | (19,402) |
| Employee benefits expense | 22 | (106,641) | (89,782) | (113,836) | (102,253) | (92,987) |
| Net (loss)/gain on impairment of financial assets | 23 | (367) | 135 | (3,724) | 680 | 32 |
| Other expenses | | (489,632) | (439,628) | (519,219) | (503,180) | (379,902) |
| Results from operating activities | 23 | 270,033 | 240,258 | 282,832 | 344,958 | 315,360 |
| Interest income | | 2,315 | 6,114 | 6,923 | 6,874 | 8,944 |
| Finance costs | 24 | (1,714) | (2,061) | (2,488) | (3,993) | (4,329) |
| Profit before tax | | 270,634 | 244,311 | 287,267 | 347,839 | 319,975 |
| Tax expense | 25 | (94,273) | (77,472) | (86,383) | (92,591) | (101,108) |
| Profit for the year | | 176,361 | 166,839 | 200,884 | 255,248 | 218,867 |

13. ACCOUNTANTS' REPORT (Cont'd)

Consolidated statements of profit or loss and other comprehensive income (continued)

| | 1.3.2021 to Note 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|---|--|---|--|--|--|
| Other comprehensive income/(expense), net of tax: | | | | | |
| Item that may be reclassified subsequently to profit or loss | | | | | |
| - Foreign currency translation differences for foreign operations | 6,081 | (8,637) | (6,953) | 3,962 | (1,018) |
| Total comprehensive income for the year | <u>182,442</u> | <u>158,202</u> | <u>193,931</u> | <u>259,210</u> | <u>217,849</u> |
| Profit for the year attributable to: | | | | | |
| Owners of the Company | 174,742 | 158,244 | 191,572 | 241,671 | 209,973 |
| Non-controlling interests | 1,619 | 8,595 | 9,312 | 13,577 | 8,894 |
| | <u>176,361</u> | <u>166,839</u> | <u>200,884</u> | <u>255,248</u> | <u>218,867</u> |
| Total comprehensive income for the year attributable to: | | | | | |
| Owners of the Company | 181,185 | 151,250 | 185,835 | 245,429 | 209,361 |
| Non-controlling interests | 1,257 | 6,952 | 8,096 | 13,781 | 8,488 |
| | <u>182,442</u> | <u>158,202</u> | <u>193,931</u> | <u>259,210</u> | <u>217,849</u> |
| Basic/Diluted earnings per ordinary share (RM) | 26 <u>0.73</u> | <u>0.66</u> | <u>0.80</u> | <u>1.00</u> | <u>0.87</u> |

The notes on pages 17 to 144 are an integral part of these consolidated financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

DXN Holdings Bhd.

(Registration No. 199501033918 (363120 - V))

(Incorporated in Malaysia)

and its subsidiaries**Consolidated statements of changes in equity**

| | Attributable to owners of the Company | | | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---------------------------------------|-------------------------------|-----------------------------|-------------------------------------|------------------------|
| | Share capital RM'000 | Translation reserve RM'000 | Retained earnings RM'000 | | |
| Audited | | | | | |
| At 1 March 2018 | 60,191 | (6,365) | 315,719 | 15,476 | 385,021 |
| Profit for the year | - | - | 209,973 | 8,894 | 218,867 |
| Foreign currency translation differences for foreign operations representing other comprehensive expense for the year | - | (612) | - | (406) | (1,018) |
| Total comprehensive (expense)/income for the year | - | (612) | 209,973 | 8,488 | 217,849 |
| Issuance of shares to non-controlling interests | - | - | - | 246 | 246 |
| Dividends paid to non-controlling interests | - | - | - | (1,282) | (1,282) |
| Dividends paid to owners of the Company (Note 27) | - | - | (94,000) | - | (94,000) |
| Total transactions with owners of the Company | - | - | (94,000) | (1,036) | (95,036) |
| Acquisition of subsidiaries (Note 33.3) | - | - | - | 12 | 12 |
| | - | - | (94,000) | (1,024) | (95,024) |
| At 28 February 2019 | 60,191 | (6,977) | 431,692 | 22,940 | 507,846 |

Note 17

13. ACCOUNTANTS' REPORT (Cont'd)

Consolidated statements of changes in equity (continued)

| | ← Attributable to owners of the Company → | | | | Non-controlling interests RM'000 | Total equity RM'000 |
|--|---|-------------------------------|-----------------------------|-----------------|-------------------------------------|------------------------|
| | Share capital RM'000 | Translation reserve RM'000 | Retained earnings RM'000 | Total RM'000 | | |
| Audited | | | | | | |
| At 1 March 2019 | 60,191 | (6,977) | 431,692 | 484,906 | 22,940 | 507,846 |
| Profit for the year | - | - | 241,671 | 241,671 | 13,577 | 255,248 |
| Foreign currency translation differences for foreign operations representing other comprehensive income for the year | - | 3,758 | - | 3,758 | 204 | 3,962 |
| Total comprehensive income for the year | - | 3,758 | 241,671 | 245,429 | 13,781 | 259,210 |
| Issuance of shares to non-controlling interests | - | - | - | - | 1 | 1 |
| Dividends paid to non-controlling interests | - | - | - | - | (1,366) | (1,366) |
| Dividends paid to owners of the Company (Note 27) | - | - | (55,000) | (55,000) | - | (55,000) |
| Total transactions with owners of the Company | - | - | (55,000) | (55,000) | (1,365) | (56,365) |
| At 29 February 2020 | 60,191 | (3,219) | 618,363 | 675,335 | 35,356 | 710,691 |

Note 17

13. ACCOUNTANTS' REPORT (Cont'd)

Consolidated statements of changes in equity (continued)

| | Attributable to owners of the Company | | | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---------------------------------------|-------------------------------|-----------------------------|-------------------------------------|------------------------|
| | Share capital RM'000 | Translation reserve RM'000 | Retained earnings RM'000 | | |
| Audited | | | | | |
| At 1 March 2020 | 60,191 | (3,219) | 618,363 | 35,356 | 710,691 |
| Profit for the year | - | - | 191,572 | 9,312 | 200,884 |
| Foreign currency translation differences for foreign operations representing other comprehensive expense for the year | - | (5,737) | - | (1,216) | (6,953) |
| Total comprehensive (expense)/income for the year | - | (5,737) | 191,572 | 8,096 | 193,931 |
| Issuance of shares to non-controlling interests (Note 33.1) | - | - | - | 5,068 | 5,068 |
| Dividends paid to owners of the Company (Note 27) | - | - | (280,000) | - | (280,000) |
| Total transactions with owners of the Company | - | - | (280,000) | 5,068 | (274,932) |
| At 28 February 2021 | 60,191 | (8,956) | 529,935 | 48,520 | 629,690 |

Note 17

13. ACCOUNTANTS' REPORT (Cont'd)

Consolidated statements of changes in equity (continued)

| | ← Attributable to owners of the Company → | | | Total RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
|--|---|---|---|-----------------|--|---------------------------|
| | Share capital RM'000 | Non- distributable Translation reserve RM'000 | Distributable Retained earnings RM'000 | | | |
| Audited | | | | | | |
| At 1 March 2021 | 60,191 | (8,956) | 529,935 | 581,170 | 48,520 | 629,690 |
| Profit for the period | - | - | 174,742 | 174,742 | 1,619 | 176,361 |
| Foreign currency translation differences for foreign operations representing other comprehensive income/(expense) for the period | - | 6,443 | - | 6,443 | (362) | 6,081 |
| Total comprehensive income for the period | - | 6,443 | 174,742 | 181,185 | 1,257 | 182,442 |
| Dividends paid to owners of the Company (Note 27) | - | - | (60,000) | (60,000) | - | (60,000) |
| Total transaction with owners of the Company | - | - | (60,000) | (60,000) | - | (60,000) |
| At 31 December 2021 | 60,191 | (2,513) | 644,677 | 702,355 | 49,777 | 752,132 |

Note 17

13. ACCOUNTANTS' REPORT (Cont'd)

Consolidated statements of changes in equity (continued)

| | ← Attributable to owners of the Company → | | | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|-------------------------------|-----------------------------|-------------------------------------|------------------------|
| | Share capital RM'000 | Translation reserve RM'000 | Retained earnings RM'000 | | |
| Unaudited | | | | | |
| At 1 March 2020 | 60,191 | (3,219) | 618,363 | 35,356 | 710,691 |
| Profit for the period | - | - | 158,244 | 8,595 | 166,839 |
| Foreign currency translation differences for foreign operations representing other comprehensive expense for the period | - | (6,994) | - | (1,643) | (8,637) |
| Total comprehensive (expense)/income for the period | - | (6,994) | 158,244 | 6,952 | 158,202 |
| Issuance of shares to non-controlling interests (Note 33.1) | - | - | - | 5,068 | 5,068 |
| Dividends paid to owners of the Company (Note 27) | - | - | (80,000) | - | (80,000) |
| Total transaction with owners of the Company | - | - | (80,000) | 5,068 | (74,932) |
| At 31 December 2020 | 60,191 | (10,213) | 696,607 | 47,376 | 793,961 |

Note 17

The notes on pages 17 to 144 are an integral part of these consolidated financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**DXN Holdings Bhd.**

(Registration No. 199501033918 (363120 - V))

(Incorporated in Malaysia)

and its subsidiaries**Consolidated statements of cash flows**

| | | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|---|----|---|---|--|--|--|
| Cash flows from operating activities | | | | | | |
| Profit before tax | | 270,634 | 244,311 | 287,267 | 347,839 | 319,975 |
| Adjustments for: | | | | | | |
| Depreciation of: | | | | | | |
| - Property, plant and equipment | 3 | 22,976 | 17,407 | 20,633 | 15,319 | 12,956 |
| - Right-of-use assets | 4 | 7,292 | 6,755 | 8,882 | 8,014 | 5,655 |
| - Investment properties | 5 | 197 | 1,147 | 1,393 | 1,479 | 448 |
| Amortisation of intangible assets | 6 | 75 | 97 | 118 | 317 | 343 |
| Fair value changes on biological assets | 13 | 570 | (585) | 736 | (56) | (39) |
| (Gain)/Loss on derecognition of right-of-use assets and lease liabilities | | (35) | - | 92 | - | - |
| Retirement benefits expense | 19 | 96 | 1,230 | 1,476 | 991 | 620 |
| Written off: | | | | | | |
| - Property, plant and equipment | 23 | 1,276 | 6,180 | 6,906 | 587 | 379 |
| - Intangible assets | | - | - | - | 12 | - |

13. ACCOUNTANTS' REPORT (Cont'd)

Consolidated statements of cash flows (continued)

| | | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|--|------|---|---|--|--|--|
| Impairment loss on: | | | | | | |
| - Property, plant and equipment | 3 | - | - | 10,723 | - | 3,593 |
| - Intangible assets | 6 | - | - | - | 3,206 | - |
| - Goodwill | 33.3 | - | - | - | - | 2,707 |
| Interest income (Gain)/Loss on disposal of: | | (2,315) | (6,114) | (6,923) | (6,874) | (8,944) |
| - Property, plant and equipment | 23 | (387) | 789 | (44) | (106) | 19 |
| - Investment in subsidiaries | 23 | - | - | (1,655) | - | - |
| Interest expense | 24 | 1,714 | 2,061 | 2,488 | 3,993 | 4,329 |
| Bargain purchase gain on business combination | 33.2 | - | - | - | (5,267) | - |
| Operating profit before working capital changes | | 302,093 | 273,278 | 332,092 | 369,454 | 342,041 |
| Changes in: | | | | | | |
| Inventories | | (51,962) | (26,373) | (42,984) | (5,838) | (63,034) |
| Trade and other receivables | | 11,398 | (15,774) | (14,383) | 4,068 | (23,299) |
| Contract assets | | (86) | (618) | (319) | (546) | - |
| Trade and other payables | | 35,715 | 60,122 | 66,627 | 43,692 | (5,577) |
| Contract liabilities | | (8,305) | - | 8,305 | - | - |
| Cash generated from operations | | 288,853 | 290,635 | 349,338 | 410,830 | 250,131 |
| Tax paid | | (90,046) | (81,101) | (98,641) | (103,411) | (76,390) |
| Retirement benefits paid | 19 | (130) | (277) | (289) | (26) | (28) |
| Net cash from operating activities | | 198,677 | 209,257 | 250,408 | 307,393 | 173,713 |

13. ACCOUNTANTS' REPORT (Cont'd)

Consolidated statements of cash flows (continued)

| | Note | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|---|------|---|---|--|--|--|
| Cash flows from investing activities | | | | | | |
| Purchase of: | | | | | | |
| - Property, plant and equipment | B | (152,068) | (100,050) | (140,060) | (146,133) | (47,406) |
| - Right-of-use assets | | - | - | - | (6,000) | - |
| - Investment properties | C | - | - | - | (37,319) | - |
| - Intangible assets | 6 | (61) | (68) | (70) | (135) | (152) |
| Prepayment for purchase of investment properties | | - | - | - | - | (61,754) |
| Proceeds from disposal of property, plant and equipment | | 1,575 | 421 | 580 | 232 | 322 |
| Investment in an associate | | - | - | - | (1) | - |
| Investment in joint venture | | - | - | - | - | (1) |
| Acquisition of subsidiaries, net of cash and cash equivalents | 33 | - | (8,383) | (8,383) | (2,012) | (2,345) |
| Disposal of subsidiaries, net of cash disposed | 34.1 | - | - | (207) | - | - |
| Derecognition of a subsidiary, net of cash derecognised | | - | - | - | (6) | - |
| Interest received | | 2,315 | 6,114 | 6,923 | 6,874 | 8,944 |
| (Placement)/Withdrawal of pledged deposits | | (314) | (1,254) | (1,271) | 649 | (4) |
| Withdrawal/ (Placement) of short term investments | | 154,943 | (46,736) | (40,970) | (58,835) | 120,213 |
| Net cash from/ (used in) investing activities | | 6,390 | (149,956) | (183,458) | (242,686) | 17,817 |

13. ACCOUNTANTS' REPORT (Cont'd)

Consolidated statements of cash flows (continued)

| | Note | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|---|------|---|---|--|--|--|
| Cash flows from financing activities | | | | | | |
| Dividends paid to: | | | | | | |
| - Owners of the Company | E | (112,700) | (80,000) | (80,000) | (55,000) | (94,000) |
| - Non-controlling interests | | - | - | - | (1,366) | (1,282) |
| Interest paid | 24 | (4,068) | (3,579) | (4,308) | (3,993) | (4,329) |
| Proceeds from issuance of shares to non-controlling interests | | - | 5,068 | 5,068 | 1 | 246 |
| Repayment of: | | | | | | |
| - Lease liabilities | 18.2 | (8,568) | (5,405) | (8,608) | (7,106) | (5,274) |
| - Hire purchase liabilities | 18.2 | (891) | (893) | (1,054) | (840) | (724) |
| - Term loans | 18.2 | - | - | - | (20,690) | - |
| - Revolving credits | 18.2 | (32,519) | - | - | - | (42,132) |
| Drawdown of: | | | | | | |
| - Term loans | 18.2 | 23,742 | 5,258 | 4,896 | - | 1,740 |
| - Revolving credits | 18.2 | - | 97,121 | 96,622 | 85,244 | - |
| Net cash (used in)/ from financing activities | | (135,004) | 17,570 | 12,616 | (3,750) | (145,755) |
| Net increase in cash and cash equivalents | | 70,063 | 76,871 | 79,566 | 60,957 | 45,775 |
| Foreign currency translation differences | | (1,471) | (8,643) | (7,348) | 1,708 | (1,608) |
| Cash and cash equivalents at beginning of the year | | 323,353 | 251,135 | 251,135 | 188,470 | 144,303 |
| Cash and cash equivalents at end of the period/year | A | <u>391,945</u> | <u>319,363</u> | <u>323,353</u> | <u>251,135</u> | <u>188,470</u> |

13. ACCOUNTANTS' REPORT (Cont'd)**Consolidated statements of cash flows (continued)****Notes****A. Cash and cash equivalents**

Cash and cash equivalents included in the consolidated statements of cash flows comprise the following consolidated statements of financial position amounts:

| | Note | 31.12.2021 Audited RM'000 | 31.12.2020 Unaudited RM'000 | 28.2.2021 Audited RM'000 | 29.2.2020 Audited RM'000 | 28.2.2019 Audited RM'000 |
|---------------------------|-------------|--|--|---|---|---|
| Cash and cash equivalents | 16 | 394,884 | 321,971 | 325,978 | 252,489 | 190,473 |
| Less: Pledged deposits | 16.1 | (2,939) | (2,608) | (2,625) | (1,354) | (2,003) |
| | | <u>391,945</u> | <u>319,363</u> | <u>323,353</u> | <u>251,135</u> | <u>188,470</u> |

B. Purchase of property, plant and equipment

| | Note | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|---|-------------|--|--|---|---|---|
| Total additions | 3 | 151,316 | 105,613 | 144,669 | 145,635 | 47,807 |
| Add/(Less) : | | | | | | |
| Amount paid in prior year | | - | - | - | (860) | - |
| Amount financed through hire purchase | 18.2 | (388) | (1,048) | (1,415) | (1,173) | (1,727) |
| Changes in prepayment for purchase of plant and equipment | | 3,494 | (2,997) | (1,374) | 2,531 | 1,326 |
| Interest expense capitalised | 24 | (2,354) | (1,518) | (1,820) | - | - |
| | | <u>152,068</u> | <u>100,050</u> | <u>140,060</u> | <u>146,133</u> | <u>47,406</u> |

13. ACCOUNTANTS' REPORT (Cont'd)

Consolidated statements of cash flows (continued)

Notes (continued)

C. Purchase of investment properties

| | Note | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|------------------------------------|------|---|---|--|--|--|
| Total additions | 5 | - | - | - | 99,073 | - |
| Less: Amount paid in prior year | | - | - | - | (61,754) | - |
| | | <u>-</u> | <u>-</u> | <u>-</u> | <u>37,319</u> | <u>-</u> |

D. Cash outflows for leases as a lessee

| | Note | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|--|------|---|---|--|--|--|
| Included in net cash from operating activities | | | | | | |
| Payment relating to short-term leases | 23 | 3,497 | 3,639 | 2,787 | 2,985 | 4,653 |
| Payment relating to low-value assets | 23 | 332 | 366 | 390 | 530 | 441 |
| Interest paid in relation to lease liabilities | 24 | 783 | 688 | 826 | 979 | 736 |
| Included in net cash used in financing activities | | | | | | |
| Payment of lease liabilities | 18.2 | 8,568 | 5,405 | 8,608 | 7,106 | 5,274 |
| Total cash outflows for leases | | <u>13,180</u> | <u>10,098</u> | <u>12,611</u> | <u>11,600</u> | <u>11,104</u> |

13. ACCOUNTANTS' REPORT (Cont'd)**Consolidated statements of cash flows (continued)**

Notes (continued)

E. Dividends paid to owners of the Company

| | Note | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|--|---------|---|---|--|--|--|
| Total dividends declared | 27 | 60,000 | 80,000 | 280,000 | 55,000 | 94,000 |
| Add/(Less): | | | | | | |
| Amount set off against | | | | | | |
| - Proceeds from disposal of subsidiaries | 35(vii) | - | - | (47,100) | - | - |
| - Amount due from disposed subsidiaries to the Company | 35(vii) | - | - | (100,200) | - | - |
| Amount unpaid at year end | 20 | - | - | (52,700) | - | - |
| Amount paid for dividends declared in prior year | | 52,700 | - | - | - | - |
| | | <u>112,700</u> | <u>80,000</u> | <u>80,000</u> | <u>55,000</u> | <u>94,000</u> |

The notes on pages 17 to 144 are an integral part of these consolidated financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**DXN Holdings Bhd.**

(Registration No. 199501033918 (363120 - V))

(Incorporated in Malaysia)

and its subsidiaries**Notes to the consolidated financial statements**

DXN Holdings Bhd. (the "Company") is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

Wisma DXN
213, Lebuhraya Sultan Abdul Halim
05400 Alor Setar
Kedah Darul Aman

Registered office

170-09-01, Livingston Tower
Jalan Argyll
10050 George Town
Penang

The Company is principally engaged in investment holding and provision of management services whilst the principal activities of the subsidiaries are as stated in Note 7 to the consolidated financial statements.

1. Basis of preparation**(a) Statement of compliance**

The consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associate and joint venture have been prepared in connection with the proposed listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and for no other purposes.

The consolidated financial statements of the Company for the financial period ended 31 December 2021 and for the financial years ended 28 February 2021, 29 February 2020 and 28 February 2019 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

13. ACCOUNTANTS' REPORT (Cont'd)**1. Basis of preparation (continued)****(a) Statement of compliance (continued)****Changes in accounting policies**

The Group has adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* which are effective for annual periods beginning on or after 1 January 2018 and MFRS 16, *Leases* which is effective for annual periods beginning on or after 1 January 2018.

(i) MFRS 15, Revenue from Contracts with Customers

MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods and services is transferred to the customers, moving from the transfer of risks and rewards. The following are the changes arising from the adoption of MFRS 15 by the Group:

Performance bonus paid/payable to customers

The Group provided group effort related performance bonus and personal effort related performance bonus to customers. Upon the adoption of MFRS 15, the Group shall account for consideration paid or payable to customers as a reduction of the transaction price under the revenue recognition process unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group.

The personal effort related performance bonus paid and payable by the Group to customers are accounted as a reduction of the transaction price under the revenue recognition process. Whilst group effort related performance bonus is not accounted as a reduction of the transaction price as the consideration paid or payable to customers are for distinct goods or services provided the Group.

The effects arising from the above changes have been reflected in the consolidated financial statements of the Group for the year ended 28 February 2019 and have been consistently applied in the subsequent financial years/period.

(ii) MFRS 9, Financial Instruments

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The adoption of MFRS 9 does not have a material financial impact to the consolidated financial statements of the Group.

13. ACCOUNTANTS' REPORT (Cont'd)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

Changes in accounting policies (continued)

(iii) MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognised a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. MFRS 16 was applied only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 March 2018.

Where the Group is a lessee, the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application, if any as an adjustment to the retained earnings at 1 March 2018.

The following are accounting standard and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

MFRSs and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*

13. ACCOUNTANTS' REPORT (Cont'd)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs and amendments effective for annual periods beginning on or after 1 January 2022 (continued)

- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018-2020)*

MFRSs and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts - Initial application of MFRS 17 and MFRS 9 - Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs and amendments effective for annual periods beginning on or after a date yet to be confirmed

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

The Group plans to apply the abovementioned amendments, where applicable in the respective financial years when the abovementioned amendments become effective.

The Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to the Group.

The initial application of the amendments, where applicable is not expected to have any material financial impacts to the current period and prior period financial statements of the Group.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the consolidated financial statements.

(c) Functional and presentation currency

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

13. ACCOUNTANTS' REPORT (Cont'd)**1. Basis of preparation (continued)****(d) Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the consolidated financial statements other than those disclosed in the following notes:

- Note 3.1 - Impairment loss on property, plant and equipment
- Note 4.3 - Extension options and incremental borrowing rate in relation to leases
- Note 5.1 - Fair value information of investment properties
- Note 11 - Deferred tax assets/(liabilities)

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation**(i) Subsidiaries**

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

13. ACCOUNTANTS' REPORT (Cont'd)

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) *Business combinations*

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

(iii) *Acquisitions of non-controlling interests*

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against the Group's reserves.

(iv) *Loss of control*

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

13. ACCOUNTANTS' REPORT (Cont'd)

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) *Associates*

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

(vi) *Joint arrangements*

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group has rights to the assets and obligations for the liabilities relating to an arrangement. The Group accounts for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

13. ACCOUNTANTS' REPORT (Cont'd)

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) *Joint arrangements (continued)*

- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

(vii) *Non-controlling interests*

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

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) *Transactions eliminated on consolidation*

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

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) *Operations denominated in functional currencies other than Ringgit Malaysia*

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. Income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

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

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

13. ACCOUNTANTS' REPORT (Cont'd)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost 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.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(l)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

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

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, other than those at fair value through profit or loss are subject to impairment assessment (see Note 2(l)(i)).

13. ACCOUNTANTS' REPORT (Cont'd)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group recognises the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)**2. Significant accounting policies (continued)****(c) Financial instruments (continued)****(iii) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) *Subsequent costs*

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

(iii) *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The depreciation rates for the current and comparative periods based on their estimated useful lives are as follows:

| | % |
|--|----------|
| Buildings | 2 - 10 |
| Farms | 2 - 20 |
| Plant and machinery | 6.7 - 25 |
| Furniture, fittings and office equipment | 3 - 50 |
| Motor vehicle and vessel | 10 - 25 |
| Aircrafts | 20 |

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

(e) **Leases**(i) **Definition of a lease**

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

13. ACCOUNTANTS' REPORT (Cont'd)

2. Significant accounting policies (continued)

(e) Leases (continued)

(i) Definition of a lease (continued)

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rates as the discount rate.

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

- fixed payments, including in-substance fixed payments less any incentives receivable; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

13. ACCOUNTANTS' REPORT (Cont'd)**2. Significant accounting policies (continued)****(e) Leases (continued)****(ii) Recognition and initial measurement (continued)****(a) As a lessee (continued)**

The Group excludes variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

(iii) Subsequent measurement**(a) As a lessee**

The right-of-use asset is subsequently 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. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

13. ACCOUNTANTS' REPORT (Cont'd)

2. Significant accounting policies (continued)

(e) Leases (continued)

(iii) Subsequent measurement (continued)

(a) As a lessee (continued)

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

(f) Intangible assets

(i) Software costs

Software costs which have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(ii) Logging concession rights

Logging concession rights are measured at cost on initial recognition. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Software costs are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Logging concession rights with indefinite useful life are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

The depreciate rates for the current and comparative periods based on estimated useful life of software costs ranged from 20% - 50%.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

13. ACCOUNTANTS' REPORT (Cont'd)**2. Significant accounting policies (continued)****(g) Investment properties**

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Cost includes expenditure that is attributable to the acquisition of the investment property. The cost of self-constructed investment property includes materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Transfers between investment property, property, plant and equipment and inventories do not change the carrying amount and the cost of the property transferred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives ranging from 20 - 99 years. Freehold land is not depreciated.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(h) Biological assets

The biological assets of the Group comprise agricultural produce from productive plants, ie. reishi gano, ganocelium, tea leaves and spirulina which are presented as current assets in the consolidated statement of financial position.

Growing crops are stated at fair value less the estimated costs necessary to make the sale. Gains or losses arising from the initial recognition of growing crops at fair value less estimated costs to sell and the subsequent changes in fair value less costs to sell at each reporting date are recognised in profit or loss in the period in which such gains or losses occur.

Fair value is determined by applying estimates of production volume with the estimated market price at the reporting date.

(i) Inventories

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

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

13. ACCOUNTANTS' REPORT (Cont'd)**2. Significant accounting policies (continued)****(i) Inventories (continued)****(i) Raw materials, trading and manufactured inventories**

The cost of inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

(ii) Land held for property development

Land held for property development consist of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the Group's normal operating cycle.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

(iii) Developed properties

Developed properties are measured at the lower of cost and net realisable value. Cost is determined on the specific identification basis and comprise cost associated with the acquisition of land, direct building and construction costs and appropriate proportion of common costs.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of its short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

13. ACCOUNTANTS' REPORT (Cont'd)

2. Significant accounting policies (continued)

(k) Contract asset/Contract liability

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(l)(i)).

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(l) Impairment

(i) Financial assets

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

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

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

The Group estimates the expected credit losses on trade receivables and contract assets using a provision matrix with reference to historical credit loss experience.

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

At each reporting date, the Group assesses whether financial assets carried at amortised cost 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 the financial asset have occurred.

13. ACCOUNTANTS' REPORT (Cont'd)**2. Significant accounting policies (continued)****(I) Impairment (continued)****(i) Financial assets (continued)**

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for contract assets, inventories, biological assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

13. ACCOUNTANTS' REPORT (Cont'd)

2. Significant accounting policies (continued)

(l) Impairment (continued)

(ii) Other assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(m) Equity instruments

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

Ordinary shares

Ordinary shares are classified as equity.

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

13. ACCOUNTANTS' REPORT (Cont'd)**2. Significant accounting policies (continued)****(n) Employee benefits (continued)****(iii) Defined benefit plans**

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(p) Contingent liabilities

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

13. ACCOUNTANTS' REPORT (Cont'd)

2. Significant accounting policies (continued)

(q) Revenue and other income

(i) *Revenue from contracts with customers*

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group performs;
- (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(ii) *Interest income*

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(iii) *Rental income*

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

(iv) *Government grants*

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

13. ACCOUNTANTS' REPORT (Cont'd)**2. Significant accounting policies (continued)****(r) Income tax**

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

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

Unutilised investment tax allowance, being a tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(s) Borrowing costs

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

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

13. ACCOUNTANTS' REPORT (Cont'd)**2. Significant accounting policies (continued)****(s) Borrowing costs (continued)**

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

(t) Earnings per ordinary share

The Group presents basic earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

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

(u) Operating segments

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

(v) Fair value measurements

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

For 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. ACCOUNTANTS' REPORT (Cont'd)

2. Significant accounting policies (continued)**(v) Fair value measurements (continued)**

When measuring the fair value of an asset or a liability, the Group 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:

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

3. Property, plant and equipment

| | Freehold land RM'000 | Buildings RM'000 | Farms RM'000 | Plant and machinery RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicle and vessel RM'000 | Aircraft RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|---|----------------------------|---------------------|-----------------|----------------------------------|---|--|--------------------|---|-----------------|
| Cost | | | | | | | | | |
| At 1 March 2018 | 23,912 | 58,455 | 10,366 | 66,218 | 30,165 | 10,534 | - | 14,156 | 213,806 |
| Acquisition through business combination (Note 33.3) | - | 156 | - | 291 | 124 | 157 | - | - | 728 |
| Additions | 3,336 | 10,151 | 56 | 11,389 | 2,912 | 2,650 | 7,900 | 9,413 | 47,807 |
| Disposals | - | - | - | (579) | (166) | (355) | - | - | (1,100) |
| Written-off | - | - | (200) | (869) | (714) | (19) | - | (148) | (1,950) |
| Transfer from investment properties | - | 501 | - | - | - | - | - | - | 501 |
| Reclassification | - | 3,472 | (891) | 1,548 | (1,435) | 50 | - | (2,744) | - |
| Effect of movement in exchange rates | 39 | (523) | - | (207) | (192) | 1 | - | (159) | (1,041) |
| At 1 March 2019 | 27,287 | 72,212 | 9,331 | 77,791 | 30,694 | 13,018 | 7,900 | 20,518 | 258,751 |
| Acquisition through business combination (Note 33.2) | 15,700 | 16,876 | - | - | 486 | 15 | - | - | 33,077 |
| Derecognition of a subsidiary | - | - | - | - | - | - | - | (2,789) | (2,789) |
| Additions | 3,714 | 18,972 | 740 | 7,683 | 5,947 | 2,431 | - | 106,148 | 145,635 |
| Disposals | - | (41) | - | (55) | (93) | (410) | - | (36) | (635) |
| Written-off | - | (24) | (513) | (529) | (273) | (276) | - | - | (1,615) |
| Transfer from/(to) investment properties | 24,638 | 7,106 | - | - | (433) | - | - | - | 31,311 |
| Transfer to land held for property development | - | - | - | - | - | - | - | (440) | (440) |
| Reclassification | - | 275 | 273 | 318 | 29 | - | - | (895) | - |
| Effect of movement in exchange rates | 238 | 35 | - | 215 | 167 | 72 | - | (827) | (100) |
| At 29 February 2020 | 71,577 | 115,411 | 9,831 | 85,423 | 36,524 | 14,850 | 7,900 | 121,679 | 463,195 |

13. ACCOUNTANTS' REPORT (Cont'd)

3. Property, plant and equipment (continued)

| | Freehold land RM'000 | Buildings RM'000 | Farms RM'000 | Plant and machinery RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicle and vessel RM'000 | Aircraft RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|---|----------------------------|---------------------|-----------------|----------------------------------|---|--|--------------------|---|-----------------|
| Cost | | | | | | | | | |
| At 1 March 2020 | 71,577 | 115,411 | 9,831 | 85,423 | 36,524 | 14,850 | 7,900 | 121,679 | 463,195 |
| Acquisition through business combination (Note 33.1) | - | 1,077 | - | 1,776 | 111 | 2 | - | 5,541 | 8,507 |
| Disposal of subsidiaries | (1,569) | (7,106) | - | (42) | (136) | (435) | - | - | (9,288) |
| Additions | 90 | 2,022 | 1,136 | 19,877 | 4,167 | 4,378 | 3,219 | 109,780 | 144,669 |
| Disposals | - | (182) | - | (481) | (303) | (242) | - | (60) | (1,268) |
| Written-off | - | (7,324) | - | (4,693) | (175) | (115) | - | (26) | (12,333) |
| Reclassification | 1,064 | 18,837 | 1,883 | 4,032 | 231 | - | - | (26,047) | - |
| Effect of movement in exchange rates | (517) | 986 | - | (335) | (328) | (71) | - | (2,210) | (2,475) |
| At 28 February 2021/1 March 2021 | 70,645 | 123,721 | 12,850 | 105,557 | 40,091 | 18,367 | 11,119 | 208,657 | 591,007 |
| Additions | 190 | 6,180 | 1,091 | 19,136 | 4,280 | 5,384 | - | 115,055 | 151,316 |
| Disposals | - | - | - | - | (172) | (470) | - | (1,048) | (1,690) |
| Written-off | - | (274) | (297) | (801) | (672) | - | - | (16) | (2,060) |
| Reclassification | - | 16,594 | 2,941 | 6,932 | (46) | 31 | - | (26,452) | - |
| Effect of movement in exchange rates | (226) | 1,910 | - | 699 | 13 | 4 | - | 3,303 | 5,703 |
| At 31 December 2021 | 70,609 | 148,131 | 16,585 | 131,523 | 43,494 | 23,316 | 11,119 | 299,499 | 744,276 |

13. ACCOUNTANTS' REPORT (Cont'd)

3. Property, plant and equipment (continued)

| | Freehold land RM'000 | Buildings RM'000 | Farms RM'000 | Plant and machinery RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicle and vessel RM'000 | Aircraft RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|---|----------------------------|---------------------|-----------------|----------------------------------|---|--|--------------------|---|-----------------|
| Depreciation and impairment loss | | | | | | | | | |
| At 1 March 2018 | | | | | | | | | |
| Accumulated depreciation | - | 12,802 | 3,762 | 46,919 | 16,058 | 6,987 | - | - | 86,528 |
| Accumulated impairment losses | - | - | - | 888 | 1 | - | - | - | 889 |
| | - | 12,802 | 3,762 | 47,807 | 16,059 | 6,987 | - | - | 87,417 |
| Depreciation for the year | - | 2,677 | 461 | 5,336 | 2,639 | 1,606 | 237 | - | 12,956 |
| Impairment loss | - | - | - | - | - | - | - | 3,593 | 3,593 |
| Disposals | - | - | - | (309) | (95) | (355) | - | - | (759) |
| Written-off | - | - | (97) | (849) | (606) | (19) | - | - | (1,571) |
| Transfer from investment properties | - | 217 | - | - | - | - | - | - | 217 |
| Reclassification | - | 375 | (364) | (1) | (10) | - | - | - | - |
| Effect of movement in exchange rates | - | (74) | - | (52) | (72) | 10 | - | - | (188) |
| At 28 February 2019 | | | | | | | | | |
| Accumulated depreciation | - | 15,997 | 3,762 | 51,044 | 17,914 | 8,229 | 237 | - | 97,183 |
| Accumulated impairment losses | - | - | - | 888 | 1 | - | - | 3,593 | 4,482 |
| | - | 15,997 | 3,762 | 51,932 | 17,915 | 8,229 | 237 | 3,593 | 101,665 |

13. ACCOUNTANTS' REPORT (Cont'd)

3. Property, plant and equipment (continued)

| | Freehold land RM'000 | Buildings RM'000 | Farms RM'000 | Plant and machinery RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicle and vessel RM'000 | Aircraft RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|--|----------------------------|---------------------|-----------------|----------------------------------|---|--|--------------------|---|-----------------|
| Depreciation and impairment loss | | | | | | | | | |
| At 1 March 2019 | | | | | | | | | |
| Accumulated depreciation | - | 15,997 | 3,762 | 51,044 | 17,914 | 8,229 | 237 | - | 97,183 |
| Accumulated impairment losses | - | - | - | 888 | 1 | - | - | 3,593 | 4,482 |
| | - | 15,997 | 3,762 | 51,932 | 17,915 | 8,229 | 237 | 3,593 | 101,665 |
| Depreciation for the year | - | 2,879 | 493 | 6,643 | 3,176 | 1,812 | 316 | - | 15,319 |
| Disposals | - | (13) | - | (51) | (77) | (368) | - | - | (509) |
| Written-off | - | - | (127) | (506) | (255) | (140) | - | - | (1,028) |
| Transfer from/(to) investment properties | - | 1,284 | - | - | (54) | - | - | - | 1,230 |
| Effect of movement in exchange rates | - | 159 | - | 43 | 95 | 52 | - | - | 349 |
| At 29 February 2020 | | | | | | | | | |
| Accumulated depreciation | - | 20,306 | 4,128 | 57,173 | 20,799 | 9,585 | 553 | - | 112,544 |
| Accumulated impairment losses | - | - | - | 888 | 1 | - | - | 3,593 | 4,482 |
| | - | 20,306 | 4,128 | 58,061 | 20,800 | 9,585 | 553 | 3,593 | 117,026 |

13. ACCOUNTANTS' REPORT (Cont'd)

3. Property, plant and equipment (continued)

| | Freehold land RM'000 | Buildings RM'000 | Farms RM'000 | Plant and machinery RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicle and vessel RM'000 | Aircraft RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|---|----------------------------|---------------------|-----------------|----------------------------------|---|--|--------------------|---|-----------------|
| Depreciation and impairment loss | | | | | | | | | |
| At 1 March 2020 | | | | | | | | | |
| Accumulated depreciation | - | 20,306 | 4,128 | 57,173 | 20,799 | 9,585 | 553 | - | 112,544 |
| Accumulated impairment losses | - | - | - | 888 | 1 | - | - | 3,593 | 4,482 |
| | - | 20,306 | 4,128 | 58,061 | 20,800 | 9,585 | 553 | 3,593 | 117,026 |
| Disposal of subsidiaries | - | (1,283) | - | (2) | (24) | (89) | - | - | (1,398) |
| Depreciation for the year | - | 3,766 | 637 | 7,667 | 3,530 | 2,021 | 3,012 | - | 20,633 |
| Impairment loss | 10,723 | - | - | - | - | - | - | - | 10,723 |
| Disposals | - | (182) | - | (76) | (285) | (189) | - | - | (732) |
| Written-off | - | (1,376) | - | (3,799) | (137) | (115) | - | - | (5,427) |
| Effect of movement in exchange rates | - | (28) | - | (246) | (126) | (28) | - | - | (428) |
| At 28 February 2021 | | | | | | | | | |
| Accumulated depreciation | - | 21,203 | 4,765 | 60,717 | 23,757 | 11,185 | 3,565 | - | 125,192 |
| Accumulated impairment losses | 10,723 | - | - | 888 | 1 | - | - | 3,593 | 15,205 |
| | 10,723 | 21,203 | 4,765 | 61,605 | 23,758 | 11,185 | 3,565 | 3,593 | 140,397 |

13. ACCOUNTANTS' REPORT (Cont'd)

3. Property, plant and equipment (continued)

| | Freehold land RM'000 | Buildings RM'000 | Farms RM'000 | Plant and machinery RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicle and vessel RM'000 | Aircraft RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|---|----------------------------|---------------------|-----------------|----------------------------------|---|--|--------------------|---|-----------------|
| Depreciation and impairment loss | | | | | | | | | |
| At 1 March 2021 | | | | | | | | | |
| Accumulated depreciation | - | 21,203 | 4,765 | 60,717 | 23,757 | 11,185 | 3,565 | - | 125,192 |
| Accumulated impairment losses | 10,723 | - | - | 888 | 1 | - | - | 3,593 | 15,205 |
| | 10,723 | 21,203 | 4,765 | 61,605 | 23,758 | 11,185 | 3,565 | 3,593 | 140,397 |
| Depreciation for the period | - | 4,402 | 939 | 9,114 | 3,663 | 2,081 | 2,777 | - | 22,976 |
| Disposals | - | - | - | - | (149) | (353) | - | - | (502) |
| Written-off | - | (68) | (86) | (447) | (183) | - | - | - | (784) |
| Reclassification | - | - | - | 540 | (532) | (8) | - | - | - |
| Effect of movement in exchange rates | - | 222 | - | 103 | (65) | (15) | - | - | 245 |
| At 31 December 2021 | | | | | | | | | |
| Accumulated depreciation | - | 25,759 | 5,618 | 70,027 | 26,491 | 12,890 | 6,342 | - | 147,127 |
| Accumulated impairment losses | 10,723 | - | - | 888 | 1 | - | - | 3,593 | 15,205 |
| | 10,723 | 25,759 | 5,618 | 70,915 | 26,492 | 12,890 | 6,342 | 3,593 | 162,332 |

13. ACCOUNTANTS' REPORT (Cont'd)

3. Property, plant and equipment (continued)

| | Freehold land RM'000 | Buildings RM'000 | Farms RM'000 | Plant and machinery RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicle and vessel RM'000 | Aircraft RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|-------------------------|----------------------------|---------------------|-----------------|----------------------------------|---|--|--------------------|---|-----------------|
| Carrying amounts | | | | | | | | | |
| At 1 March 2018 | 23,912 | 45,653 | 6,604 | 18,411 | 14,106 | 3,547 | - | 14,156 | 126,389 |
| At 28 February 2019 | 27,287 | 56,215 | 5,569 | 25,859 | 12,779 | 4,789 | 7,663 | 16,925 | 157,086 |
| At 29 February 2020 | 71,577 | 95,105 | 5,703 | 27,362 | 15,724 | 5,265 | 7,347 | 118,086 | 346,169 |
| At 28 February 2021 | 59,922 | 102,518 | 8,085 | 43,952 | 16,333 | 7,182 | 7,554 | 205,064 | 450,610 |
| At 31 December 2021 | 59,886 | 122,372 | 10,967 | 60,608 | 17,002 | 10,426 | 4,777 | 295,906 | 581,944 |

3.1 Impairment loss

During the last financial year ended 29 February 2021, the Group recognised an impairment loss of RM10,723,000 based on a valuation conducted by independent valuers using a combination of the comparison and depreciated replacement cost approach in regards to a property which the Group currently operates a glamping resort. Widespread containment measures, travel restrictions and lockdowns by governments globally to curb the outbreak of Covid-19 have caused significant disruptions in both business and leisure travels resulting in a substantial drop in the occupancy rate and revenue of the resort. The impairment loss is recognised as other expenses in profit or loss.

The fair value of the above property was determined to be RM21,500,000 and is classified as level 3 in the fair value hierarchy. The most significant unobservable input in this approach is the price per square foot of RM15.97 which would increase/(decrease) the estimated fair value if the price per square foot is higher/(lower).

During the financial year ended 28 February 2019, the Group recognised an impairment loss of RM3,593,000 in respect of an aircraft under repair and maintenance and not in operational condition presented under capital work-in-progress. The impairment loss which represents the entire carrying amount of the said aircraft is recognised as other expenses in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)**3. Property, plant and equipment (continued)****3.2 Security**

The carrying amounts of properties charged as security for loans and borrowings granted to the Group as disclosed in Note 18.1 are as follows:

| | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 |
|--------------------------|-------------------|------------------|------------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Freehold land | 32,929 | 32,929 | 32,929 | 9,859 |
| Buildings | 30,045 | 21,114 | 26,442 | 26,737 |
| Capital work-in-progress | 76,266 | 44,323 | - | - |
| | <u>139,240</u> | <u>98,366</u> | <u>59,371</u> | <u>36,596</u> |

3.3 Assets held in trust

Included in property, plant and equipment of the Group are motor vehicles and an aircraft with carrying amount of Nil (28.2.2021: Nil; 29.2.2020: RM74,000; 28.2.2019: RM144,000) and RM3,526,000 (28.02.2021: RM4,453,000; 29.02.2020: RM7,347,000; 28.2.2019: RM7,663,000) respectively held in trust by certain Directors and a third party trust company.

3.4 Change in estimates

During the financial year ended 28 February 2021, the Group undertook a review of the categorisation, depreciation methods and useful lives of certain property, plant and equipment. As a result of the review conducted, the useful lives of an aircraft and a resort's buildings were reduced from 25 years to 5 years and 50 years to 20 years respectively. The Directors are of the view that the above changes will better present the cost and carrying amount of these assets based on their nature and pattern of use. The effect of these changes on the depreciation expense recognised in profit or loss, in the current and future periods are as follows:

| | 28.2.2021 | 28.2.2022 | 28.2.2023 | 29.2.2024 | Later |
|---|------------------|------------------|------------------|------------------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Increase/(Decrease) in depreciation expense | <u>2,535</u> | <u>2,535</u> | <u>2,535</u> | <u>1,461</u> | <u>(9,066)</u> |

- 3.5** Included in additions of property, plant and equipment of the Group are borrowings costs capitalised of RM2,354,000 (28.2.2021: RM1,820,000; 29.2.2020: Nil; 28.2.2019: Nil) in relation to capital work-in-progress of the Group. These capital work-in-progress comprise mainly the on-going construction of new manufacturing facilities in India, Mexico and China as well as the Group's corporate building in Cyberjaya, Malaysia.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 1.96% (28.2.2021: 1.67%; 29.2.2020: Nil; 28.2.2019: Nil).

13. ACCOUNTANTS' REPORT (Cont'd)**4. Right-of-use assets**

| | Leasehold land RM'000 | Agriculture land RM'000 | Buildings RM'000 | Total RM'000 |
|---|--------------------------------------|--|-----------------------------|-------------------------|
| At 1 March 2018 | 3,462 | 1,562 | 13,191 | 18,215 |
| Additions | 280 | - | 10,437 | 10,717 |
| Acquisition through business combination (Note 33.3) | 21 | - | - | 21 |
| Depreciation for the year | (66) | (142) | (5,447) | (5,655) |
| Effect of movement in exchange rates | (58) | 9 | 10 | (39) |
| At 28 February 2019/ 1 March 2019 | 3,639 | 1,429 | 18,191 | 23,259 |
| Additions | 176 | 6,451 | 3,087 | 9,714 |
| Depreciation for the year | (129) | (369) | (7,516) | (8,014) |
| Effect of movement in exchange rates | 4 | (7) | 56 | 53 |
| At 29 February 2020/ 1 March 2020 | 3,690 | 7,504 | 13,818 | 25,012 |
| Acquisition through business combination (Note 33.1) | 2,350 | - | - | 2,350 |
| Additions | 619 | - | 3,473 | 4,092 |
| Remeasurement | - | - | 6,545 | 6,545 |
| Derecognition | - | - | (273) | (273) |
| Depreciation for the year | (691) | (373) | (7,818) | (8,882) |
| Effect of movement in exchange rates | 114 | 67 | (179) | 2 |
| At 28 February 2021 | 6,082 | 7,198 | 15,566 | 28,846 |
| Additions | 1,632 | - | 6,334 | 7,966 |
| Remeasurement | - | - | 6,883 | 6,883 |
| Derecognition | - | - | (905) | (905) |
| Depreciation for the period | (237) | (317) | (6,738) | (7,292) |
| Effect of movement in exchange rates | 346 | 64 | (56) | 354 |
| At 31 December 2021 | 7,823 | 6,945 | 21,084 | 35,852 |

The Group leases a number of warehouses, offices, hostels for employees, factory buildings, premises to operate as cafe as well as leasehold and agriculture lands that run between 1 year and 92 years. Certain leases are with options to renew the lease after expiry of the initial lease periods.

13. ACCOUNTANTS' REPORT (Cont'd)

4. Right-of-use assets (continued)

4.1 Variable lease payments based on future performance

In addition to the consideration paid for the lease of an agriculture land, the said lease also contains variable lease payments that are based on the future performance of a subsidiary i.e. 20% of the profits from the sales of produce derived from the subsidiary's plantation activities carried out on the leasehold land are to be shared by the lessor. The variable lease payments will be recognised in profit or loss in the period in which the performance occurs.

4.2 Extension options

Certain leases of agriculture land, factory buildings, warehouses, hostels for employees and offices contain extension options up to 5 years exercisable by the Group before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility.

The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|--|----------------------|---------------------|---------------------|---------------------|
| Lease liabilities recognised (discounted) | | | | |
| Offices | 2,272 | 2,691 | 2,869 | 2,430 |
| Warehouses | 1,501 | 1,706 | 1,106 | 267 |
| Hostels for employees | 101 | 235 | 309 | 242 |
| Agriculture land | 144 | 242 | 242 | - |
| Factory buildings | - | 194 | 176 | 176 |
| | <u>4,018</u> | <u>5,068</u> | <u>4,702</u> | <u>3,115</u> |
| Lease liabilities not recognised (discounted) | | | | |
| Premises to operate as cafes | <u>-</u> | <u>-</u> | <u>160</u> | <u>160</u> |

4.3 Significant judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rates of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

13. ACCOUNTANTS' REPORT (Cont'd)**5. Investment properties**

| Cost | Freehold land RM'000 | Leasehold land (Right-of-use asset) RM'000 | Buildings RM'000 | Total RM'000 |
|--|---------------------------------|---|-----------------------------|-------------------------|
| At 1 March 2018 | 27,740 | - | 17,633 | 45,373 |
| Transfer to property, plant and equipment | - | - | (501) | (501) |
| Effect of movement in exchange rates | 43 | - | 87 | 130 |
| At 28 February 2019/1 March 2019 | 27,783 | - | 17,219 | 45,002 |
| Additions | - | 99,073 | - | 99,073 |
| Transfer from land held for property development | 126 | - | - | 126 |
| Transfer to property, plant and equipment | (24,638) | - | (6,673) | (31,311) |
| Effect of movement in exchange rates | 7 | - | 19 | 26 |
| At 29 February 2020/ 1 March 2020 | 3,278 | 99,073 | 10,565 | 112,916 |
| Disposal of subsidiaries | (829) | (99,073) | (2,886) | (102,788) |
| Effect of movement in exchange rates | 79 | - | 140 | 219 |
| At 28 February 2021/ 1 March 2021 | 2,528 | - | 7,819 | 10,347 |
| Effect of movement in exchange rates | (127) | - | (233) | (360) |
| At 31 December 2021 | 2,401 | - | 7,586 | 9,987 |
| Accumulated depreciation | | | | |
| At 1 March 2018 | - | - | 3,503 | 3,503 |
| Depreciation for the year | - | - | 448 | 448 |
| Transfer to property, plant and equipment | - | - | (217) | (217) |
| Effect of movement in exchange rates | - | - | 60 | 60 |
| At 28 February 2019 | - | - | 3,794 | 3,794 |

13. ACCOUNTANTS' REPORT (Cont'd)**5. Investment properties (continued)**

| | Freehold land RM'000 | Leasehold land (Right-of-use asset) RM'000 | Buildings RM'000 | Total RM'000 |
|---|----------------------------|--|---------------------|-----------------|
| Accumulated depreciation | | | | |
| At 1 March 2019 | - | - | 3,794 | 3,794 |
| Depreciation for the year | - | 1,003 | 476 | 1,479 |
| Transfer to property, plant and equipment | - | - | (1,230) | (1,230) |
| Effect of movement in exchange rates | - | - | 26 | 26 |
| At 29 February 2020/1 March 2020 | - | 1,003 | 3,066 | 4,069 |
| Depreciation for the year | - | 917 | 476 | 1,393 |
| Disposal of subsidiaries | - | (1,920) | (768) | (2,688) |
| Effect of movement in exchange rates | - | - | 20 | 20 |
| At 28 February 2021/ 1 March 2021 | - | - | 2,794 | 2,794 |
| Depreciation for the period | - | - | 197 | 197 |
| Effect of movement in exchange rates | - | - | (112) | (112) |
| At 31 December 2021 | - | - | 2,879 | 2,879 |
| Carrying amounts | | | | |
| At 1 March 2018 | 27,740 | - | 14,130 | 41,870 |
| At 28 February 2019 | 27,783 | - | 13,425 | 41,208 |
| At 29 February 2020 | 3,278 | 98,070 | 7,499 | 108,847 |
| At 28 February 2021 | 2,528 | - | 5,025 | 7,553 |
| At 31 December 2021 | 2,401 | - | 4,707 | 7,108 |

Investment properties comprise freehold land, residential properties, shop lots and shop offices that are leased to external parties and/or held for capital appreciation. The leasehold land that was leased for 99 years together with all the tree sapling pollards and plantations growing on the land were deconsolidated via the disposal of subsidiaries during the financial year ended 28 February 2021 (Note 34.1).

13. ACCOUNTANTS' REPORT (Cont'd)**5. Investment properties (continued)****5.1 Fair value information**

The fair value of investment properties are based on the Directors' estimation using the latest available market information, recent experience and knowledge in the location and category of the property being valued. The fair value of the investment properties of the Group as at 31 December 2021 is classified as Level 3 in the fair value hierarchy and estimated to be approximately RM15.22 million (28.2.2021: RM15.22 million; 29.2.2020: RM119.51 million; 28.2.2019: RM53.41 million).

Policy on transfer between levels

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

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

Estimation uncertainty and key assumptions

The fair value of the leasehold land was previously determined by external independent valuers, having appropriate recognised professional qualifications and recent experience in the category of property being valued. The leasehold land was deconsolidated during the financial year ended 28 February 2021 upon the disposal of a subsidiary.

The Directors estimate the fair value of the Group's remaining investment properties (comprising freehold land, residential properties, shop lots and shop offices) by comparing the Group's investment properties with similar properties that were published for sale within the same locality or other comparable localities.

The most significant input is the price per square foot which ranged from RM27.84 to RM952.20 (28.2.2021: RM27.84 to RM952.20; 28.2.2020: RM0.22 to RM952.20; 28.2.2019: RM34.00 to RM952.20) which would increase/(decrease) the estimated fair value if the price per square foot is higher/(lower). In doing so, the Directors had determined the current use of the Group's investment properties as their highest and best use.

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

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|---|--|--|---|---|---|
| Rental income | 216 | 253 | 309 | 333 | 353 |
| Direct operating expenses: | | | | | |
| - Income generating investment properties | 45 | 197 | 236 | 234 | 276 |
| - Non-income generating investment properties | 27 | 140 | 168 | 174 | 421 |

13. ACCOUNTANTS' REPORT (Cont'd)**5. Investment properties (continued)****5.1 Fair value information (continued)**

The operating lease payments to be received are as follows:

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|-----------------------------------|---|---|--|--|--|
| Less than one year | 235 | 142 | 148 | 323 | 304 |
| One to two years | 227 | - | - | 95 | 234 |
| Two to three years | 111 | - | - | - | 77 |
| Total undiscounted lease payments | <u>573</u> | <u>142</u> | <u>148</u> | <u>418</u> | <u>615</u> |

5.2 Security

As at 28 February 2019, a freehold land with carrying amount of RM23.07 million was charged as security for borrowings granted to the Group as disclosed in Note 18.1.

6. Intangible assets

| Cost | Software costs RM'000 | Logging concession rights RM'000 | Total RM'000 |
|--------------------------------------|--------------------------|-------------------------------------|-----------------|
| At 1 March 2018 | 4,925 | 4,933 | 9,858 |
| Additions | 152 | - | 152 |
| Disposal | (85) | - | (85) |
| Effect of movement in exchange rates | 7 | - | 7 |
| At 28 February 2019/1 March 2019 | <u>4,999</u> | <u>4,933</u> | <u>9,932</u> |
| Additions | 135 | - | 135 |
| Written-off | (12) | - | (12) |
| Effect of movement in exchange rates | 6 | - | 6 |
| At 29 February 2020 | <u>5,128</u> | <u>4,933</u> | <u>10,061</u> |

13. ACCOUNTANTS' REPORT (Cont'd)**6. Intangible assets (continued)**

| | Software costs RM'000 | Logging concession rights RM'000 | Total RM'000 |
|---|----------------------------------|---|-------------------------|
| Cost | | | |
| At 1 March 2020 | 5,128 | 4,933 | 10,061 |
| Additions | 70 | - | 70 |
| Disposal of a subsidiary | - | (4,933) | (4,933) |
| Effect of movement in exchange rates | 1 | - | 1 |
| At 28 February 2021/1 March 2021 | 5,199 | - | 5,199 |
| Additions | 61 | - | 61 |
| Effect of movement in exchange rates | (5) | - | (5) |
| At 31 December 2021 | 5,255 | - | 5,255 |
| Amortisation and impairment loss | | | |
| At 1 March 2018 | | | |
| Accumulated amortisation | 4,430 | - | 4,430 |
| Accumulated impairment loss | - | 1,727 | 1,727 |
| | 4,430 | 1,727 | 6,157 |
| Amortisation for the year | 343 | - | 343 |
| Disposal | (85) | - | (85) |
| Effect of movement in exchange rates | 9 | - | 9 |
| At 28 February 2019 | | | |
| Accumulated amortisation | 4,697 | - | 4,697 |
| Accumulated impairment loss | - | 1,727 | 1,727 |
| | 4,697 | 1,727 | 6,424 |

13. ACCOUNTANTS' REPORT (Cont'd)**6. Intangible assets (continued)**

| | Software costs RM'000 | Logging concession rights RM'000 | Total RM'000 |
|---|----------------------------------|---|-------------------------|
| Amortisation and impairment loss | | | |
| At 1 March 2019 | | | |
| Accumulated amortisation | 4,697 | - | 4,697 |
| Accumulated impairment loss | - | 1,727 | 1,727 |
| | 4,697 | 1,727 | 6,424 |
| Amortisation for the year | 317 | - | 317 |
| Impairment loss | - | 3,206 | 3,206 |
| Effect of movement in exchange rates | 5 | - | 5 |
| At 29 February 2020/1 March 2020 | | | |
| Accumulated amortisation | 5,019 | - | 5,019 |
| Accumulated impairment losses | - | 4,933 | 4,933 |
| | 5,019 | 4,933 | 9,952 |
| Amortisation for the year | 118 | - | 118 |
| Disposal of a subsidiary | - | (4,933) | (4,933) |
| Effect of movement in exchange rates | 7 | - | 7 |
| At 28 February 2021/1 March 2021 | 5,144 | - | 5,144 |
| Amortisation for the period | 75 | | 75 |
| Effect of movement in exchange rates | (6) | | (6) |
| At 31 December 2021 | 5,213 | - | 5,213 |
| Carrying amounts | | | |
| At 1 March 2018 | 495 | 3,206 | 3,701 |
| At 28 February 2019 | 302 | 3,206 | 3,508 |
| At 29 February 2020 | 109 | - | 109 |
| At 28 February 2021 | 55 | - | 55 |
| At 31 December 2021 | 42 | - | 42 |

13. ACCOUNTANTS' REPORT (Cont'd)**6. Intangible assets (continued)**

The logging concession rights were previously acquired by way of an assignment of full and absolute rights from the registered authority without any fixed or predetermined period remain unused by the Group and was fully impaired during the financial year ended 28 February 2020 due to the lack of an active market for the Group to transfer or dispose of the rights. The impairment loss of RM3,206,000 which represents the entire carrying amount of the concession rights is recognised as other expenses in profit or loss.

7. List of subsidiaries

Details of the subsidiaries are as follows:

| Name of subsidiaries | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Principal activities |
|---|--|---|-----------|-----------|-----------|---|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| DXN Marketing Sdn. Bhd. | Malaysia | 100% | 100% | 100% | 100% | Sales of health supplements and other products on direct sales basis |
| DXN Industries (M) Sdn. Bhd. | Malaysia | 100% | 100% | 100% | 100% | Manufacture and distribution of health food supplements and other products |
| DXN Pharmaceutical Sdn. Bhd. | Malaysia | 100% | 100% | 100% | 100% | Manufacture of health food supplements and other products |
| DXN Plantation Sdn. Bhd. ^(e) | Malaysia | - | - | 100% | 100% | Forest plantation, timber logging and related forestry support services |
| DXN Solutions Sdn. Bhd. | Malaysia | 100% | 100% | 100% | 100% | Information technology adviser and consultant and trading in computer hardware and software equipment |

13. ACCOUNTANTS' REPORT (Cont'd)**7. List of subsidiaries (continued)**

Details of the subsidiaries are as follows (continued):

| Name of subsidiaries | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Principal activities |
|-----------------------------------|--|---|-----------|-----------|-----------|---|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| DXN Land Sdn. Bhd. ^(e) | Malaysia | - | - | 100% | 100% | Property development and investment holding |
| DXN Materials Sdn. Bhd. | Malaysia | 100% | 100% | 100% | 100% | Property holding |
| DXN Biotech Consultants Sdn. Bhd. | Malaysia | 100% | 100% | 100% | 100% | Research and development and experimental work in relation to biotechnology, bio-chemical and agricultural products. During the financial year ended 28 February 2021, it commenced operation in the trading of agricultural products |
| DXN Biofuels Sdn. Bhd. | Malaysia | 100% | 100% | 100% | 100% | Designing, constructing, owning and operating a biodiesel processing plant, including the processing, manufacturing, selling, distributing and trading of biodiesel products and other related businesses |
| DXN Cafe Sdn. Bhd. | Malaysia | 100% | 100% | 100% | 100% | Operating a cafe |
| DXN Safari Eco Park Sdn. Bhd. | Malaysia | 100% | 100% | 100% | 100% | Plantation and cultivation of rubber trees and cash crops |

13. ACCOUNTANTS' REPORT (Cont'd)**7. List of subsidiaries (continued)**

Details of the subsidiaries are as follows (continued):

| Name of subsidiaries | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Principal activities |
|------------------------------------|--|---|-----------|-----------|-----------|---|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| Bio Synergy Laboratories Sdn. Bhd. | Malaysia | 100% | 100% | 100% | 100% | Research and development, analytical lab tests, experimental work in relation to pharmaceutical and biological products and trading of cosmetics and chemicals materials |
| DXN Mycotech Sdn. Bhd. | Malaysia | 70% | 70% | 70% | 70% | Property investment |
| DXN Agrotech Sdn. Bhd. | Malaysia | 100% | 100% | 100% | 100% | Agricultural and forest plantation and processing of virgin palm oil. During the financial year ended 28 February 2021, it commenced operations in operating of a marine sanctuary and provision of tour activities |
| DXN Food Tech Sdn. Bhd. | Malaysia | 80% | 80% | 100% | 100% | Confectionery and biscuits manufacturer |
| Amazing Discovery Sdn. Bhd. | Malaysia | 100% | 100% | 100% | - | Operating a glamping resort, namely Boulder Valley |

13. ACCOUNTANTS' REPORT (Cont'd)

7. List of subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

| Name of subsidiaries | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Principal activities |
|--|--|---|-----------|-----------|-----------|---|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| DXN Biogreen Sdn. Bhd. | Malaysia | 100% | 100% | 80% | - | Research and development in aquaponics farming, cultivation, processing and trading of agricultural and horticultural crops and plants |
| DXN Agro Park Sdn. Bhd. | Malaysia | 100% | 100% | - | - | Operating a village complex, namely Ayer Hangat Village Langkawi |
| DXN (Terengganu) Sdn. Bhd. | Malaysia | 100% | 100% | - | - | In the process of strike off |
| Box Park Management Sdn. Bhd. ^(c) | Malaysia | - | - | - | 100% | Venture into business of management of real estate on a fee or contract basis |
| Eco Utara Ventures Sdn. Bhd. ^(a) | Malaysia | - | - | 70% | 70% | Dormant and struck off on 15 June 2020 |
| DXN International Holding Limited | British Virgin Islands | 100% | 100% | 100% | 100% | Investment holding and provision of management services |
| DXN Corporation (Ningxia) Co., Ltd. ^(a) | People's Republic of China | 100% | 100% | 100% | 100% | Investment holding, research and development and experimental works in relation to biotechnology. Processing and trading of food & beverages, food supplements, cosmetics and consumer products |

13. ACCOUNTANTS' REPORT (Cont'd)**7. List of subsidiaries (continued)**

Details of the subsidiaries are as follows (continued):

| Name of subsidiaries | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Principal activities |
|--|--|---|-----------|-----------|-----------|--|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| DXN Korea Co., Ltd. | Korea | 100% | 100% | 100% | 100% | Dormant |
| DXN Marketing Bangladesh Ltd. (a) | Bangladesh | 100% | 100% | 100% | - | Dormant |
| Esen Lifesciences Private Limited (a) | India | 100% | 99.98% | 99.98% | 99.98% | Dormant |
| PT Daehsan Indonesia (a) | Indonesia | 100% | 100% | 100% | 100% | Direct selling business |
| PT Daxen Agrotech Nusantara | Indonesia | 100% | 100% | 100% | 100% | Investment holding |
| Florin (Fujian) Integrated Agricultural Science and Technology Co., Ltd. | People's Republic of China | 82.82% | 82.82% | - | - | Tea plantation, processing, research & development, wholesale trading and retailing of tea, pre-packaged food & beverages and other products |
| Daxen Logistic LLC | United States of America | 100% | 100% | - | - | Marketing and logistic networking |
| <u>Subsidiaries of DXN Land Sdn. Bhd.</u> | | | | | | |
| Yiked-DXN Stargate Sdn. Bhd. (e) | Malaysia | - | - | 100% | 100% | Property development, property investment. During the financial year ended 28 February 2021, its business activities include buying and selling, renting and operating of properties |
| Richmont Sapphire Sdn. Bhd. (e) | Malaysia | - | - | 100% | 100% | Property development |

13. ACCOUNTANTS' REPORT (Cont'd)

7. List of subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

| Name of subsidiaries | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Principal activities |
|---|--|---|-----------|-----------|-----------|--|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| <u>Subsidiaries of DXN Land Sdn. Bhd. (continued)</u> | | | | | | |
| Bio Synergy Engineering Sdn. Bhd. ^(e) | Malaysia | - | - | 100% | 100% | Dormant |
| <u>Subsidiary of DXN Biotech Consultants Sdn. Bhd.</u> | | | | | | |
| DXN Bio Oil Sdn. Bhd. | Malaysia | 100% | 100% | 100% | 100% | Dormant |
| <u>Subsidiary of PT Daxen Agrotech Nusantara</u> | | | | | | |
| PT Daxen Agri Pratama | Indonesia | 90% | 90% | 90% | 90% | Investment holding |
| <u>Subsidiaries of DXN International Holding Limited</u> | | | | | | |
| DXN International (UK) Limited | United Kingdom | 100% | 100% | 100% | 100% | Dormant |
| DXN International (Hong Kong) Limited ^(a) | Hong Kong | 100% | 100% | 100% | 100% | Direct selling health care products |
| DXN (Singapore) Pte Ltd ^(a) | Singapore | 100% | 100% | 100% | 100% | Direct sales and trading in health products and provision of related services and investment holding |
| PT Daxen Indonesia ^(a) | Indonesia | 99% | 99% | 99% | 99% | Manufacturing of traditional medicines, cosmetics and beverages |
| DXN International (Australia) Pty. Ltd. | Australia | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| DXN International Pakistan (Private) Limited ^(a) | Pakistan | 99.99% | 99.99% | 99.99% | 99.99% | Trading and distribution of food & beverages, food supplements and consumer products |

13. ACCOUNTANTS' REPORT (Cont'd)

7. List of subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

| Name of subsidiaries | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Principal activities |
|--|--|---|-----------|-----------|-----------|---|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| Subsidiaries of DXN International Holding Limited (continued) | | | | | | |
| DXN International Private Ltd. ^(a) | Labuan | 100% | 100% | 100% | 100% | Investment holding and trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| DXN International Peru S.A.C. ^(b) | Peru | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| Daehsan Europe Export-import Korlátolt Felelősségű Társaság ^(a) | Hungary | 100% | 100% | 100% | 100% | Investment holding, trading and distribution of food & beverages, food supplements and consumer products |
| DXN International Chile S.p.A. | Chile | 100% | 100% | 100% | 100% | Dormant |
| Daxen Mexico, S.A. DE C.V. ^(a) | Mexico | 100% | 100% | 100% | 100% | Provision of human resource services. During the financial period ended 31 December 2021, it had ceased operations |
| DXN Mexico, S.A. DE C.V. ^(b) | Mexico | 100% | 100% | 100% | 100% | Manufacturing and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| DXN International (Thailand) Co., Ltd. ("DXN Thailand") ^{(a)(d)} | Thailand | 49% | 49% | 49% | 49% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |

13. ACCOUNTANTS' REPORT (Cont'd)**7. List of subsidiaries (continued)**

Details of the subsidiaries are as follows (continued):

| Name of subsidiaries | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Principal activities |
|--|--|---|-----------|-----------|-----------|--|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| <u>Subsidiaries of DXN International Holding Limited (continued)</u> | | | | | | |
| DXN Bolivia S.R.L. ^(b) | Bolivia | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| Golden Health Trading Limited ^(a) | Hong Kong | 100% | 100% | 100% | 100% | Provision of marketing consultancy services and general trading |
| Daxen Agritech India Private Limited ^(a) | India | 100% | 100% | 100% | 100% | Manufacturing of health food, traditional medicine, all kinds of confectioneries and other food products and carry on the business of agro farming in the field of mushrooms |
| DXN Colombia SAS ^(a) | Colombia | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| Daehsan Mexico Import & Export, S.A. de C.V. | Mexico | 100% | 100% | 100% | 100% | Dormant |
| DXN Mauritania SARL | Mauritania | 100% | 100% | 100% | - | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| DXN-Niger SA | Niger | 100% | 100% | 100% | - | Dormant |

13. ACCOUNTANTS' REPORT (Cont'd)**7. List of subsidiaries (continued)**

Details of the subsidiaries are as follows (continued):

| Name of subsidiaries | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Principal activities |
|--|--|---|-----------|-----------|-----------|--|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| <u>Subsidiaries of DXN (Singapore) Pte Ltd</u> | | | | | | |
| DXN Argentina S.R.L. | Argentina | 100% | 100% | 100% | 100% | Dormant |
| DXN Trading Ecuador CIA. LTDA. ^(a) | Ecuador | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| DXN International Panama S.A. | Panama | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| DXN Marketing (Brasil) LTDA | Brazil | 100% | 100% | 100% | 100% | Dormant |
| Daxen LLC ^(a) | Mongolia | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products |
| DXN Europe Trading GmbH | Germany | 90% | 90% | 90% | 90% | In the process of liquidation |
| FE LLC “DAXEN UBZ” | Uzbekistan | 100% | 100% | 100% | - | Importation and distribution of food & beverages, food supplements and consumer products |
| DXN RUS LLC | Russia | 100% | 100% | - | - | Dormant |

13. ACCOUNTANTS' REPORT (Cont'd)

7. List of subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

| Name of subsidiaries | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Principal activities |
|--|--|---|-----------|-----------|-----------|---|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| <u>Subsidiaries of DXN Corporation (Ningxia) Co., Ltd.</u> | | | | | | |
| DXN Biotechnology (Ningxia) Co., Ltd. ^(a) | People's Republic of China | 100% | 100% | 100% | 100% | Research and development and experimental works in relation to biotechnology. Processing and trading of food & beverages, food supplements, cosmetics and consumer products |
| DXN International Trading (Ningxia) Co., Ltd. ^(a) | People's Republic of China | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements, cosmetics and consumer products |
| DXN Edible Fungi Company Limited | People's Republic of China | 51% | 51% | 51% | 51% | Struck off on 22 February 2022 |
| DXN Healthtech (Guangzhou) Co., Ltd. | People's Republic of China | 60% | 60% | 60% | 60% | In the process of liquidation |
| DXN Agrotech (Ningxia) Co., Ltd. ^(a) | People's Republic of China | 100% | 100% | 100% | 100% | Research, cultivation, manufacture and trading of mushroom and spirulina |
| DXN Ecotech (Ningxia) Co., Ltd. | People's Republic of China | - | - | - | 65% | Dissolved |
| <u>Subsidiary of DXN Korea Co., Ltd.</u> | | | | | | |
| DXN C-One Co., Ltd | South Korea | - | 51% | 51% | 51% | Struck off on 3 March 2021 |

13. ACCOUNTANTS' REPORT (Cont'd)

7. List of subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

| Name of subsidiaries | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Principal activities |
|--|--|---|-----------|-----------|-----------|--|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| <u>Subsidiary of DXN International Private Ltd</u> | | | | | | |
| DXN Manufacturing (India) Private Limited ^(b) | India | 100% | 100% | 100% | 100% | Manufacturing of health food, traditional medicine, all kinds of confectioneries and other food products |
| <u>Subsidiaries of Daehsan Europe Export-import Korlátolt Felelősségű Társaság</u> | | | | | | |
| Daxen Inc. | United States of America | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| DXN International CZ s.r.o. | Czech Republic | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| DXN Germany GmbH | Germany | 100% | 100% | 100% | 100% | Dormant |
| DXN Bulgaria Ltd. | Bulgaria | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis. During the financial year ended 28 February 2019, it had ceased operations |
| Daxen Slovakia s.r.o. | Slovakia | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |

13. ACCOUNTANTS' REPORT (Cont'd)**7. List of subsidiaries (continued)**

Details of the subsidiaries are as follows (continued):

| Name of subsidiaries | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Principal activities |
|--|--|---|-----------|-----------|-----------|--|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| <u>Subsidiaries of Daehsan Europe Export-import Korlátolt Felelősségű Társaság (continued)</u> | | | | | | |
| DXN Greece EPE | Greece | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| DXN International Poland Sp.z.o.o | Poland | 100% | 100% | 100% | 100% | Trading and distribution of food and beverages, food supplements and consumer products on direct sales basis |
| DXN Internacional Spain S.L. Unipersonal | Spain | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| DXN Italy SRL | Italy | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| DXN Marketing Private ithalat Ve Pazarlama Limited Şirketi | Turkey | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| Daxen Morocco LLC | Morocco | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| DXN International Austria GmbH | Austria | - | - | - | 100% | Dissolved |

13. ACCOUNTANTS' REPORT (Cont'd)

7. List of subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

| Name of subsidiaries | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Principal activities |
|---|--|---|-----------|-----------|-----------|--|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| <u>Subsidiary of Daxen Agritech India Private Limited</u> | | | | | | |
| DXN Marketing India Private Limited ("DMIPL") ^{(b)(d)} | India | 50% | 50% | 50% | 50% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| <u>Subsidiary of PT Daxen Agri Pratama</u> | | | | | | |
| PT Daxen KJP Agro ^(a) | Indonesia | 81% | 81% | 81% | 81% | Manufacturing of virgin coconut oil |
| <u>Subsidiary of DXN Italy SRL</u> | | | | | | |
| DXN Global Marketing Nigeria Limited ^(a) | Nigeria | 100% | 100% | 100% | 100% | Trading and distribution of food & beverages, food supplements and consumer products on direct sales basis |
| <u>Subsidiary of DXN Manufacturing (India) Private Limited</u> | | | | | | |
| DXN Clinics Private Limited ^(a) | India | 99.99% | 99.99% | 99.99% | 99.99% | Consultation and treatment services with ganotherapy |
| <u>Subsidiary of Florin (Fujian) Integrated Agricultural Science and Technology Co., Ltd.</u> | | | | | | |
| Anxi Gande Foluohua Integrated Agricultural Science and Technology Co., Ltd. | People's Republic of China | 82.82% | 82.82% | - | - | Tea plantation, processing, research & development, wholesale trading and retailing of tea, pre-packaged food, beverages and other products. |

13. ACCOUNTANTS' REPORT (Cont'd)**7. List of subsidiaries (continued)**

Details of the subsidiaries are as follows (continued):

- (a) Not audited by KPMG PLT.
 (b) Audited by member firms of KPMG International.
 (c) During the financial year ended 29 February 2020, the Company derecognised Box Park Management Sdn. Bhd. as a subsidiary which then became an associate of the Company.
 (d) The Company regards DXN Thailand and DMIPL as its subsidiaries by virtue of having board control and being the single largest shareholder in these companies. The remaining voting rights are held by individual investees and there is no indication that other shareholders will exercise their votes collectively.
 (e) On 26 February 2021, the Company entered into Share Sale Agreements with DXN Global Sdn. Bhd. to dispose of its entire equity interest in DXN Plantation Sdn Bhd. and DXN Land Sdn. Bhd. and its subsidiaries to DXN Global Sdn. Bhd..

7.1 Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

| | DMIPL RM'000 | DXN Thailand RM'000 | Other subsidiaries with immaterial NCI RM'000 | Total RM'000 |
|---|-----------------|---------------------------|--|-----------------|
| 31.12.2021 | | | | |
| NCI percentage of ownership interest and voting interest | 50% | 51% | | |
| Carrying amount of NCI | 37,037 | 8,338 | 4,402 | 49,777 |
| Profit/(Loss) allocated to NCI | 1,044 | 835 | (260) | 1,619 |
| Other comprehensive income/(expense) allocated to NCI | 154 | (591) | 75 | (362) |

Summarised financial information before intra-group elimination**As at 31 December 2021**

| | | |
|---------------------|----------|---------|
| Non-current assets | 5,440 | 12,837 |
| Current assets | 131,432 | 6,915 |
| Current liabilities | (62,798) | (3,403) |
| Net assets | 74,074 | 16,349 |

13. ACCOUNTANTS' REPORT (Cont'd)**7. List of subsidiaries (continued)****7.1 Non-controlling interest in subsidiaries (continued)**

| | DMIPL RM'000 | DXN Thailand RM'000 |
|--|-------------------------|------------------------------------|
| 31.12.2021 | | |
| Period ended 31 December 2021 | | |
| Revenue | 116,434 | 15,121 |
| Profit for the period | 2,088 | 1,638 |
| Total comprehensive income | <u>2,396</u> | <u>479</u> |
| Cash flows used in operating activities | (5,643) | (95) |
| Cash flows from/(used in) investing activities | 3,184 | (37) |
| Cash flows used in financing activities | (793) | - |
| Net decrease in cash and cash equivalents | <u>(3,252)</u> | <u>(132)</u> |

| | DMIPL RM'000 | DXN Thailand RM'000 | Other subsidiaries with immaterial NCI RM'000 | Total RM'000 |
|--|-------------------------|------------------------------------|--|-------------------------|
| 28.2.2021 | | | | |
| NCI percentage of ownership interest and voting interest | 50% | 51% | | |
| Carrying amount of NCI | 35,839 | 8,094 | 4,587 | 48,520 |
| Profit allocated to NCI | 8,079 | 1,167 | 66 | 9,312 |
| Other comprehensive (expense)/income allocated to NCI | <u>(1,347)</u> | <u>122</u> | <u>9</u> | <u>(1,216)</u> |

13. ACCOUNTANTS' REPORT (Cont'd)**7. List of subsidiaries (continued)****7.1 Non-controlling interest in subsidiaries (continued)**

| | DMIPL RM'000 | DXN Thailand RM'000 |
|--|-------------------------|------------------------------------|
| 28.2.2021 | | |
| Summarised financial information before intra-group elimination | | |
| As at 28 February 2021 | | |
| Non-current assets | 717 | 13,972 |
| Current assets | 116,133 | 6,653 |
| Current liabilities | (45,172) | (4,755) |
| Net assets | <u>71,678</u> | <u>15,870</u> |
| Year ended 28 February 2021 | | |
| Revenue | 129,854 | 20,456 |
| Profit for the year | 16,157 | 2,289 |
| Total comprehensive income | <u>13,463</u> | <u>2,528</u> |
| Cash flows from/(used in) operating activities | 12,132 | (363) |
| Cash flows used in investing activities | (5,752) | (320) |
| Cash flows used in financing activities | (123) | - |
| Net increase/(decrease) in cash and cash equivalents | <u>6,257</u> | <u>(683)</u> |

13. ACCOUNTANTS' REPORT (Cont'd)**7. List of subsidiaries (continued)****7.1 Non-controlling interest in subsidiaries (continued)**

| | DMIPL RM'000 | DXN Thailand RM'000 | Other subsidiaries with immaterial NCI RM'000 | Total RM'000 |
|---|-----------------|---------------------------|--|-----------------|
| 29.2.2020 | | | | |
| NCI percentage of ownership interest and voting interest | 50% | 51% | | |
| Carrying amount of NCI | 29,107 | 6,805 | (556) | 35,356 |
| Profit/(Loss) allocated to NCI | 12,390 | 1,527 | (340) | 13,577 |
| Other comprehensive income allocated to NCI | 80 | 118 | 6 | 204 |

Summarised financial information before intra-group elimination**As at 29 February 2020**

| | | |
|---------------------|---------------|---------------|
| Non-current assets | 569 | 13,719 |
| Current assets | 100,840 | 7,390 |
| Current liabilities | (43,194) | (7,767) |
| Net assets | <u>58,215</u> | <u>13,342</u> |

Year ended 29 February 2020

| | | |
|---|-----------------|--------------|
| Revenue | 151,604 | 23,366 |
| Profit for the year | 24,780 | 2,994 |
| Total comprehensive income | <u>24,941</u> | <u>3,225</u> |
| Cash flows from operating activities | 33,163 | 8,261 |
| Cash flows from/(used in) investing activities | 370 | (6,368) |
| Cash flows used in financing activities | (48,562) | (2,653) |
| Net decrease in cash and cash equivalents | <u>(15,029)</u> | <u>(760)</u> |
| Dividends paid to NCI | <u>-</u> | <u>1,366</u> |

13. ACCOUNTANTS' REPORT (Cont'd)**7. List of subsidiaries (continued)****7.1 Non-controlling interest in subsidiaries (continued)**

| | DMIPL RM'000 | DXN Thailand RM'000 | Other subsidiaries with immaterial NCI RM'000 | Total RM'000 |
|---|-------------------------|------------------------------------|--|-------------------------|
| 28.2.2019 | | | | |
| NCI percentage of ownership interest and voting interest | 50% | 51% | | |
| Carrying amount of NCI | 16,637 | 6,526 | (223) | 22,940 |
| Profit/(Loss) allocated to NCI | 7,906 | 1,356 | (368) | 8,894 |
| Other comprehensive (expense)/income allocated to NCI | (699) | 298 | (5) | (406) |

Summarised financial information before intra-group elimination**As at 28 February 2019**

| | | |
|---------------------|---------------|---------------|
| Non-current assets | 512 | 7,698 |
| Current assets | 53,285 | 7,513 |
| Current liabilities | (20,523) | (2,414) |
| Net assets | <u>33,274</u> | <u>12,797</u> |

Year ended 28 February 2019

| | | |
|---|---------------|--------------|
| Revenue | 131,576 | 26,374 |
| Profit for the year | 15,813 | 2,658 |
| Total comprehensive income | <u>14,415</u> | <u>3,243</u> |
| Cash flows from operating activities | 13,845 | 2,960 |
| Cash flows from/(used in) investing activities | 509 | (8) |
| Cash flows used in financing activities | (1) | (2,620) |
| Net increase in cash and cash equivalents | <u>14,353</u> | <u>332</u> |
| Dividends paid to NCI | <u>-</u> | <u>1,282</u> |

7.2 Significant restriction

The jurisdictions of India in which certain subsidiaries of the Company operate in prohibit those subsidiaries from providing advances or pay dividend to parties outside of India.

13. ACCOUNTANTS' REPORT (Cont'd)**8. Investment in an associate**

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|---------------------|----------------------|---------------------|---------------------|---------------------|
| Investment, at cost | <u>1</u> | <u>1</u> | <u>1</u> | <u>-</u> |

Details of the associate are as follows:

| Name of associate | Principal place of business/ Country of incorporation | Effective ownership and voting interest | | | | Nature of the relationship |
|-------------------------------|--|---|-----------|-----------|-----------|---|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| Box Park Management Sdn. Bhd. | Malaysia | 40% | 40% | 40% | - | Venture into business of management of real estate on a fee or contract basis |

The Company has undertaken to provide financial support to the associate to enable the associate to continue operating as a going concern.

9. Investment in joint venture

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|---------------------|----------------------|---------------------|---------------------|---------------------|
| Investment, at cost | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |

Details of the joint venture are as follows:

| Name of joint venture | Principal Place of business/ Country of incorporation | Effective ownership and voting interest | | | | Nature of the relationship |
|---------------------------------------|--|---|-----------|-----------|-----------|---|
| | | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | |
| DNC Food Industries Sdn. Bhd. ("DNC") | Malaysia | 50% | 50% | 50% | 50% | Venture into business of manufacture and trading of spices and curry powder |

The Company has undertaken to provide financial support to the joint venture to enable the joint venture to continue operating as a going concern.

13. ACCOUNTANTS' REPORT (Cont'd)**10. Inventories**

| | Note | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|------------------------------------|------|----------------------|---------------------|---------------------|---------------------|
| Non-current | | | | | |
| Land held for property development | 10.1 | - | - | 34,501 | 36,754 |
| Current | | | | | |
| Raw materials | | 65,283 | 65,763 | 50,852 | 49,041 |
| Work-in-progress | | 9,553 | 6,502 | 7,682 | 2,285 |
| Manufactured inventories | | 143,239 | 93,780 | 64,474 | 63,120 |
| Trading inventories | | 65 | 81 | 134 | 291 |
| Developed properties | | - | - | 2,207 | 2,207 |
| | | <u>218,140</u> | <u>166,126</u> | <u>125,349</u> | <u>116,944</u> |

10.1 Land held for property development

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|-------------------|----------------------|---------------------|---------------------|---------------------|
| Represented by: | | | | |
| Freehold land | - | - | 21,780 | 21,780 |
| Development costs | - | - | 12,721 | 14,974 |
| | <u>-</u> | <u>-</u> | <u>34,501</u> | <u>36,754</u> |

The land held for property development together with the developed properties were deconsolidated via the disposal of subsidiaries during the financial year ended 28 February 2021 (Note 34.1).

10.2 Security

Certain land held for property development with carrying amount of Nil (28.2.2021: Nil; 29.2.2020: RM10.1 million; 28.2.2019: Nil) were charged as security for loans and borrowings granted to the Group as disclosed in Note 18.1.

13. ACCOUNTANTS' REPORT (Cont'd)**11. Deferred tax assets/(liabilities)****Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | | | Liabilities | | | | Net | | | |
|---|-------------------|------------------|------------------|------------------|--------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
| | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Property, plant and equipment and intangible assets | | | | | | | | | | | | |
| - capital allowance | - | - | - | - | (3,656) | (4,171) | (5,103) | (3,979) | (3,656) | (4,171) | (5,103) | (3,979) |
| Inventories | 26,490 | 16,647 | 20,322 | 22,618 | - | (1,746) | (752) | - | 26,490 | 14,901 | 19,570 | 22,618 |
| Biological assets | - | - | - | - | (18) | (155) | (332) | (318) | (18) | (155) | (332) | (318) |
| Unabsorbed capital allowances | - | 111 | 104 | 20 | - | - | - | - | - | 111 | 104 | 20 |
| Tax losses carry-forward | - | 2,508 | 552 | 114 | - | - | - | - | - | 2,508 | 552 | 114 |
| Unutilised investment tax allowance | - | 295 | 303 | - | - | - | - | - | - | 295 | 303 | - |
| Provisions | 22,307 | 19,912 | 16,199 | 10,376 | - | - | - | - | 22,307 | 19,912 | 16,199 | 10,376 |
| Right-of-use assets | 5,409 | 4,285 | 3,583 | 4,460 | - | - | - | - | 5,409 | 4,285 | 3,583 | 4,460 |
| Lease liabilities | - | - | - | - | (5,536) | (4,414) | (3,930) | (4,674) | (5,536) | (4,414) | (3,930) | (4,674) |
| Other items | 190 | 802 | 928 | 640 | - | - | - | - | 190 | 802 | 928 | 640 |
| | 54,396 | 44,560 | 41,991 | 38,228 | (9,210) | (10,486) | (10,117) | (8,971) | 45,186 | 34,074 | 31,874 | 29,257 |
| Set-off of tax | (5,536) | (6,709) | (9,267) | (8,386) | 5,536 | 6,709 | 9,267 | 8,386 | - | - | - | - |
| Net deferred tax assets/(liabilities) | 48,860 | 37,851 | 32,724 | 29,842 | (3,674) | (3,777) | (850) | (585) | 45,186 | 34,074 | 31,874 | 29,257 |

13. ACCOUNTANTS' REPORT (Cont'd)

11. Deferred tax assets/(liabilities) (continued)

Recognised deferred tax assets/(liabilities) (continued)

The movements in temporary differences during the year are as follows:

| | At 1.3.2018 RM'000 | Recognised in profit or loss (Note 25) RM'000 | Effect of movement in exchange rates RM'000 | At 28.2.2019/ 1.3.2019 RM'000 | Recognised in profit or loss (Note 25) RM'000 | Acquisition of a subsidiary (Note 33.2) RM'000 | Effect of movement in exchange rates RM'000 | At 29.2.2020 RM'000 |
|--|--------------------------|---|---|--|---|--|---|---------------------------|
| Property, plant and equipment and intangible assets | | | | | | | | |
| - capital allowance | (3,077) | (961) | 59 | (3,979) | (51) | (1,072) | (1) | (5,103) |
| Inventories | 17,843 | 4,775 | - | 22,618 | (3,048) | - | - | 19,570 |
| Biological assets | (308) | (10) | - | (318) | (14) | - | - | (332) |
| Unabsorbed capital allowances | 65 | (45) | - | 20 | 85 | - | (1) | 104 |
| Tax losses carry-forward | - | 114 | - | 114 | 432 | - | 6 | 552 |
| Unutilised investment tax allowance | - | - | - | - | 303 | - | - | 303 |
| Provisions | 9,130 | 1,083 | 163 | 10,376 | 5,519 | - | 304 | 16,199 |
| Right-of-use assets | 3,316 | 1,144 | - | 4,460 | (877) | - | - | 3,583 |
| Lease liabilities | (3,497) | (1,177) | - | (4,674) | 744 | - | - | (3,930) |
| Other items | 644 | (5) | 1 | 640 | 287 | - | 1 | 928 |
| | 24,116 | 4,918 | 223 | 29,257 | 3,380 | (1,072) | 309 | 31,874 |

13. ACCOUNTANTS' REPORT (Cont'd)

11. Deferred tax assets/(liabilities) (continued)

Recognised deferred tax assets/(liabilities) (continued)

| | At 1.3.2020 RM'000 | Recognised in profit or loss (Note 25) RM'000 | Effect of movement in exchange rates RM'000 | At 28.2.2021/ 1.3.2021 RM'000 | Recognised in profit or loss (Note 25) RM'000 | Effect of movement in exchange rates RM'000 | At 31.12.2021 RM'000 |
|---|--------------------------|---|---|--|---|---|----------------------------|
| Property, plant and equipment and intangible assets | | | | | | | |
| - capital allowance | (5,103) | 930 | 2 | (4,171) | 526 | (11) | (3,656) |
| Inventories | 19,570 | (4,669) | - | 14,901 | 11,589 | - | 26,490 |
| Biological assets | (332) | 177 | - | (155) | 137 | - | (18) |
| Unabsorbed capital allowances | 104 | 8 | (1) | 111 | (111) | - | - |
| Tax losses carry-forward | 552 | 1,970 | (14) | 2,508 | (2,508) | - | - |
| Unutilised investment tax allowance | 303 | (8) | - | 295 | (295) | - | - |
| Provisions | 16,199 | 4,320 | (607) | 19,912 | 2,515 | (120) | 22,307 |
| Right-of-use assets | 3,583 | 702 | - | 4,285 | 1,124 | - | 5,409 |
| Lease liabilities | (3,930) | (484) | - | (4,414) | (1,122) | - | (5,536) |
| Other items | 928 | (124) | (2) | 802 | (612) | - | 190 |
| | 31,874 | 2,822 | (622) | 34,074 | 11,243 | (131) | 45,186 |

13. ACCOUNTANTS' REPORT (Cont'd)**11. Deferred tax assets/(liabilities) (continued)****Recognised deferred tax assets/(liabilities) (continued)**

Deferred tax assets and liabilities are offset when there are legally enforceable rights to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|---|----------------------|---------------------|---------------------|---------------------|
| Property, plant and equipment and intangible assets | | | | |
| - capital allowance | (6,301) | (3,671) | (2,583) | (2,179) |
| Unabsorbed capital allowances | 16,872 | 7,197 | 4,924 | 4,015 |
| Tax losses carry-forward | 51,398 | 41,932 | 29,218 | 14,424 |
| Other items | (1) | 57 | 5 | - |
| | <u>61,968</u> | <u>45,515</u> | <u>31,564</u> | <u>16,260</u> |

The unabsorbed capital allowances do not expire under current tax legislation. The tax losses carry-forward will expire in the following years of assessment based on the tax legislations in the countries which the group entities operate:

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|--------------------------------|----------------------|---------------------|---------------------|---------------------|
| Tax losses carry-forward: | | | | |
| Expiring not more than 5 years | 23,748 | 15,881 | 10,130 | 9,652 |
| Expiring between 6 to 7 years | 6,198 | 1,273 | 4,563 | 148 |
| Expiring between 8 to 11 years | 18,613 | 22,209 | 12,163 | 2,614 |
| With no expiry period | 2,839 | 2,569 | 2,362 | 2,010 |
| | <u>51,398</u> | <u>41,932</u> | <u>29,218</u> | <u>14,424</u> |

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

12. Prepayments

The non-current prepayments comprise amount paid for the purchase of plant and equipment and a leasehold land together with all the tree sapling pollards and plantations growing on the said land. The leasehold land was deconsolidated in financial year 28 February 2021 via the disposal of subsidiaries.

13. ACCOUNTANTS' REPORT (Cont'd)**13. Biological assets**

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|---|----------------------|---------------------|---------------------|---------------------|
| At 1 March 2021/2020/2019/2018 | 646 | 1,382 | 1,326 | 1,287 |
| Fair value movement on remeasurement of biological assets and changes due to harvest | (570) | (736) | 56 | 39 |
| At 31 December 2021/ 28 February 2021/ 29 February 2020/ 28 February 2019 | <u>76</u> | <u>646</u> | <u>1,382</u> | <u>1,326</u> |

Biological assets of the Group comprise agricultural produce i.e. Reishi Gano ("RG"), Ganoderma ("GL"), tea leaves and spirulina.

14. Contract assets/(liabilities)

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|----------------------|----------------------|---------------------|---------------------|---------------------|
| Contract assets | 951 | 865 | 546 | - |
| Contract liabilities | <u>-</u> | <u>(8,305)</u> | <u>-</u> | <u>-</u> |

Movements in the contract assets and liabilities are as follows:

| | | | | |
|--|------------|----------------|------------|----------|
| At 1 March 2021/2020/2019/2018 | (7,440) | 546 | - | - |
| Revenue recognised as a result of measure of progress | 16,194 | 15,629 | 14,236 | 12,412 |
| Decrease due to billings raised during the year | (7,803) | (23,615) | (13,690) | (12,412) |
| At 31 December 2021/ 28 February 2021/ 29 February 2020/ 28 February 2019 | <u>951</u> | <u>(7,440)</u> | <u>546</u> | <u>-</u> |

The contract assets primarily relate to the Group's rights to consideration for work performed but not yet billed at the reporting date for its research and development, analytical lab testing and experiment works. Typically, the amount will be billed within 10 days and payment is expected based on the payment terms contracted with the customers. The contract assets will be transferred to trade receivables when the rights become unconditional.

Contract liabilities comprise redemption points awarded under the a promotion programme determined based on the fair value of products to be redeemed which also represents the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at the end of the financial year. The contract liabilities will be recognised as revenue when the points are redeemed or upon expiry of the redemption period, whichever earlier.

13. ACCOUNTANTS' REPORT (Cont'd)

15. Trade and other receivables, including derivatives

| | Note | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|--|------|----------------------|---------------------|---------------------|---------------------|
| Trade | | | | | |
| Trade receivables | | 17,002 | 18,944 | 11,925 | 11,776 |
| Non-trade | | | | | |
| Amount due from: | | | | | |
| - Associate | 15.1 | - | - | 3,544 | - |
| - Joint venture | 15.1 | 2,250 | 2,672 | 2,670 | 2,489 |
| - Companies in which certain Directors have a substantial financial interest | 15.2 | 506 | 6,621 | 11,229 | 10,224 |
| Other receivables | 15.3 | 41,564 | 48,959 | 33,876 | 33,538 |
| Derivative financial assets | 20.3 | - | 4 | - | - |
| Prepayments | | 16,334 | 11,912 | 11,711 | 15,244 |
| Deposits | | 4,624 | 4,006 | 4,692 | 9,781 |
| | | 65,278 | 74,174 | 67,722 | 71,276 |
| | | <u>82,280</u> | <u>93,118</u> | <u>79,647</u> | <u>83,052</u> |
| Financial instruments: | | | | | |
| Trade and other receivables (excluding prepayments and indirect taxes) | | 47,877 | 62,712 | 56,035 | 53,573 |
| Add: Cash and cash equivalents | 16 | 394,884 | 325,978 | 252,489 | 190,473 |
| Total financial assets measured at amortised cost | | <u>442,761</u> | <u>388,690</u> | <u>308,524</u> | <u>244,046</u> |

15.1 Amounts due from associate and joint venture

The non-trade amounts due from associate and joint venture are unsecured, interest-free and repayable on demand.

15.2 Amounts due from companies in which certain Directors have a substantial financial interest

The non-trade amounts due from companies in which certain Directors have a substantial financial interest is unsecured, carries interest at rates ranging from 4.82% to 7.25% (28.2.2021: 4.82% to 7.25%; 29.2.2020: 4.82% to 9.00%; 28.2.2019: 9.00%) per annum and repayable on demand.

13. ACCOUNTANTS' REPORT (Cont'd)**15. Trade and other receivables, including derivatives (continued)****15.3 Other receivables**

Included in other receivables is insurance claim of Nil (28.2.2021: RM10,121,000; 29.2.2020: Nil; 28.2.2019: Nil). Refer Note 35(iv) for details.

Included in other receivables are also:

- indirect taxes receivable of RM18,069,000 (28.2.2021: RM18,494,000; 29.2.2020: RM11,901,000; 28.2.2019: RM14,235,000); and
- RM5,599,000 (28.2.2021: RM6,184,000; 29.2.2020: RM11,186,000; 28.2.2019: RM6,428,000) which earns interest at 5.00% to 10.00% (28.2.2021: 5.00% to 10.00%; 29.2.2020: 5.00% to 12.00%; 28.2.2019: 5.00% to 12.00%) per annum.

16. Cash and cash equivalents

| | Note | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|------------------------|------|----------------------|---------------------|---------------------|---------------------|
| Short term deposits | 16.1 | 21,680 | 44,993 | 5,478 | 13,835 |
| Cash and bank balances | 16.2 | 373,204 | 280,985 | 247,011 | 176,638 |
| | | <u>394,884</u> | <u>325,978</u> | <u>252,489</u> | <u>190,473</u> |

16.1 Short term deposits

Short term deposits amounting to RM2,939,000 (28.2.2021: RM2,625,000; 29.2.2020: RM1,354,000; 28.2.2019: RM2,003,000) are held in lien for loans and borrowings and bank guarantees granted to the Group as disclosed in Note 18.1.

16.2 Cash and bank balances held in trust by a Director

Included in cash and bank balances is RM6,142,000 (28.2.2021: RM6,339,000; 29.2.2020: RM6,629,000; 28.2.2019: RM1,981,000) which is placed in the name of a Director and held in trust for the Group. Subsequent to the end of the current financial period, the entire amount has been transferred by the Director to the Group.

16.3 Short term investments

Short term investments comprise investments in fixed income trusts/funds which can be redeemed within a period of less than 31 days.

13. ACCOUNTANTS' REPORT (Cont'd)**17. Share capital**

| | 31.12.2021 | | 28.2.2021 | | 29.2.2020 | | 28.2.2019 | |
|---|------------------|-----------------------------|------------------|-----------------------------|------------------|-----------------------------|------------------|-----------------------------|
| | Amount RM'000 | Number of shares '000 | Amount RM'000 | Number of shares '000 | Amount RM'000 | Number of shares '000 | Amount RM'000 | Number of shares '000 |
| Issued and fully paid ordinary shares with no par value classified as equity instruments | <u>60,191</u> | <u>240,764</u> | <u>60,191</u> | <u>240,764</u> | <u>60,191</u> | <u>240,764</u> | <u>60,191</u> | <u>240,764</u> |

17.1 Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

18. Loans and borrowings

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|-----------------------------------|----------------------|---------------------|---------------------|---------------------|
| Non-current | | | | |
| Hire purchase liabilities | 1,506 | 2,004 | 1,927 | 1,651 |
| Term loans, secured | 33,345 | 14,399 | 12,862 | 15,532 |
| | <u>34,851</u> | <u>16,403</u> | <u>14,789</u> | <u>17,183</u> |
| Current | | | | |
| Hire purchase liabilities | 912 | 916 | 834 | 774 |
| Term loans, secured | 11,089 | 5,413 | 2,187 | 2,710 |
| Revolving credits, secured | 197,549 | 212,372 | 137,679 | 53,265 |
| Revolving credits, unsecured | 5,063 | 22,759 | 830 | - |
| | <u>214,613</u> | <u>241,460</u> | <u>141,530</u> | <u>56,749</u> |
| Total loans and borrowings | <u>249,464</u> | <u>257,863</u> | <u>156,319</u> | <u>73,932</u> |

13. ACCOUNTANTS' REPORT (Cont'd)

18. Loans and borrowings (continued)

18.1 Securities

The term loans and revolving credits are secured by way of legal charges over lands and buildings (see Note 3.2), inventories (see Note 10.2) and short term deposits (see Note 16.1) of the Group, land held for property development of a related party and are jointly and severally guaranteed by certain Directors of the Company.

18.2 Reconciliation of movements of liabilities to cash flows arising from financing activities

| | At 1.3.2018 RM'000 | Acquisition of new hire purchase/ lease RM'000 | Net changes from financing cash flows RM'000 | Changes arising from business combination (Note 33.3) RM'000 | Effect of movement in exchange rates RM'000 | At 28.2.2019 RM'000 |
|---------------------------|--------------------------|--|--|---|---|---------------------------|
| Hire purchase liabilities | 1,371 | 1,727 | (724) | 44 | 7 | 2,425 |
| Term loans | 16,538 | - | 1,740 | - | (36) | 18,242 |
| Revolving credits | 95,397 | - | (42,132) | - | - | 53,265 |
| Lease liabilities | 14,753 | 10,717 | (5,274) | - | (6) | 20,190 |
| | 128,059 | 12,444 | (46,390) | 44 | (35) | 94,122 |

| | At 1.3.2019 RM'000 | Acquisition of new hire purchase/ lease RM'000 | Net changes from financing cash flows RM'000 | Changes arising from business combination (Note 33.2) RM'000 | Effect of movement in exchange rates RM'000 | At 29.2.2020 RM'000 |
|---------------------------|--------------------------|--|--|---|---|---------------------------|
| Hire purchase liabilities | 2,425 | 1,173 | (840) | - | 3 | 2,761 |
| Term loans | 18,242 | - | (20,690) | 17,533 | (36) | 15,049 |
| Revolving credits | 53,265 | - | 85,244 | - | - | 138,509 |
| Lease liabilities | 20,190 | 3,714 | (7,106) | - | 77 | 16,875 |
| | 94,122 | 4,887 | 56,608 | 17,533 | 44 | 173,194 |

13. ACCOUNTANTS' REPORT (Cont'd)

18. Loans and borrowings (continued)

18.2 Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

| | At 1.3.2020 RM'000 | Acquisition of new hire purchase/ lease RM'000 | Remeasurement of existing lease RM'000 | Net changes from financing cash flows RM'000 | Derecognised due to termination of lease RM'000 | Disposal of subsidiaries (Note 34.1) RM'000 | Effect of movement in exchange rates RM'000 | At 28.2.2021 RM'000 |
|---------------------------|--------------------------|--|--|---|---|--|---|---------------------------|
| Hire purchase liabilities | 2,761 | 1,415 | - | (1,054) | - | (202) | - | 2,920 |
| Term loans | 15,049 | - | - | 4,896 | - | - | (133) | 19,812 |
| Revolving credits | 138,509 | - | - | 96,622 | - | - | - | 235,131 |
| Lease liabilities | 16,875 | 4,092 | 6,545 | (8,608) | (181) | - | (85) | 18,638 |
| | 173,194 | 5,507 | 6,545 | 91,856 | (181) | (202) | (218) | 276,501 |

| | At 1.3.2021 RM'000 | Acquisition of new hire purchase/ lease RM'000 | Remeasurement of existing lease RM'000 | Net changes from financing cash flows RM'000 | Derecognised due to termination of lease RM'000 | Effect of movement in exchange rates RM'000 | At 31.12.2021 RM'000 |
|---------------------------|--------------------------|--|--|--|---|---|----------------------------|
| Hire purchase liabilities | 2,920 | 388 | - | (891) | - | 1 | 2,418 |
| Term loans | 19,812 | - | - | 23,742 | - | 880 | 44,434 |
| Revolving credits | 235,131 | - | - | (32,519) | - | - | 202,612 |
| Lease liabilities | 18,638 | 7,966 | 6,883 | (8,568) | (940) | 6 | 23,985 |
| | 276,501 | 8,354 | 6,883 | (18,236) | (940) | 887 | 273,449 |

13. ACCOUNTANTS' REPORT (Cont'd)**19. Retirement benefits**

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|---|----------------------|---------------------|---------------------|---------------------|
| Non-current | | | | |
| Defined benefits liability | 5,403 | 5,408 | 4,300 | 3,202 |
| Movements in defined benefits liability | | | | |
| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
| Balance at 1 March 2021/2020/2019/2018 | 5,408 | 4,300 | 3,202 | 2,600 |
| Included in profit or loss | | | | |
| Current service cost | 123 | 1,192 | 740 | 480 |
| Past service cost | (316) | - | - | - |
| Interest cost | 289 | 284 | 251 | 140 |
| | 96 | 1,476 | 991 | 620 |
| Included in other comprehensive expense/(income) | | | | |
| Effect of movements in exchange rates | 29 | (79) | 133 | 10 |
| Benefits paid | (130) | (289) | (26) | (28) |
| Balance at 31 December 2021/ 28 February 2021/ 29 February 2020/ 28 February 2019 | 5,403 | 5,408 | 4,300 | 3,202 |

Retirement benefits expense was recognised as part of employee benefits expense (Note 22) in the consolidated statement of profit or loss and other comprehensive income.

13. ACCOUNTANTS' REPORT (Cont'd)

19. Retirement benefits (continued)

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expected as weighted averages):

| | 31.12.2021 | 28.2.2021 | 29.2.2020 | 28.2.2019 |
|----------------------|----------------|----------------|----------------|----------------|
| Discount rates | 4.40% - 11.25% | 4.40% - 11.25% | 4.76% - 13.25% | 6.62% - 8.39% |
| Future salary growth | 6.00% - 9.75% | 6.00% - 9.75% | 6.80% - 11.25% | 6.80% - 13.25% |
| Retirement age | 56 - 65 years | 56 - 65 years | 56 - 65 years | 55 - 65 years |

At 31 December 2021, the weighted-average duration of the defined benefits liability was 8 to 19 years (28.2.2021: 8 to 19 years; 29.2.2020: 8 to 20 years; 28.2.2019: 8 to 19 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefits liability by the amounts shown below.

| | 31.12.2021 | | 28.2.2021 | | 29.2.2020 | | 28.2.2019 | |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Increase RM'000 | Decrease RM'000 | Increase RM'000 | Decrease RM'000 | Increase RM'000 | Decrease RM'000 | Increase RM'000 | Decrease RM'000 |
| Defined benefits liability | | | | | | | | |
| Discount rate (1% movement) | (399) | 468 | (479) | 561 | (406) | 476 | (295) | 339 |
| Future salary growth (1% movement) | 460 | (401) | 552 | (481) | 474 | (411) | 343 | (304) |

13. ACCOUNTANTS' REPORT (Cont'd)

20. Trade and other payables, including derivatives

| | Note | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|--|------|----------------------|---------------------|---------------------|---------------------|
| Trade | | | | | |
| Trade payables | | 7,932 | 16,371 | 9,307 | 6,967 |
| Non-trade | | | | | |
| Amount due to: | | | | | |
| - Directors | 20.1 | 8,309 | 8,179 | 6,957 | 5,668 |
| - Company in which certain Directors have a substantial financial interest | 20.2 | - | 1,699 | - | - |
| Other payables | | 252,419 | 209,715 | 172,394 | 144,898 |
| Accrued expenses | | 90,813 | 90,085 | 67,839 | 52,022 |
| Derivative financial liabilities | 20.3 | - | - | 141 | - |
| Dividends payable | | - | 52,700 | - | - |
| | | 351,541 | 362,378 | 247,331 | 202,588 |
| | | <u>359,473</u> | <u>378,749</u> | <u>256,638</u> | <u>209,555</u> |
| Financial instruments: | | | | | |
| Trade and other payables | | 359,473 | 378,749 | 256,638 | 209,555 |
| Add: Loans and borrowings | 18 | 249,464 | 257,863 | 156,319 | 73,932 |
| Total financial liabilities measured at amortised cost | | <u>608,937</u> | <u>636,612</u> | <u>412,957</u> | <u>283,487</u> |

20.1 Amount due to Directors

The amount due to Directors is unsecured, interest-free and payable on demand.

20.2 Amount due to a company in which certain Directors have a substantial financial interest

The amount due to a company in which certain Directors have a substantial financial interest is unsecured, interest-free and payable on demand.

13. ACCOUNTANTS' REPORT (Cont'd)

20. Trade and other payables, including derivatives (continued)

20.3 Derivative financial assets/(liabilities)

| | 31.12.2021 | | 28.2.2021 | |
|--|----------------------------|------------------------------------|----------------------------|------------------------------------|
| | Nominal value RM'000 | Assets/ (Liabilities) RM'000 | Nominal value RM'000 | Assets RM'000 |
| Derivatives at fair value through profit or loss | | | | |
| - Forward exchange contracts | - | - | 644 | 4 |
| | | | | |
| | 29.12.2020 | | 28.2.2019 | |
| | Nominal value RM'000 | (Liabilities) RM'000 | Nominal value RM'000 | Assets/ (Liabilities) RM'000 |
| Derivatives at fair value through profit or loss | | | | |
| - Forward exchange contracts | 8,737 | (141) | - | - |

Forward exchange contracts are used to manage the foreign currency exposures arising from certain receivables and payables denominated in currencies other than the functional currencies of the Group entities. The forward exchange contracts have maturities of less than one year after the end of the reporting period.

21. Revenue

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|--|---|---|--|--|--|
| Revenue from contracts with customers | | | | | |
| <i>Recognised over time:</i> | | | | | |
| Rendering of services | 16,194 | 13,369 | 15,630 | 14,236 | 12,412 |
| <i>Recognised at point in time:</i> | | | | | |
| Sales of goods | 1,053,624 | 965,813 | 1,155,519 | 1,171,419 | 962,304 |
| Less: Consideration due/paid to customers | (54,107) | (99,267) | (120,944) | (81,047) | (67,494) |
| | 999,517 | 866,546 | 1,034,575 | 1,090,372 | 894,810 |
| | <u>1,015,711</u> | <u>879,915</u> | <u>1,050,205</u> | <u>1,104,608</u> | <u>907,222</u> |

13. ACCOUNTANTS' REPORT (Cont'd)

21. Revenue (continued)

21.1 Disaggregation of revenue from contracts with customers

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|---|---|---|--|--|--|
| Major products and services: | | | | | |
| Fortified food and beverages | 698,953 | 606,864 | 726,896 | 759,385 | 603,596 |
| Health and dietary supplements | 259,556 | 255,860 | 306,773 | 286,981 | 261,703 |
| Personal care products | 60,521 | 64,102 | 77,370 | 79,733 | 64,314 |
| Lab testing services | 16,194 | 13,369 | 15,630 | 14,236 | 12,412 |
| Skin care and cosmetics | 8,206 | 12,905 | 14,873 | 11,130 | 8,239 |
| Starter kits | 5,728 | 5,944 | 7,255 | 12,645 | 12,580 |
| Other miscellaneous and promotion items | 20,660 | 20,138 | 22,352 | 21,545 | 11,872 |
| | 1,069,818 | 979,182 | 1,171,149 | 1,185,655 | 974,716 |
| Less: | | | | | |
| Consideration due/paid to customers | (54,107) | (99,267) | (120,944) | (81,047) | (67,494) |
| | <u>1,015,711</u> | <u>879,915</u> | <u>1,050,205</u> | <u>1,104,608</u> | <u>907,222</u> |

13. ACCOUNTANTS' REPORT (Cont'd)

21. Revenue (continued)

21.1 Disaggregation of revenue from contracts with customers (continued)

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|--------------------------------------|---|---|--|--|--|
| Primary geographical markets: | | | | | |
| - South America | 420,280 | 351,302 | 423,193 | 441,880 | 333,484 |
| - Asia (excluding Malaysia) | 262,145 | 252,123 | 296,922 | 318,474 | 274,504 |
| - North America | 177,442 | 166,513 | 203,136 | 190,506 | 150,690 |
| - Malaysia | 89,392 | 92,215 | 107,980 | 120,641 | 115,142 |
| - Middle East | 26,556 | 59,744 | 68,359 | 68,265 | 55,016 |
| - Europe | 47,372 | 38,024 | 47,135 | 39,464 | 39,703 |
| - Africa | 42,480 | 15,307 | 19,741 | 3,528 | 2,998 |
| - Oceania | 4,151 | 3,954 | 4,683 | 2,897 | 3,179 |
| | 1,069,818 | 979,182 | 1,171,149 | 1,185,655 | 974,716 |
| Less: | | | | | |
| Consideration due/paid to customers | (54,107) | (99,267) | (120,944) | (81,047) | (67,494) |
| | <u>1,015,711</u> | <u>879,915</u> | <u>1,050,205</u> | <u>1,104,608</u> | <u>907,222</u> |

13. ACCOUNTANTS' REPORT (Cont'd)

21. Revenue (continued)

21.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

| Nature of goods or services | Timing of recognition or method used to recognise revenue | Significant payment terms | Variable element in consideration | Warranty |
|--|---|---|--|---|
| Sales of fortified food and beverages, health and dietary supplements, personal care and cosmetics and other related products on direct sales basis | Revenue is recognised at point in time when the goods are delivered to and accepted by the customers. | Cash term. | The following performance bonus are incurred by the Group i.e. group effort related performance bonus and personal effort related performance bonus. Personal effort related performance bonus is accounted as a reduction of transaction price, whilst group effort related performance bonus is a consideration paid or payable to customers for distinct services provided to the Group. | Assurance warranty of 1 year is given for certain products which do not form a separate performance obligation. |
| Sales of fortified food and beverages, health and dietary supplements, personal care and cosmetics and other related products (other than on direct sales basis) | Revenue is recognised at point in time when the goods are delivered to the customers. | Cash term or credit period of 30 - 90 days from invoice date. | Discounts may be given to customers on a case-by-case basis. | Assurance warranty of 1 year is given for certain products which do not form a separate performance obligation. |
| Revenue from operating a café, glamping resort and village complex | Revenue is recognised at point in time when the services are rendered. | Cash term or credit period of 30 days from invoice date. | Not applicable. | Not applicable. |

13. ACCOUNTANTS' REPORT (Cont'd)

21. Revenue (continued)

21.2 Nature of goods and services (continued)

The following information reflects the typical transactions of the Group (continued):

| Nature of goods or services | Timing of recognition or method used to recognise revenue | Significant payment terms | Variable element in consideration | Warranty |
|---|--|--|-----------------------------------|-----------------|
| Research and development and analytical lab test services | Revenue is recognised over time when the services are rendered. These contracts would meet the no alternative use criteria and the Group has rights to payment for work performed. | Credit period of up to 120 days from invoice date. | Not applicable. | Not applicable. |

There is no obligation for returns or refunds attached to the goods sold by the Group.

The Group applies the practical expedient on the exemption for disclosure of information on remaining performance obligations that would be fulfilled within one year or shorter.

13. ACCOUNTANTS' REPORT (Cont'd)

22. Employee benefits expense

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|--|---|---|--|--|--|
| Directors of the Company | | | | | |
| Wages, salaries and others | 2,939 | 3,216 | 4,568 | 11,553 | 9,866 |
| Contributions to state plan | 166 | 514 | 572 | 532 | 1,170 |
| | 3,105 | 3,730 | 5,140 | 12,085 | 11,036 |
| Other key management personnel | | | | | |
| Wages, salaries and others | 2,037 | 1,757 | 2,077 | 2,140 | 2,012 |
| Contributions to state plan | 92 | 65 | 74 | 90 | 84 |
| | 2,129 | 1,822 | 2,151 | 2,230 | 2,096 |
| Total key management personnel compensation | 5,234 | 5,552 | 7,291 | 14,315 | 13,132 |
| Others | | | | | |
| Wages, salaries and others | 94,837 | 78,274 | 98,980 | 81,066 | 74,192 |
| Contributions to state plans | 6,570 | 5,956 | 7,565 | 6,872 | 5,663 |
| | 101,407 | 84,230 | 106,545 | 87,938 | 79,855 |
| | 106,641 | 89,782 | 113,836 | 102,253 | 92,987 |

The estimated monetary value of benefits received or receivable by Directors and key management personnel otherwise than in cash of the Group amounted to RM22,000 (31.12.2020: RM18,000; 28.2.2021: RM39,000; 29.2.2020: RM37,000; 28.2.2019: RM37,000) and RM12,000 (31.12.2020: RM14,000; 28.2.2021: RM14,500; 29.2.2020: RM17,000; 28.2.2019: RM17,000) respectively.

13. ACCOUNTANTS' REPORT (Cont'd)**23. Results from operating activities**

Results from operating activities are arrived at after charging/(crediting):

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|---|--|--|---|---|---|
| Auditors' remuneration: | | | | | |
| Audit fee | | | | | |
| - KPMG PLT | 263 | 239 | 312 | 214 | - |
| - Overseas affiliates of KPMG PLT | 462 | 420 | 504 | 121 | 28 |
| - Other auditors | | | | | |
| - Current year | 277 | 252 | 327 | 486 | 395 |
| - Prior years | - | - | - | 73 | 3 |
| Non audit fee | | | | | |
| - KPMG PLT | 200 | - | - | - | - |
| - Local affiliate of KPMG PLT | 26 | 23 | 38 | 38 | - |
| - Overseas affiliate of KPMG PLT | 60 | - | - | - | - |
| Material expenses/ (income) | | | | | |
| Impairment loss on: | | | | | |
| - Property, plant and equipment | - | - | 10,723 | - | 3,593 |
| - Intangible assets | - | - | - | 3,206 | - |
| - Goodwill | - | - | - | - | 2,707 |
| (Gain)/Loss on disposal of: | | | | | |
| - Property, plant and equipment | (387) | 789 | (44) | (106) | 19 |
| - Investments in subsidiaries | - | - | (1,655) | - | - |
| Written-off: | | | | | |
| - Property, plant and equipment | 1,276 | 6,180 | 6,906 | 587 | 379 |
| - Intangible assets | - | - | - | 12 | - |
| - Inventories | 179 | 11,866 | 11,890 | 272 | 2 |
| Bargain purchase gain on business combination (Note 33.2) | - | - | - | (5,267) | - |
| Government grants* | (1,927) | (3,434) | (3,586) | - | - |
| Proceeds from insurance claim | (2,625) | (13,121) | (13,121) | - | - |
| Loss/(Gain) on foreign exchange: | | | | | |
| - Realised | 11,187 | (878) | 1,488 | 5,506 | 4,065 |
| - Unrealised | 1,952 | 9,466 | 5,219 | (1,495) | 3,291 |

13. ACCOUNTANTS' REPORT (Cont'd)**23. Results from operating activities (continued)**

Results from operating activities are arrived at after charging/(crediting) (continued):

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|--|---|---|--|--|--|
| Net loss/(gain) on impairment of financial assets | | | | | |
| Impairment loss/(Reversal of impairment loss) on: | | | | | |
| - Trade and other receivables | 167 | 2 | - | 2,189 | (480) |
| - Amount owing from joint venture | 432 | - | - | - | - |
| - Amount owing from associate | 255 | - | 3,875 | - | - |
| Bad debts written off | - | 25 | 10 | 336 | 466 |
| Bad debts recovered | (487) | (162) | (161) | (3,205) | (18) |
| Expenses/(Income) arising from leases | | | | | |
| Expenses relating to short-term leases [#] | 3,497 | 3,639 | 2,787 | 2,985 | 4,653 |
| Expenses relating to leases of low-value assets [#] | 332 | 366 | 390 | 530 | 441 |
| Rental income | <u>(216)</u> | <u>(253)</u> | <u>(309)</u> | <u>(333)</u> | <u>(353)</u> |

* The Group received government grants in the form of wage subsidies to retain local employees during the approved period of economic uncertainty brought about by the Covid-19 pandemic outbreak. These government grants were recognised as other income in profit or loss.

The Group leases buildings and lab equipment with contract terms of 1 year or shorter. These leases are either short-term or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

13. ACCOUNTANTS' REPORT (Cont'd)**24. Finance costs**

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|--|---|---|--|--|--|
| Interest expense on: | | | | | |
| Lease liabilities | 783 | 688 | 826 | 979 | 736 |
| Financial liabilities not measured at fair value through profit or loss | 3,285 | 2,891 | 3,482 | 3,014 | 3,593 |
| | <u>4,068</u> | <u>3,579</u> | <u>4,308</u> | <u>3,993</u> | <u>4,329</u> |
| Less: Capitalised to property, plant and equipment | (2,354) | (1,518) | (1,820) | - | - |
| | <u>1,714</u> | <u>2,061</u> | <u>2,488</u> | <u>3,993</u> | <u>4,329</u> |

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 1.99% (31.12.2020: 1.67%; 28.2.2021: 1.67%; 29.2.2020: Nil; 28.2.2019: Nil).

25. Tax expense**Recognised in profit or loss**

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|-----------------------------|---|---|--|--|--|
| Current tax expense | | | | | |
| - Current year | 108,452 | 84,049 | 93,463 | 99,536 | 97,554 |
| - Prior year | (2,936) | (3,548) | (4,258) | (3,565) | 8,472 |
| | <u>105,516</u> | <u>80,501</u> | <u>89,205</u> | <u>95,971</u> | <u>106,026</u> |
| Deferred tax expense | | | | | |
| - Current year | (15,599) | (3,647) | (3,563) | (3,034) | (4,408) |
| - Prior year | 4,356 | 618 | 741 | (346) | (510) |
| | <u>(11,243)</u> | <u>(3,029)</u> | <u>(2,822)</u> | <u>(3,380)</u> | <u>(4,918)</u> |
| | <u>94,273</u> | <u>77,472</u> | <u>86,383</u> | <u>92,591</u> | <u>101,108</u> |

13. ACCOUNTANTS' REPORT (Cont'd)

25. Tax expense (continued)

Reconciliation of tax expense

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|--|---|---|--|--|--|
| Profit before tax | <u>270,634</u> | <u>244,311</u> | <u>287,267</u> | <u>347,839</u> | <u>319,975</u> |
| Income tax calculated using Malaysian tax rate of 24% | 64,952 | 58,635 | 68,944 | 83,481 | 76,794 |
| Effect of different tax rates in foreign jurisdictions | 1,669 | 2,180 | 2,260 | (568) | 3,581 |
| Tax incentives | (1,992) | (5,050) | (5,235) | (2,732) | (4,154) |
| Non-deductible expenses | 19,121 | 23,284 | 22,528 | 15,663 | 19,220 |
| Non-taxable income | (1,701) | (1,846) | (1,914) | (3,000) | (2,239) |
| Effect of deferred tax assets not recognised | 3,949 | 3,090 | 3,203 | 3,673 | (56) |
| Prosperity tax* | 6,615 | - | - | - | - |
| Others | 240 | 109 | 114 | (15) | - |
| Under/(Over) provision in prior years | 1,420 | (2,930) | (3,517) | (3,911) | 7,962 |
| | <u>94,273</u> | <u>77,472</u> | <u>86,383</u> | <u>92,591</u> | <u>101,108</u> |

Certain subsidiaries have been granted tax exemption on statutory income under the P.U. (A) 112 Income Tax (Exemption) (No.11) Order 2006, Promotion Investments Act, 1986 and Income Tax Act, 1967 for periods ranging from five to ten years on the approved activities carried out by certain subsidiaries namely, Independent Conformity (ICAB) or the laboratory testing for food and chemicals, tourism projects and spirulina farming and processing.

* As stipulated in the Malaysia Budget 2022, a one-off prosperity tax at 33% will be imposed on a subsidiary with tax chargeable income in excess of RM100 million.

13. ACCOUNTANTS' REPORT (Cont'd)**26. Earnings per ordinary share - Group*****Basic earnings per ordinary share***

The calculation of basic earnings per ordinary share for the period/year ended 31 December 2021, 31 December 2020, 28 February 2021, 29 February 2020 and 28 February 2019 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

| | 1.3.2021 to 31.12.2021 Audited | 1.3.2020 to 31.12.2020 Unaudited | 1.3.2020 to 28.2.2021 Audited | 1.3.2019 to 29.2.2020 Audited | 1.3.2018 to 28.2.2019 Audited |
|--|---|---|--|--|--|
| Profit for the year attributable to owners (RM'000) | <u>174,742</u> | <u>158,244</u> | <u>191,572</u> | <u>241,671</u> | <u>209,973</u> |
| Weighted average number of ordinary shares at 31 December/ 28 February/ 29 February ('000) | <u>240,764</u> | <u>240,764</u> | <u>240,764</u> | <u>240,764</u> | <u>240,764</u> |
| Basic earnings per ordinary share (RM) | <u>0.73</u> | <u>0.66</u> | <u>0.80</u> | <u>1.00</u> | <u>0.87</u> |

Diluted earnings per ordinary share

The diluted earnings per ordinary share is the same as basic earnings per ordinary share as there are no potential dilutive ordinary shares.

27. Dividends

Dividends recognised by the Company are as follows:

| | 1.3.2021 to 31.12.2021 RM'000 | 1.3.2020 to 28.2.2021 RM'000 |
|--|--|---|
| <i>In respect of financial year ended 29 February 2020</i> | | |
| - Third interim dividend of approximately 16.61 sen per ordinary share paid on 20 May 2020 | - | 40,000 |

13. ACCOUNTANTS' REPORT (Cont'd)**27. Dividends (continued)**

Dividends recognised by the Company are as follows (continued):

| | 1.3.2021 to 31.12.2021 RM'000 | 1.3.2020 to 28.2.2021 RM'000 |
|---|--|---|
| <i>In respect of financial year ended 28 February 2021</i> | | |
| - First interim dividend of approximately 8.31 sen per ordinary share paid on 18 August 2020 | - | 20,000 |
| - Second interim dividend of approximately 8.31 sen per ordinary share paid on 26 November 2020 | - | 20,000 |
| - Third interim dividend of approximately 55.24 sen per ordinary share paid on 26 February 2021 and 9 March 2021 | - | 133,000 |
| - Fourth interim dividend of approximately 27.83 sen per ordinary share paid on 26 February 2021 and 9 March 2021 | - | 67,000 |
| - Fifth interim dividend of approximately 12.46 sen per ordinary share paid on 28 June 2021 | 30,000 | - |
| | 30,000 | 240,000 |
| <i>In respect of financial year ended 28 February 2022</i> | | |
| - First interim dividend of approximately 12.46 sen per ordinary share paid on 6 October 2021 | 30,000 | - |
| | <u>60,000</u> | <u>280,000</u> |
| | 1.3.2019 to 29.2.2020 RM'000 | 1.3.2018 to 28.2.2019 RM'000 |
| <i>In respect of financial year ended 28 February 2018</i> | | |
| - Fourth interim dividend of approximately 8.31 sen per ordinary share paid on 8 March 2018 | - | 20,000 |
| - Fifth interim dividend of approximately 4.57 sen per ordinary share paid on 22 May 2018 | - | 11,000 |
| | - | 31,000 |
| <i>In respect of financial year ended 28 February 2019</i> | | |
| - First interim dividend of approximately 4.98 sen per ordinary share paid on 30 July 2018 | - | 12,000 |
| - Special interim dividend of approximately 11.21 sen per ordinary share paid on 6 September 2018 | - | 27,000 |
| - Second interim dividend of approximately 4.98 sen per ordinary share paid on 31 October 2018 | - | 12,000 |
| - Third interim dividend of approximately 4.98 sen per ordinary share paid on 13 February 2019 | - | 12,000 |
| - Final interim dividend of approximately 6.23 sen per ordinary share paid on 6 August 2019 | 15,000 | - |
| | 15,000 | 63,000 |

13. ACCOUNTANTS' REPORT (Cont'd)**27. Dividends (continued)**

Dividends recognised by the Company are as follows (continued):

| | 1.3.2019 to 29.2.2020 RM'000 | 1.3.2018 to 28.2.2019 RM'000 |
|---|------------------------------------|------------------------------------|
| <i>In respect of financial year ended 29 February 2020</i> | | |
| - First interim dividend of approximately 8.31 sen per ordinary share paid on 12 November 2019 | 20,000 | - |
| - Second interim dividend of approximately 8.31 sen per ordinary share paid on 27 February 2020 | 20,000 | - |
| | 40,000 | - |
| | <u>55,000</u> | <u>94,000</u> |

The consolidated financial statements do not reflect the second interim dividend of approximately 4.15 sen per ordinary share totalling RM10,000,000 in respect of financial year ended 28 February 2022, which was declared on 6 January 2022 and paid on 10 January 2022 and the third interim dividend of approximately 6.23 sen per ordinary share totalling RM15,000,000 in respect of financial year ended 28 February 2022, which was declared on 7 April 2022 and paid on 8 April 2022. These dividends which were declared after the end of the reporting period will be accounted for as an appropriation of retained earnings in the financial year ended 28 February 2022.

28. Related parties**Identity of related parties**

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

- i) Subsidiaries, associate and joint venture as disclosed in the consolidated financial statements
- ii) Key management personnel of the Group

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Company and certain senior management members of the Group.

13. ACCOUNTANTS' REPORT (Cont'd)**28. Related parties (continued)****Identity of related parties (continued)**

iii) Other related parties

- a) DXN Global Sdn. Bhd. and its subsidiaries in which Datuk Dr. Lim Siow Jin and Datin Leong Bee Ling are the substantial shareholders.
- b) DXN Eco Lodge PLC, Daehsan Biotech Private Limited, Sunyatee International Foundation, Bulgano Ltd. and Zaman Biotech Sdn Bhd in which Datuk Dr. Lim Siow Jin is the substantial shareholder.
- c) DXN Development Sdn. Bhd. in which Dato' Lim Boon Yee and his spouse, Datin Kee Yew Oi are the substantial shareholders.
- d) DXN Comfort Tours Sdn. Bhd. in which Dato' Lim Boon Yee is the substantial shareholder.
- e) Mr. Ling Chung Hwa, being the spouse of Ms. Lim Yew Lin.
- f) Ms. Tan Pey Ling, being the spouse of Mr. Tan Young Tat. Mr. Tan Young Tat resigned as a Director of the Company on 31 January 2021.
- g) Tropical Paradise Sdn. Bhd. in which Datin Wan Illiyyin Binti Wan Mohd Nazi, being the spouse of Datuk Dr. Lim Siow Jin is the substantial shareholder.

Significant related parties transactions

Related party transactions have been entered in the normal course of business and established under negotiated terms.

The significant related party transactions of the Group are shown below. The balances related to the below transactions are shown in Notes 15 and 20.

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|---|--|--|---|---|---|
| Transactions with companies in which certain Directors have a substantial financial interest | | | | | |
| Disposal of subsidiaries | - | - | 47,100 | - | - |
| Purchase of trading goods | 7,889 | 7,920 | 11,211 | 4,711 | 4,475 |
| Rental expense (premises) | 105 | 100 | 120 | 120 | - |
| Purchase of air tickets | 31 | 110 | 143 | 595 | 1,889 |
| Purchase of plant and equipment | - | 225 | 388 | - | - |
| Sale of plant and equipment | - | - | 265 | - | - |
| Sale of raw materials | 7 | 19 | 24 | 34 | 38 |
| Donation | 955 | 1,102 | 1,128 | - | - |
| Interest income | 221 | 605 | 694 | 948 | 737 |

13. ACCOUNTANTS' REPORT (Cont'd)**28. Related parties (continued)****Significant related parties transactions (continued)**

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|---|--|--|---|---|---|
| Transactions with Directors and persons connected to Directors | | | | | |
| Insurance premium expense | 1,571 | 831 | 1,046 | 1,322 | 713 |
| Purchase of property, plant and equipment (farm construction) | 763 | 349 | 729 | - | - |
| Rental expense (premises) | 450 | 416 | 94 | 70 | 40 |

The remuneration paid to the key management personnel are disclosed in Note 22 to the consolidated financial statements.

29. Operating segments

The Group has the following reportable segments as described below. The segments offer different products or services, and are managed separately because they require different technology, operational and marketing strategies. For each of the segment, the Group's Chief Executive Officer (the chief operating decision maker ("CODM")) reviews internal management reports at least on a quarterly basis:

| | |
|--|--|
| Manufacture and sales of health and wellness consumer products | Manufacture and sale of fortified food and beverages, health and dietary supplements, personal care and cosmetics and other related products |
| Property investment and property development | Housing developer and contractor. This segment has been disposed of on 26 February 2021 (see Note 34.1) |
| Investment holding | Investment holding and provision of management services |

13. ACCOUNTANTS' REPORT (Cont'd)**29. Operating segments (continued)**

Other non-reportable segments comprise the provision of lab test service, consultation and treatment services with ganotherapy, operating of a cafe, glamping resort, village complex, marine sanctuary and provision of tour activities, forest plantation, timber logging and related forestry support services. None of these segments met the quantitative threshold for reporting segment in financial period ended 31 December 2021 and financial years ended 28/29 February 2021, 2020 and 2019.

Segment information is presented in respect of the Group's business operations. The business operations are based on the Group's management and internal reporting structure.

There are varying levels of integration between the segments such as rental of premises and shared administrative services. Inter-segment pricing is determined on negotiated basis.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (excluding deferred tax assets and current tax assets) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Chief Executive Officer. Hence, no disclosure is made on segment liabilities.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, right-of-use assets, investment properties and intangible assets.

13. ACCOUNTANTS' REPORT (Cont'd)

29. Operating segments (continued)

| | Manufacture and sale of health and wellness consumer products RM'000 | Property investment and property development RM'000 | Investment holding RM'000 | Other non- reportable segments RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|--|---|---------------------------------|--|-----------------------|------------------------|
| 31.12.2021 (Audited) | | | | | | |
| Revenue from external customers | 998,284 | - | - | 17,427 | - | 1,015,711 |
| Inter-segment revenue | 518,746 | - | 204,904 | 99 | (723,749) | - |
| Total revenue | 1,517,030 | - | 204,904 | 17,526 | (723,749) | 1,015,711 |
| Segment profit/(loss) | 277,681 | 103 | (8,629) | 1,479 | - | 270,634 |
| Included in the measure of segment profit/(loss) are: | | | | | | |
| - Gain on disposal of plant and equipment | 387 | - | - | - | - | 387 |
| - Property, plant and equipment written off | 1,268 | - | - | 8 | - | 1,276 |
| - Inventories written off | 179 | - | - | - | - | 179 |
| - Depreciation of property, plant and equipment | 15,737 | - | 3,571 | 3,668 | - | 22,976 |
| - Depreciation of right-of-use assets | 7,144 | - | - | 148 | - | 7,292 |
| - Depreciation of investment properties | 169 | 28 | - | - | - | 197 |
| - Amortisation of intangible assets | 40 | - | 20 | 15 | - | 75 |
| - Impairment loss on trade and other receivables | - | - | 854 | - | - | 854 |
| - Bad debts recovered | 487 | - | - | - | - | 487 |
| Segment assets | 1,231,149 | 1,191 | 71,535 | 61,353 | - | 1,365,228 |
| Included in the measure of segment assets are: | | | | | | |
| - Additions to property, plant and equipment | 140,211 | - | 2,680 | 8,425 | - | 151,316 |
| - Additions of right-of-use assets | 7,697 | - | - | 269 | - | 7,966 |
| - Additions to intangible assets | 34 | - | 9 | 18 | - | 61 |

13. ACCOUNTANTS' REPORT (Cont'd)

29. Operating segments (continued)

| | Manufacture and sale of health and wellness consumer products RM'000 | Property investment and property development RM'000 | Investment holding RM'000 | Other non- reportable segments RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|--|---|---------------------------------|--|-----------------------|------------------------|
| 31.12.2020 (Unaudited) | | | | | | |
| Revenue from external customers | 865,630 | - | - | 14,285 | - | 879,915 |
| Inter-segment revenue | 411,934 | - | 96,621 | 36 | (508,591) | - |
| Total revenue | 1,277,564 | - | 96,621 | 14,321 | (508,591) | 879,915 |
| Segment profit/(loss) | 256,904 | (54) | (13,723) | 1,184 | - | 244,311 |
| Included in the measure of segment profit/(loss) are: | | | | | | |
| - Loss on disposal of plant and equipment | 786 | - | 3 | - | - | 789 |
| - Plant and equipment written off | 6,158 | - | 1 | 21 | - | 6,180 |
| - Inventories written off | 11,866 | - | - | - | - | 11,866 |
| - Depreciation of property, plant and equipment | 11,828 | 5 | 3,095 | 2,479 | - | 17,407 |
| - Depreciation of right-of-use assets | 6,715 | - | - | 40 | - | 6,755 |
| - Depreciation of investment properties | 174 | 223 | - | 750 | - | 1,147 |
| - Amortisation of intangible assets | 48 | - | 34 | 15 | - | 97 |
| - Impairment loss on trade and other receivables | 2 | - | - | - | - | 2 |
| - Bad debts written off | 25 | - | - | - | - | 25 |
| - Bad debts recovered | 162 | - | - | - | - | 162 |

13. ACCOUNTANTS' REPORT (Cont'd)

29. Operating segments (continued)

| | Manufacture and sale of health and wellness consumer products RM'000 | Property investment and property development RM'000 | Investment holding RM'000 | Other non- reportable segments RM'000 | Elimination RM'000 | Consolidated RM'000 |
|--|--|---|---------------------------------|--|-----------------------|------------------------|
| 28.2.2021 (Audited) | | | | | | |
| Revenue from external customers | 1,033,526 | - | - | 16,679 | - | 1,050,205 |
| Inter-segment revenue | 444,197 | - | 192,328 | 74 | (636,599) | - |
| Total revenue | 1,477,723 | - | 192,328 | 16,753 | (636,599) | 1,050,205 |
| Segment profit/(loss) | 313,426 | (1,033) | (14,296) | (10,830) | - | 287,267 |
| Included in the measure of segment profit/(loss) are: | | | | | | |
| - Impairment loss on property, plant and equipment | - | - | - | 10,723 | - | 10,723 |
| - Gain/(Loss) on disposal of property, plant and equipment | 47 | - | (3) | - | - | 44 |
| - Property, plant and equipment written off | 6,878 | - | 3 | 25 | - | 6,906 |
| - Inventories written off | 11,890 | - | - | - | - | 11,890 |
| - Depreciation of property, plant and equipment | 13,853 | 6 | 3,733 | 3,041 | - | 20,633 |
| - Depreciation of right-of-use assets | 8,732 | - | - | 150 | - | 8,882 |
| - Depreciation of investment properties | 208 | 1,185 | - | - | - | 1,393 |
| - Amortisation of intangible assets | 60 | - | 41 | 17 | - | 118 |
| - Impairment loss on trade and other receivables | - | - | 3,875 | - | - | 3,875 |
| - Bad debts written off | 10 | - | - | - | - | 10 |
| - Bad debts recovered | 161 | - | - | - | - | 161 |
| Segment assets | 1,069,583 | 1,181 | 143,618 | 54,815 | - | 1,269,197 |
| Included in the measure of segment assets are: | | | | | | |
| - Additions to property, plant and equipment | 131,490 | 4 | 4,191 | 8,984 | - | 144,669 |
| - Additions and remeasurement of right-of-use assets | 10,579 | - | - | 58 | - | 10,637 |
| - Additions to intangible assets | 60 | - | 10 | - | - | 70 |

13. ACCOUNTANTS' REPORT (Cont'd)

29. Operating segments (continued)

| | Manufacture and sale of health and wellness consumer products RM'000 | Property investment and property development RM'000 | Investment holding RM'000 | Other non- reportable segments RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|--|---|---------------------------------|--|-----------------------|------------------------|
| 29.2.2020 (Audited) | | | | | | |
| Revenue from external customers, restated | 1,089,204 | - | - | 15,404 | - | 1,104,608 |
| Inter-segment revenue | 420,527 | - | 313,172 | 5,322 | (739,021) | - |
| Total revenue | 1,509,731 | - | 313,172 | 20,726 | (739,021) | 1,104,608 |
| Segment profit/(loss) | 368,142 | (2,265) | (20,736) | 2,698 | - | 347,839 |
| Included in the measure of segment profit/(loss) are: | | | | | | |
| - Impairment loss on intangible assets | - | - | - | 3,206 | - | 3,206 |
| - Gain on disposal of property, plant and equipment | 2 | - | - | 104 | - | 106 |
| - Property, plant and equipment written off | 553 | - | 2 | 32 | - | 587 |
| - Inventories written off | 272 | - | - | - | - | 272 |
| - Depreciation of property, plant and equipment | 12,230 | 5 | 1,027 | 2,057 | - | 15,319 |
| - Depreciation of right-of-use assets | 7,895 | - | - | 119 | - | 8,014 |
| - Depreciation of investment properties | 208 | 1,271 | - | - | - | 1,479 |
| - Amortisation of intangible assets | 226 | - | 59 | 32 | - | 317 |
| - Impairment loss on trade and other receivables | 62 | - | 2,127 | - | - | 2,189 |
| - Bad debts written off | 39 | 1 | 289 | 7 | - | 336 |
| - Bad debts recovered | 3,205 | - | - | - | - | 3,205 |
| Segment assets | 762,763 | 148,042 | 165,711 | 53,339 | - | 1,129,855 |
| Included in the measure of segment assets are: | | | | | | |
| - Additions to property, plant and equipment | 141,720 | - | 218 | 3,697 | - | 145,635 |
| - Additions to right-of-use assets | 9,569 | - | - | 145 | - | 9,714 |
| - Additions to investment properties | - | 99,073 | - | - | - | 99,073 |
| - Additions to intangible assets | 85 | - | 3 | 47 | - | 135 |

13. ACCOUNTANTS' REPORT (Cont'd)

29. Operating segments (continued)

| | Manufacture and sale of health and wellness consumer products RM'000 | Property investment and property development RM'000 | Investment holding RM'000 | Other non- reportable segments RM'000 | Elimination RM'000 | Consolidated RM'000 |
|--|--|---|---------------------------------|--|-----------------------|------------------------|
| 28.2.2019 (Audited) | | | | | | |
| Revenue from external customers | 894,525 | - | - | 12,697 | - | 907,222 |
| Inter-segment revenue | 388,193 | - | 204,317 | 20,846 | (613,356) | - |
| Total revenue | 1,282,718 | - | 204,317 | 33,543 | (613,356) | 907,222 |
| Segment profit/(loss) | 318,394 | (285) | (8,852) | 10,718 | - | 319,975 |
| Included in the measure of segment profit/(loss) are: | | | | | | |
| - Impairment loss on property, plant and equipment | 3,593 | - | - | - | - | 3,593 |
| - (Gain)/Loss on disposal of property, plant and equipment | (33) | 12 | - | 2 | - | (19) |
| - Property, plant and equipment written off | 372 | - | - | 7 | - | 379 |
| - Inventories written off | 2 | - | - | - | - | 2 |
| - Depreciation of property, plant and equipment | 10,844 | 49 | 868 | 1,195 | - | 12,956 |
| - Depreciation of right-of-use assets | 5,597 | - | - | 58 | - | 5,655 |
| - Depreciation of investment properties | 224 | 224 | - | - | - | 448 |
| - Amortisation of intangible assets | 257 | - | 73 | 13 | - | 343 |
| - Impairment loss on trade and other receivables | - | - | 480 | - | - | 480 |
| - Bad debts written off | 308 | 1 | 157 | - | - | 466 |
| - Bad debts recovered | 18 | - | - | - | - | 18 |
| Segment assets | 601,783 | 52,759 | 76,372 | 79,747 | - | 810,661 |
| Included in the measure of segment assets are: | | | | | | |
| - Additions to property, plant and equipment | 31,916 | - | 9,755 | 6,136 | - | 47,807 |
| - Additions to right-of-use assets | 10,717 | - | - | - | - | 10,717 |
| - Additions to intangible assets | 117 | - | 35 | - | - | 152 |

13. ACCOUNTANTS' REPORT (Cont'd)

29. Operating segments (continued)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amount of non-current assets do not include financial instruments (including investments in an associate and joint venture) and deferred tax assets.

| Geographical information | Gross revenue RM'000 | Non-current assets RM'000 |
|-------------------------------|----------------------------|---------------------------------|
| 31.12.2021 (Audited) | | |
| South America | 420,280 | 1,870 |
| Asia (Excluding Malaysia) | 262,145 | 336,471 |
| North America | 177,442 | 21,069 |
| Malaysia | 89,392 | 264,519 |
| Middle East | 26,556 | - |
| Europe | 47,372 | 4,087 |
| Africa | 42,480 | 754 |
| Oceania | 4,151 | 1,293 |
| | <u>1,069,818</u> | <u>630,063</u> |
| 31.12.2020 (Unaudited) | | |
| South America | 351,302 | |
| Asia (Excluding Malaysia) | 252,123 | |
| North America | 166,513 | |
| Malaysia | 92,215 | |
| Middle East | 59,744 | |
| Europe | 38,024 | |
| Africa | 15,307 | |
| Oceania | 3,954 | |
| | <u>979,182</u> | |
| 28.2.2021 (Audited) | | |
| South America | 423,193 | 631 |
| Asia (Excluding Malaysia) | 296,922 | 246,324 |
| North America | 203,136 | 14,854 |
| Malaysia | 107,980 | 220,301 |
| Middle East | 68,359 | - |
| Europe | 47,135 | 4,245 |
| Africa | 19,741 | 986 |
| Oceania | 4,683 | 1,346 |
| | <u>1,171,149</u> | <u>488,687</u> |

13. ACCOUNTANTS' REPORT (Cont'd)**29. Operating segments (continued)*****Geographical segments (continued)***

| | Gross revenue RM'000 | Non-current assets RM'000 |
|----------------------------|-------------------------------------|--|
| 29.2.2020 (Audited) | | |
| South America | 441,880 | 1,153 |
| Asia (Excluding Malaysia) | 318,474 | 165,632 |
| North America | 190,506 | 15,972 |
| Malaysia | 120,641 | 328,694 |
| Middle East | 68,265 | - |
| Europe | 39,464 | 3,998 |
| Africa | 3,528 | 982 |
| Oceania | 2,897 | 1,204 |
| | <u>1,185,655</u> | <u>517,635</u> |
| 28.2.2019 (Audited) | | |
| South America | 333,484 | 870 |
| Asia (Excluding Malaysia) | 274,504 | 55,538 |
| North America | 150,690 | 5,492 |
| Malaysia | 115,142 | 257,654 |
| Middle East | 55,016 | - |
| Europe | 39,703 | 4,042 |
| Africa | 2,998 | 12 |
| Oceania | 3,179 | 1,287 |
| | <u>974,716</u> | <u>324,895</u> |

Major customers

There were no customers which individually contributed to more than 10% of the Group's revenue.

30. Capital commitments

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|----------------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Contracted but not provided for: | | | | |
| Property, plant and equipment | <u>82,377</u> | <u>104,298</u> | <u>254,281</u> | <u>180,534</u> |

13. ACCOUNTANTS' REPORT (Cont'd)**31. Financial instruments****31.1 Categories of financial instruments**

Trade and other receivables (excluding prepayments and indirect taxes) and cash and cash equivalents are categorised as financial assets at amortised cost (Note 15) while trade and other payables, loans and borrowings are categorised as financial liabilities measured at amortised cost (Note 20).

The Group's financial instruments categorised as fair value through profit or loss ("FVTPL") are as follows:

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|---|----------------------|---------------------|---------------------|---------------------|
| Derivative financial assets/(liabilities) | - | 4 | (141) | - |

31.2 Net gains/(losses) arising from financial instruments

| | 1.3.2021 to 31.12.2021 Audited RM'000 | 1.3.2020 to 31.12.2020 Unaudited RM'000 | 1.3.2020 to 28.2.2021 Audited RM'000 | 1.3.2019 to 29.2.2020 Audited RM'000 | 1.3.2018 to 28.2.2019 Audited RM'000 |
|---|---|---|--|--|--|
| Financial assets measured at amortised cost | 2,930 | 12,943 | 8,307 | 8,920 | 6,246 |
| Financial (liabilities)/ assets measured at fair value through profit or loss | (4) | 141 | 145 | (141) | - |
| Financial liabilities measured at amortised cost | (17,406) | (18,173) | (15,442) | (8,250) | (8,219) |
| | <u>(14,480)</u> | <u>(5,089)</u> | <u>(6,990)</u> | <u>529</u> | <u>(1,973)</u> |

13. ACCOUNTANTS' REPORT (Cont'd)**31. Financial instruments (continued)****31.3 Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

31.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. There are no significant changes as compared to prior year.

Trade receivables*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

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

There are no significant changes as compared to prior year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statements of financial position.

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (continued)

31.4 Credit risk (continued)

Trade receivables (continued)

Concentration of credit risk

The exposure to credit risk for trade receivables and contract assets as at the end of the reporting period by geographical region was:

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|------------------------------|----------------------|---------------------|---------------------|---------------------|
| Malaysia | 5,006 | 3,501 | 3,456 | 2,718 |
| Asia (excluding Malaysia) | 1,321 | 2,360 | 7,331 | 5,567 |
| Europe | 1,568 | 1,757 | 1,454 | 1,554 |
| Middle East | 9,290 | 11,096 | - | 1,660 |
| Others | 768 | 1,095 | 230 | 277 |
| | <u>17,953</u> | <u>19,809</u> | <u>12,471</u> | <u>11,776</u> |

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within credit the period granted.

The Group uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables. Consistent with the Group's debt recovery process, invoices which are past due more than 150 days will be considered as credit impaired.

Loss rates are based on actual credit loss experience over the past three years and forward-looking information. The Group believes that the financial impacts from forward-looking information are inconsequential for the purpose of impairment assessment for trade receivables due to the short term nature of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets which are grouped together as they are expected to have similar risk nature.

| | Gross carrying amount RM'000 | Loss allowances RM'000 | Net balance RM'000 |
|-----------------------------|---------------------------------------|------------------------------|--------------------------|
| 31.12.2021 | | | |
| Not past due | 9,311 | - | 9,311 |
| Past due 1 - 30 days | 5,152 | - | 5,152 |
| Past due 31 - 120 days | 1,033 | - | 1,033 |
| Past due more than 120 days | 2,533 | (76) | 2,457 |
| | <u>18,029</u> | <u>(76)</u> | <u>17,953</u> |
| Trade receivables | 17,078 | (76) | 17,002 |
| Contract assets | 951 | - | 951 |
| | <u>18,029</u> | <u>(76)</u> | <u>17,953</u> |

13. ACCOUNTANTS' REPORT (Cont'd)**31. Financial instruments (continued)****31.4 Credit risk (continued)****Trade receivables (continued)***Recognition and measurement of impairment losses (continued)*

| | Gross carrying amount RM'000 | Loss allowances RM'000 | Net balance RM'000 |
|-----------------------------|---|---------------------------------------|-----------------------------------|
| 28.2.2021 | | | |
| Not past due | 14,825 | - | 14,825 |
| Past due 1 - 30 days | 3,474 | - | 3,474 |
| Past due 31 - 120 days | 731 | - | 731 |
| Past due more than 120 days | 855 | (76) | 779 |
| | <u>19,885</u> | <u>(76)</u> | <u>19,809</u> |
| Trade receivables | 19,020 | (76) | 18,944 |
| Contract assets | 865 | - | 865 |
| | <u>19,885</u> | <u>(76)</u> | <u>19,809</u> |
| 29.2.2020 | | | |
| Not past due | 4,113 | - | 4,113 |
| Past due 1 - 30 days | 953 | - | 953 |
| Past due 31 - 120 days | 4,370 | - | 4,370 |
| Past due more than 120 days | 3,109 | (74) | 3,035 |
| | <u>12,545</u> | <u>(74)</u> | <u>12,471</u> |
| Trade receivables | 11,999 | (74) | 11,925 |
| Contract assets | 546 | - | 546 |
| | <u>12,545</u> | <u>(74)</u> | <u>12,471</u> |
| 28.2.2019 | | | |
| Not past due | 6,196 | - | 6,196 |
| Past due 1 - 30 days | 941 | - | 941 |
| Past due 31 - 120 days | 1,260 | - | 1,260 |
| Past due more than 120 days | 3,436 | (57) | 3,379 |
| Trade receivables | <u>11,833</u> | <u>(57)</u> | <u>11,776</u> |

There are past due trade receivables which the Group has not recognised any loss allowance as the trade receivables are supported by subsequent collection after the end of the reporting period and historical collection trend from these customers.

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (continued)

31.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

The movements in the allowance for impairment in respect of trade receivables and contract assets during the year are shown below.

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|---|----------------------|---------------------|---------------------|---------------------|
| Balance at 1 March | | | | |
| 2021/2020/2019/2018 | 76 | 74 | 57 | 7,138 |
| Impairment loss | - | - | 14 | - |
| Reversal of impairment loss | - | - | - | (80) |
| Written off | - | - | - | (6,588) |
| Effect of movement in exchange rates | - | 2 | 3 | (413) |
| Balance at | | | | |
| 31 December 2021/ 28 February 2021/ 29 February 2020/ 28 February 2019 | 76 | 76 | 74 | 57 |

Other receivables

Credit risk on other receivables are mainly arising from amounts owing from an associate and joint venture and advances to suppliers for securing the continuing supply of raw materials.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The movements in allowance for impairment in respect of other receivables during the year were as follows:

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|---|----------------------|---------------------|---------------------|---------------------|
| Balance at 1 March | | | | |
| 2021/2020/2019/2018 | 8,279 | 4,401 | 2,224 | 2,822 |
| Impairment loss | 854 | 3,875 | 2,175 | - |
| Reversal of impairment loss | - | - | - | (400) |
| Written off | - | (3) | - | (201) |
| Effect of movement in exchange rates | 3 | 6 | 2 | 3 |
| Balance at 31 December 2021/28 February 2021/ 29 February 2020/ 28 February 2019 | 9,136 | 8,279 | 4,401 | 2,224 |

13. ACCOUNTANTS' REPORT (Cont'd)**31. Financial instruments (continued)****31.4 Credit risk (continued)****Cash and cash equivalents**

The cash and cash equivalents are held with reputable banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. The Group is of the view that a loss allowance is not required.

31.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and banking facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (continued)

31.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| | Carrying amount RM'000 | Contractual interest rates/ discount rates/ per annum % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 5 years RM'000 | More than 5 years RM'000 |
|---|------------------------------|---|-------------------------------------|---------------------------|--------------------------|--------------------------------|
| 31.12.2021 | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Lease liabilities | 23,985 | 1.00 - 8.00 | 26,068 | 9,159 | 15,160 | 1,749 |
| Hire purchase liabilities | 2,418 | 1.71 - 3.54 | 2,635 | 998 | 1,637 | - |
| Term loans | 44,434 | 2.00 - 7.00 | 47,432 | 12,321 | 32,455 | 2,656 |
| Revolving credits | 202,612 | 1.06 - 1.60 | 202,612 | 102,226 | 100,386 | - |
| Trade and other payables | 359,473 | - | 359,473 | 359,473 | - | - |
| | <u>632,922</u> | | <u>638,220</u> | <u>484,177</u> | <u>149,638</u> | <u>4,405</u> |

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (continued)

31.5 Liquidity risk (continued)

Maturity analysis (continued)

| | Carrying amount RM'000 | Contractual interest rates/ discount rates/ per annum % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 5 years RM'000 | More than 5 years RM'000 |
|---|------------------------------|---|-------------------------------------|---------------------------|--------------------------|--------------------------------|
| 28.2.2021 | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Lease liabilities | 18,638 | 3.16 - 8.00 | 20,145 | 7,620 | 11,029 | 1,496 |
| Hire purchase liabilities | 2,920 | 1.71 - 6.50 | 3,135 | 1,021 | 2,114 | - |
| Term loans | 19,812 | 2.00 - 7.00 | 21,466 | 5,972 | 10,985 | 4,509 |
| Revolving credits | 235,131 | 1.06 - 1.62 | 235,131 | 235,131 | - | - |
| Trade and other payables | 378,749 | - | 378,749 | 378,749 | - | - |
| | <u>655,250</u> | | <u>658,626</u> | <u>628,493</u> | <u>24,128</u> | <u>6,005</u> |
| <i>Derivative financial assets</i> | | | | | | |
| Forward exchange contracts (gross settled) | | | | | | |
| Outflow | - | - | 640 | 640 | - | - |
| Inflow | (4) | - | (644) | (644) | - | - |
| | <u>655,246</u> | | <u>658,622</u> | <u>628,489</u> | <u>24,128</u> | <u>6,005</u> |

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (continued)

31.5 Liquidity risk (continued)

Maturity analysis (continued)

| | Carrying amount RM'000 | Contractual interest rates/ discount rates/ per annum % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 5 years RM'000 | More than 5 years RM'000 |
|---|------------------------------|---|-------------------------------------|---------------------------|--------------------------|--------------------------------|
| 29.2.2020 | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Lease liabilities | 16,875 | 4.00 - 8.00 | 18,554 | 7,598 | 9,780 | 1,176 |
| Hire purchase liabilities | 2,761 | 3.63 - 6.34 | 3,004 | 947 | 2,057 | - |
| Term loans | 15,049 | 2.00 - 7.96 | 16,948 | 2,673 | 7,554 | 6,721 |
| Revolving credits | 138,509 | 1.03 - 3.82 | 138,509 | 138,509 | - | - |
| Trade and other payables | 256,497 | - | 256,497 | 256,497 | - | - |
| | <u>429,691</u> | | <u>433,512</u> | <u>406,224</u> | <u>19,391</u> | <u>7,897</u> |
| <i>Derivative financial liabilities</i> | | | | | | |
| Forward exchange contracts (gross settled) | | | | | | |
| Outflow | 141 | - | 8,878 | 8,878 | - | - |
| Inflow | - | - | (8,737) | (8,737) | - | - |
| | <u>429,832</u> | | <u>433,653</u> | <u>406,365</u> | <u>19,391</u> | <u>7,897</u> |

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (continued)

31.5 Liquidity risk (continued)

Maturity analysis (continued)

| Group | Carrying amount RM'000 | Contractual interest rate per annum % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 5 years RM'000 | More than 5 years RM'000 |
|---|------------------------------|--|-------------------------------------|---------------------------|--------------------------|--------------------------------|
| 28.2.2019 | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Lease liabilities | 20,190 | 4.00 - 8.00 | 22,199 | 9,091 | 11,701 | 1,407 |
| Hire purchase liabilities | 2,425 | 2.37 - 3.54 | 2,655 | 873 | 1,782 | - |
| Term loans | 18,242 | 2.00 - 7.00 | 21,105 | 3,460 | 8,768 | 8,877 |
| Revolving credits | 53,265 | 2.75 - 3.90 | 53,265 | 53,265 | - | - |
| Trade and other payables | 209,555 | - | 209,555 | 209,555 | - | - |
| | <u>303,677</u> | | <u>308,779</u> | <u>276,244</u> | <u>22,251</u> | <u>10,284</u> |

13. ACCOUNTANTS' REPORT (Cont'd)**31. Financial instruments (continued)****31.6 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

31.6.1 Currency risk

The Group is exposed to foreign currency risk on its sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily US Dollar ("USD"), Euro Dollar ("EUR") and Thai Bhat ("THB").

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

| | ← USD RM'000 | Denominated in EUR RM'000 | → THB RM'000 |
|-----------------------------|-----------------|---------------------------------|-----------------|
| 31.12.2021 | | | |
| Trade and other receivables | 11,705 | 3,756 | - |
| Short term investments | 2,890 | - | - |
| Cash and cash equivalents | 65,141 | 85,192 | 6,142 |
| Trade and other payables | (3,493) | (24) | - |
| Loans and borrowings | (154,670) | (89,048) | - |
| Net exposure | <u>(78,427)</u> | <u>(124)</u> | <u>6,142</u> |
| 28.2.2021 | | | |
| Trade and other receivables | 11,011 | 2,769 | - |
| Short term investments | 23,050 | - | - |
| Cash and cash equivalents | 44,034 | 19,467 | 6,339 |
| Trade and other payables | (575) | (25) | - |
| Loans and borrowings | (128,737) | (121,568) | - |
| Net exposure | <u>(51,217)</u> | <u>(99,357)</u> | <u>6,339</u> |
| 29.2.2020 | | | |
| Trade and other receivables | 2,395 | - | - |
| Short term investments | 29,312 | - | - |
| Cash and cash equivalents | 26,489 | 2,864 | 6,629 |
| Trade and other payables | (697) | - | - |
| Loans and borrowings | (87,897) | (61,538) | - |
| Net exposure | <u>(30,398)</u> | <u>(58,674)</u> | <u>6,629</u> |

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (continued)

31.6 Market risk (continued)

31.6.1 Currency risk (continued)

| | ← USD RM'000 | Denominated in EUR RM'000 | → THB RM'000 |
|-----------------------------|-----------------|---------------------------------|-----------------|
| 28.2.2019 | | | |
| Trade and other receivables | 3,148 | 1,561 | - |
| Short term investment | 4,118 | - | - |
| Cash and cash equivalents | 40,062 | 945 | 1,988 |
| Trade and other payables | (4,144) | - | - |
| Loans and borrowings | (66,860) | - | - |
| Net exposure | (23,676) | 2,506 | 1,988 |

Currency risk sensitivity analysis

A 10% (28.2.2021; 29.2.2020; 28.2.2019: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted cash and cash equivalents.

| | Profit or loss | | | |
|-----|-------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 1.3.2021 to 31.12.2021 RM'000 | 1.3.2020 to 28.2.2021 RM'000 | 1.3.2019 to 29.2.2020 RM'000 | 1.3.2018 to 28.2.2019 RM'000 |
| USD | 5,960 | 3,892 | 2,310 | 1,799 |
| EUR | 9 | 7,551 | 4,459 | (190) |
| THB | (467) | (482) | (504) | (151) |

31.6.2 Interest rate risk

The Group's significant interest-earning financial assets and interest-bearing financial liabilities are mainly its short term deposits and its fixed and floating rate borrowings. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's deposit placements as at the end of the reporting period are short term and therefore, exposure to the effects of future changes at prevailing level of interest rates is limited.

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (continued)

31.6 Market risk (continued)

31.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-earning/(bearing) financial instruments, based on carrying amounts as at the end of the reporting period was:

| | 31.12.2021 RM'000 | 28.2.2021 RM'000 | 29.2.2020 RM'000 | 28.2.2019 RM'000 |
|----------------------------------|----------------------|---------------------|---------------------|---------------------|
| Fixed rate instruments | | | | |
| Financial assets | 66,617 | 250,773 | 174,791 | 121,791 |
| Financial liabilities | (28,563) | (24,713) | (21,932) | (3,075) |
| | <u>38,054</u> | <u>226,060</u> | <u>152,859</u> | <u>118,716</u> |
| Floating rate instruments | | | | |
| Financial liabilities | <u>(244,886)</u> | <u>(251,788)</u> | <u>(151,262)</u> | <u>(70,857)</u> |

Interest rate risk sensitivity analysis(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

| | Profit or loss | |
|-------------------------------|---------------------------------------|---------------------------------------|
| | 100 bp increase RM'000 | 100 bp decrease RM'000 |
| 1.3.2021 to 31.12.2021 | | |
| Floating rate instruments | <u>(1,861)</u> | <u>1,861</u> |
| 1.3.2020 to 28.2.2021 | | |
| Floating rate instruments | <u>(1,914)</u> | <u>1,914</u> |

13. ACCOUNTANTS' REPORT (Cont'd)**31. Financial instruments (continued)****31.6 Market risk (continued)****31.6.2 Interest rate risk (continued)***Interest rate risk sensitivity analysis (continued)**(b) Cash flow sensitivity analysis for variable rate instruments (continued)*

| | Profit or loss | |
|------------------------------|------------------------------|------------------------------|
| | 100 bp increase RM'000 | 100 bp decrease RM'000 |
| 1.3.2019 to 29.2.2020 | | |
| Floating rate instruments | <u>(1,150)</u> | <u>1,150</u> |
| 1.3.2018 to 28.2.2019 | | |
| Floating rate instruments | <u>(539)</u> | <u>539</u> |

31.7 Fair value information

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

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (continued)

31.7 Fair value information (continued)

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

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|----------------------------|--|-------------------|-------------------|-----------------|--|-------------------|-------------------|-----------------|---------------------|--------------------|
| | 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 | RM'000 | RM'000 |
| 31.12.2021 | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Hire purchase liabilities | - | - | - | - | - | - | 2,418 | 2,418 | 2,418 | 2,418 |
| Terms loans | - | - | - | - | - | - | 44,434 | 44,434 | 44,434 | 44,434 |
| | - | - | - | - | - | - | 46,852 | 46,852 | 46,852 | 46,852 |
| 28.2.2021 | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Forward exchange contracts | - | 4 | - | 4 | - | - | - | - | 4 | 4 |
| Financial liabilities | | | | | | | | | | |
| Hire purchase liabilities | - | - | - | - | - | - | 2,920 | 2,920 | 2,920 | 2,920 |
| Terms loans | - | - | - | - | - | - | 19,812 | 19,812 | 19,812 | 19,812 |
| | - | - | - | - | - | - | 22,732 | 22,732 | 22,732 | 22,732 |

13. ACCOUNTANTS' REPORT (Cont'd)

31. Financial instruments (continued)

31.7 Fair value information (continued)

| | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value | Carrying amount |
|----------------------------|--|-------------------|-------------------|-----------------|--|-------------------|-------------------|-----------------|---------------------|--------------------|
| | 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 | RM'000 | RM'000 |
| 29.2.2020 | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Forward exchange contracts | - | 141 | - | 141 | - | - | - | - | 141 | 141 |
| Hire purchase liabilities | - | - | - | - | - | - | 2,761 | 2,761 | 2,761 | 2,761 |
| Terms loans | - | - | - | - | - | - | 15,049 | 15,049 | 15,049 | 15,049 |
| | - | 141 | - | 141 | - | - | 17,810 | 17,810 | 17,951 | 17,951 |
| 28.2.2019 | | | | | | | | | | |
| Financial liabilities | | | | | | | | | | |
| Hire purchase liabilities | - | - | - | - | - | - | 2,425 | 2,425 | 2,425 | 2,425 |
| Term loans | - | - | - | - | - | - | 18,242 | 18,242 | 18,242 | 18,242 |
| | - | - | - | - | - | - | 20,667 | 20,667 | 20,667 | 20,667 |

13. ACCOUNTANTS' REPORT (Cont'd)**31. Financial instruments (continued)****31.7 Fair value information (continued)****Transfers between fair value levels**

There has been no transfer between the levels in fair value during the financial period/year (28.2.2021; 29.2.2020; 28.2.2019: no transfer in either direction).

Level 2 fair value**Derivative financial liabilities**

The fair value of the forward exchange contracts is estimated by reference to the market rate for similar contracts obtained from the banks which the Group contracted with.

Level 3 fair value**Non-derivative financial liabilities**

The carrying amount of floating rate term loans approximate their fair values as their effective interest rates change accordingly to movements in the market interest rate. The fair value of fixed rate financial liabilities (i.e. hire purchase liabilities and fixed rate term loans) is calculated using discounted cash flows where the market rate of interest is determined by reference to similar borrowing arrangements.

32. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group actively and regularly reviews and manages its capital and borrowing structure to ensure optimal capital structure and shareholders' returns, taking into consideration future capital requirements, capital efficiency as well as prevailing and projected strategic investment opportunities.

There was no change in the Group's approach to capital management during the financial period.

33. Acquisitions of subsidiaries**33.1 Financial year ended 28 February 2021**

On 10 March 2020, the Company completed the acquisition of Florin (Fujian) Integrated Agricultural Science and Technology Co., Ltd, ("Florin Fujian") for a total purchase consideration of RMB5,939,479 (equivalent to RM3,551,737). On even date, the Company injected an initial capital in Florin Fujian for approximately RMB20,072,639 (equivalent to RM11,959,759).

13. ACCOUNTANTS' REPORT (Cont'd)**33. Acquisitions of subsidiaries (continued)****33.1 Financial year ended 28 February 2021 (continued)**

In determining the fair value of net assets acquired, the Company had assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 March 2020.

The following summarises the major classes of consideration transferred, and the amounts of assets acquired, and liabilities assumed:

| | Note | 2021 RM'000 |
|---|------|----------------|
| Fair value of consideration transferred | | |
| Consideration settled in cash | | 15,512 |
| Identifiable assets acquired and liabilities assumed | | |
| Property, plant and equipment | 3 | 8,507 |
| Right-of-use assets | 4 | 2,350 |
| Trade and other receivables | | 1,359 |
| Current tax assets | | 2,634 |
| Cash and cash equivalents | | 12,197 |
| Trade and other payables | | (6,467) |
| | | 20,580 |
| Non-controlling interests | | (5,068) |
| Total identifiable net assets | | 15,512 |

The fair value of the identifiable net assets are represented by the carrying amounts on the date of the respective acquisitions.

| | 2021 RM'000 |
|--|----------------|
| Net cash outflow arising from acquisition of subsidiaries | |
| Purchase consideration settled in cash | (15,512) |
| Cash and cash equivalents acquired | 12,197 |
| Non-controlling interests | (5,068) |
| | (8,383) |

13. ACCOUNTANTS' REPORT (Cont'd)

33. Acquisitions of subsidiaries (continued)

33.2 Financial year ended 29 February 2020

On 13 April 2019, the Company acquired the entire equity interests in Amazing Discovery Sdn. Bhd. for a total cash consideration of RM2,415,000. The acquisition gave rise to a gain on bargain purchase of RM5,267,000 recognised immediately in profit or loss. In determining the fair value of net assets acquired, the Company has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 March 2019.

The following summarises the consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

| | Note | 2020 RM'000 |
|---|------|----------------|
| Fair value of consideration transferred | | |
| Consideration settled in cash | | <u>2,415</u> |
| Identifiable assets acquired and liabilities assumed | | |
| Property, plant and equipment | 3 | 33,077 |
| Trade and other receivables | | 99 |
| Cash and cash equivalents | | 403 |
| Trade and other payables | | (7,292) |
| Loans and borrowings | 18.2 | (17,533) |
| Deferred tax liabilities | 11 | (1,072) |
| Total identifiable net assets | | <u>7,682</u> |

The fair values of the identifiable net assets are represented by the carrying amounts on the date of acquisition except for freehold land, which is determined based on an independent valuation.

| | 2020 RM'000 |
|--|----------------|
| Net cash outflow arising from acquisition of subsidiary | |
| Purchase consideration settled in cash | (2,415) |
| Cash and cash equivalents acquired | 403 |
| | <u>(2,012)</u> |

33.3 Financial year ended 28 February 2019

During financial year ended 28 February 2019, the Group acquired the entire equity interests in PT Daehsan Indonesia ("PTDI"), 99.98% of the equity interest in Esen Lifesciences Private Limited ("ELPL") and 90.00% of the equity interest in DXN Europe Trading GmbH ("DET") for a total cash consideration of RM4,031,000. These acquisitions gave rise to a goodwill of RM2,707,000.

13. ACCOUNTANTS' REPORT (Cont'd)

33. Acquisitions of subsidiaries (continued)

33.3 Financial year ended 28 February 2019 (continued)

The following summarises the major classes of consideration transferred, and the amounts of assets acquired, and liabilities assumed:

| | Note | 2019 RM'000 |
|---|------|----------------|
| Fair value of consideration transferred | | |
| Consideration settled in cash | | <u>4,031</u> |
| Identifiable assets acquired and liabilities assumed | | |
| Property, plant and equipment | 3 | 728 |
| Right-of-use assets | 4 | 21 |
| Inventories | | 1,415 |
| Trade and other receivables | | 437 |
| Current tax assets | | 39 |
| Cash and cash equivalents | | 1,686 |
| Trade and other payables | | (2,946) |
| Loans and borrowings | 18.2 | (44) |
| | | <u>1,336</u> |
| Non-controlling interests | | (12) |
| Total identifiable net assets | | <u>1,324</u> |

The fair value of the identifiable net assets are represented by the carrying amounts on the date of the respective acquisitions.

| | 2019 RM'000 |
|--|----------------|
| Net cash outflow arising from acquisition of subsidiaries | |
| Purchase consideration settled in cash | (4,031) |
| Cash and cash equivalents acquired | 1,686 |
| | <u>(2,345)</u> |

| | Note | 2019 RM'000 |
|--|------|----------------|
| Goodwill | | |
| Goodwill arising from the acquisitions and impaired was determined as follows: | | |
| Total consideration transferred | | 4,031 |
| Fair value of identifiable net assets | | (1,324) |
| Goodwill impaired | 23 | <u>2,707</u> |

13. ACCOUNTANTS' REPORT (Cont'd)**33. Acquisitions of subsidiaries (continued)****33.3 Financial year ended 28 February 2019 (continued)**

The goodwill was impaired after the acquisition of the above subsidiaries as the Directors no longer expect the amount to be recoverable after having considered the post-acquisition operational performance of the subsidiaries. The RM2,707,000 goodwill impaired was recognised as other expenses in profit or loss.

34. Disposal of subsidiaries**34.1 Financial year ended 28 February 2021**

On 26 February 2021, the Company disposed of the following subsidiaries to DXN Global Sdn. Bhd. ("DXN Global"), a substantial shareholder of the Company:

- entire equity interests in DXN Land Sdn Bhd. and its subsidiaries Yiked-DXN Stargate Sdn. Bhd. ("Yiked"), Richmond Sapphire Sdn. Bhd. and Bio Synergy Engineering Sdn. Bhd. for a total cash consideration of RM5,500,000;
- redeemable preference shares held directly by the Company in Yiked for a total cash consideration of RM39,000,000; and
- entire equity interests in DXN Plantation Sdn. Bhd. for a total cash consideration of RM2,600,000.

The total cash consideration of RM47,100,000 from the above disposals was set-off against the dividends payable by the Company to DXN Global.

The disposal had the following effects on the Group's assets and liabilities:

| | Note | 2021 RM'000 |
|---|-------------|------------------------|
| Fair value of consideration received | | |
| Consideration to be set-off against dividend payable by the Company | | <u>(47,100)</u> |
| Identifiable assets and liabilities disposed off | | |
| Property, plant and equipment | 3 | 7,890 |
| Investment property | 5 | 100,100 |
| Inventories | | 36,708 |
| Trade and other receivables | | 2,271 |
| Current tax assets | | 404 |
| Cash and cash equivalents | | 207 |
| Trade and other payables | | (101,933) |
| Loans and borrowings | 18.2 | (202) |
| Total identifiable net assets | | <u>45,445</u> |

13. ACCOUNTANTS' REPORT (Cont'd)

34. Disposal of subsidiaries (continued)

34.1 Financial year ended 28 February 2021 (continued)

| | Note | 2021 RM'000 |
|---|------|----------------|
| Net cash inflow arising from disposal of subsidiaries | | |
| Sales consideration set-off against dividend payable by the Company (Note 35(vii)) | | <u>47,100</u> |
| Cash and cash equivalents disposed of representing net cash outflow arising from disposal of subsidiaries | | <u>(207)</u> |
| Gain on disposal of investments in subsidiaries | | |
| Total consideration received | | 47,100 |
| Fair value of identifiable net assets | | (45,445) |
| Gain on disposal of subsidiaries | 23 | <u>1,655</u> |

35. Significant events

- (i) The Coronavirus pandemic ("Covid-19 pandemic") which was officially declared on 11 March 2020 by the World Health Organisation has created severe setbacks to the global economy. Many countries have implemented various lockdown measures as preventive response to control and curtail the outbreak of the Covid-19 pandemic. The Malaysian Government too has imposed the Movement Control Order ("MCO") on 18 March 2020 which subsequently entered into various phases of the MCO.

The Group has responded with resilience to the challenges arising from the Covid-19 pandemic situation. Notwithstanding, the situation is still evolving and uncertain as at the date of authorisation of the consolidated financial statements and the Group will continue to actively monitor and manage its funds and operations to minimise the impact arising from the Covid-19 pandemic.

- (ii) On 10 March 2020, the Company completed the acquisition of Florin (Fujian) Integrated Agricultural Science and Technology Co., Ltd, ("Florin Fujian") for a total purchase consideration of RMB5,939,479 (equivalent to RM3,551,737). Florin Fujian is principally involved in tea plantation, processing, research & development, wholesale trading and retailing of tea, pre-packaged food & beverages and other products.

On even date, the Company injected an initial capital in Florin Fujian for approximately RMB20,072,639 (equivalent to RM11,959,759). Thereafter during the year, the Company further injected RMB13,889,948 (equivalent to RM8,585,326) as capital in Florin Fujian. The non-controlling shareholder of Florin Fujian has an investment of RMB8,280,000 (equivalent to RM4,951,340) as at 28 February 2021.

13. ACCOUNTANTS' REPORT (Cont'd)**35. Significant events (continued)**

With the Company's combined investments of RMB39,902,066 (equivalent to RM24,096,822), Florin Fujian became an 82.82% owned subsidiary of the Company. The total registered share capital of Florin Fujian is RMB50,000,000 of which RMB40,000,000 (equivalent to 80% of the total registered share capital) is provisional allocated to the Company for subscription and the remaining RMB10,000,000 (equivalent to 20% of the total registered share capital) is allocated to the non-controlling shareholder. Both shareholders are given up till 31 December 2057 to fully subscribe for the shares allocated to them.

- (iii) On 3 July 2020, the Company acquired the entire equity interest in DXN Agro Park Sdn. Bhd. (formerly known as Matrixsoft Sdn. Bhd.) ("DXN Agro Park") for a total purchase consideration of RM2. Thereafter, the Company subscribed for additional equity interests in DXN Agro Park for RM99,998. Subsequent to the above, DXN Agro Park became a wholly-owned subsidiary of the Company.
- (iv) On 8 September 2020, a fire occurred in the factory belonging to DXN Industries (M) Sdn. Bhd.'s ("DXNI") a wholly-owned subsidiary located in Jitra, Kedah resulting in property, plant and equipment and inventories of RM17,615,000 collectively being written off. DXNI has submitted insurance claims in relation to the above incident by rebuilding and converting the burnt warehouse into an optimised factory (single storey warehouse convert into two storey coffee production) during the financial year ended 28 February 2021 of which RM13,121,000 was approved and received during the period ended 31 December 2021 and RM3,613,000 was approved and received subsequent to the end of the current financial reporting period.
- (v) On 30 November 2020, the Company subscribed for additional equity interests in DXN Agrotech Sdn. Bhd. ("DXN Agrotech"), a wholly-owned subsidiary for RM4,999,900.
- (vi) On 30 November 2020, the Company disposed of 20% equity interests in DXN Food Tech Sdn. Bhd. ("DXN Food Tech") for a total cash consideration of RM2,000. Consequently, DXN Food Tech became an 80% owned subsidiary of the Company. The disposal did not result in any material gain or loss.
- (vii) On 26 February 2021, the Company disposed of the following subsidiaries to DXN Global Sdn. Bhd. ("DXN Global"), a substantial shareholder of the Company:
 - entire equity interest in DXN Land Sdn Bhd. and its subsidiaries Yiked-DXN Stargate Sdn. Bhd. ("Yiked"), Richmond Sapphire Sdn. Bhd. and Bio Synergy Engineering Sdn. Bhd. for a total cash consideration of RM5,500,000;
 - redeemable preference shares held directly by the Company in Yiked for a total cash consideration of RM39,000,000; and
 - entire equity interests in DXN Plantation Sdn. Bhd. for a total cash consideration of RM2,600,000.

The total cash consideration of RM47,100,000 was set off against the dividend payable by the Company to DXN Global.

In conjunction with the above disposals, DXN Global has also agreed to set off the dividends payable by the Company amounting to RM100,200,000 against the amount owing by the disposed subsidiaries to the Company.

13. ACCOUNTANTS' REPORT (Cont'd)

36. Material tax matters

- (i) During the financial year ended 28 February 2021, DXN Mexico S. A. de C. V. ("DXN Mexico"), a wholly-owned subsidiary of the Company was audited by the Mexico Tax Administration Services (MTAS) which determined that DXN Mexico had used an incorrect tariff code for the importation of algae spirulina tablets which resulted in a lower value added tax ("VAT") being paid for the years 2016 to 2019.

Arising from the above, the Group had quantified the amount of VAT under declared (including estimated penalties) relating to the importation of algae spirulina tablets from years 2016 to 28 February 2021 amounting to Mexican Peso ("MXN") 24.02 million (equivalent to RM4.84 million) and provided the said amount during the financial year ended 28 February 2021. Of the MXN24.02 million (equivalent to RM4.81 million), MXN7.78 million (equivalent to RM1.57 million) comprising estimated penalties were charged to profit or loss and the remaining MXN16.24 million (equivalent to RM3.27 million) was recorded as VAT receivable as at 28 February 2021.

On 2 August 2021, DXN Mexico received the final resolution from MTAS for the period from 2016 to July 2019 and paid the additional VAT including penalties which amounted to MXN14.34 million (equivalent to RM2.87 million).

Subsequent to the above, MTAS had on 11 October 2021 sent an invitation to review the VAT paid for the importation of algae spirulina tablets for the period from August 2019 to May 2021. DXN Mexico had on 25 November 2021 responded to MTAS to request for a final resolution. MTAS had on 5 January 2022 issued a final resolution for an amount of MXN10.47 million (equivalent to RM2.11 million). DXN Mexico paid the amount on 5 January 2022.

- (ii) DXN International Peru SAC ("DXN Peru"), a wholly-owned subsidiary of the Company was audited by the Peruvian tax regulator ("SUNAT") in 2017. Arising from the tax audit which related to assessment year 2015, SUNAT had disallowed certain sales commission as a deductible expense. Additional taxes and penalties of Peruvian Nuevo Sol ("Pen S/") 0.37 million (equivalent to RM0.45 million) were imposed on and paid by DXN Peru for assessment year 2015. DXN Peru had filed a claim for refund of the additional taxes paid as well as a motion for annulment and resolution before the Judiciary on the matter.

As at 31 December 2021, DXN Peru had provided the additional income tax and estimated penalties relating to the sales commission that may be similarly disallowed for financial years 2016 till 2020 amounting to Pen S/6.84 million (equivalent to RM7.13 million), if the claim for refund in relation to assessment year 2015 is disallowed by the Supreme Court of Justice of Lima ("SJC").

The SJC had on 12 January 2022 issued a Resolution of Preliminary Revision ("RPR") denying DXN Peru's appeal. The RPR concludes the judicial process.

13. ACCOUNTANTS' REPORT (Cont'd)**36. Material tax matters (continued)**

- (iii) DXN Mexico has an ongoing income tax dispute with the Tax Administration Service Mexico (Servicio de Administración Tributaria) ("SAT") following the receipt of the SAT's letter dated 2 December 2015 ("SAT 2015 Letter") issued by the Deputy Treasurer for Auditing of the General Secretariat of Finance of the Government of the Federal District. The SAT had imposed additional income tax (inclusive of fines and surcharges) for a total amount of MXN6.79 million (equivalent to RM1.4 million) for financial year 2013, as well as the denial of the request for refund of outstanding tax balances for a total amount of MXN2.3 million (equivalent to RM0.5 million) for financial year 2012 ("Mexico Income Tax 2013 Case").

The SAT was of the view that certain expenses were non-deductible and that there was an omission of taxable income in respect of the reversal of certain excess provisions. On 25 January 2016, DXN Mexico had filed an appeal for revocation against the amount imposed by the SAT.

Pending an outcome from the SAT, DXN Mexico has quantified the potential amount payable (including inflation, surcharges and penalties) in relation to the Mexico Income Tax 2013 Case which amounted to MXN13.44 million (equivalent to RM2.71 million).

Of the MXN13.44 million (equivalent to RM2.71 million), the legal counsel advising DXN Mexico is of the opinion that MXN9.29 million (equivalent to RM1.87 million) are with high probabilities and the remaining MXN4.15 million (equivalent to RM0.84 million) are with low probabilities of obtaining a result in favour of DXN Mexico. MXN4.15 million (equivalent to RM0.84 million) in relation to those areas which are regarded to be with low probabilities was provided and recognised as tax expense by DXN Mexico during the financial period ended 31 December 2021.

In 2016, DXN Mexico filed a nullity proceeding before the Federal Court of Tax and Administrative Affairs (FCTAA). The outcome or resolution of the matter is currently pending.

- (iv) DXN Marketing India Private Limited ("DXN Marketing India") received a letter of summon dated 9 June 2020 from the GST Intelligence in Belagavi, India ("GST Intelligence") to appear for a personal hearing with the officers of GST Intelligence in relation to the application of GST rates for RG and GL powder capsules, spirulina powder capsules and Neeli hair oil for the period from 1 July 2017 ("India GST Case").

The representatives of DXN Marketing India attended the personal hearing on 3 August 2020 and submitted the relevant documents to the GST Intelligence for verification. Subsequently, the GST Intelligence had sent a second letter of summon dated 4 September 2020 to appear on 10 September 2020 for further clarification.

Since then, the representatives of DXN Marketing India attended several rounds of personal hearings and also submitted all additional records and provided clarifications to queries requested by the GST Intelligence.

The tax adviser advising DXN Marketing India on the matter is of the opinion that there is a high probability of DXN Marketing India convincing the GST Intelligence that DXN Marketing has accurately applied the GST rates for spirulina powder capsules and Neeli hair oil. However, the tax adviser opined that DXN Marketing India only has a fair chance of convincing the GST Intelligence that the correct GST rates were applied for RG and GL powder capsules.

13. ACCOUNTANTS' REPORT (Cont'd)**36. Material tax matters (continued)**

Accordingly, DXN Marketing India has recognised a provision of Indian Rupee ("INR") 333.31 million (equivalent to RM18.62 million) for the potential additional GST payable, including interest and penalties for RG and GL powder capsules imported during the financial period ended 31 December 2021.

- (v) The Income Tax Department of India ("Indian Income Tax Department") conducted a tax audit on Daxen Agritech India Private Limited ("Daxen Agritech") and raised a demand for additional taxes amounting to INR170.07 million (equivalent to RM9.46 million) for the years of assessment ("YA"s) 2012 to 2019. ("Daxen Agritech Income Tax Case").

Under Section 80-IC of the Income Tax Act, 1961 of India, companies set up for the purpose of manufacturing activities in certain states, such as, among others, Himachal Pradesh, between April 2003 to March 2010 are entitled for a tax deduction of 100% of the profits for the first 5 years and 30% for the subsequent 5 years ("Exemption Benefit").

Daxen Agritech was established in 2009 and commenced the manufacturing of RG and GL capsules using raw materials (i.e. RG and GL powder) imported from Malaysia. Daxen Agritech had claimed the Exemption Benefit but the Assistant Commissioner of Income Tax ("ACIT") disallowed the Exemption Benefit on grounds that Daxen Agritech did not carry out manufacturing activities but was merely purchasing raw materials and filling them into the capsules. The ACIT demanded from Daxen Agritech the payment of full income tax and interest for a total sum of INR170.07 million (equivalent to RM9.46 million) for YA2012 to YA2019.

The Group has previously recognised a provision for the income tax demanded for YA2012 to YA2019 of INR170.07 million (equivalent to RM9.46 million) during the financial year ended 28 February 2019.

Daxen Agritech has filed appeals to the Commissioner of Income Tax ("CIT") for the additional income taxes demanded on 19 January 2017, 27 January 2018, 24 January 2019, 20 December 2019 and 30 March 2021. As part of the procedure for filing the appeals, Daxen Agritech has paid INR34.5 million (equivalent to RM1.9 million) being 20% of the total amount demanded as deposit under protest to the Indian Income Tax Department.

Pending the CIT's decision on the appeals for YA2012 to YA2019, Daxen Agritech has further provided the potential additional income tax payable for YA2020 which amounted INR22.28 million (equivalent to RM1.2 million) during the financial year ended 28 February 2021. There is no potential exposure for YA2021 and beyond as the Exemption Benefit is only applicable up to YA2020.

13. ACCOUNTANTS' REPORT (Cont'd)**36. Material tax matters (continued)**

- (vi) Daxen Agritech has an ongoing dispute with the Commissioner of Customs, New Delhi ("Indian Customs") in relation to the customs duty paid for the import of RG and GL powder for the years 2012 to 2018.

The RG and GL powder imported from Malaysia were classified as "bulk drugs for captive consumption" under the "Ayurvedic Medicine" category. However, the Indian Customs claimed that those RG and GL powders imported should have been classified under the "Food" category which will then be subjected to a higher customs duty rate. Consequently, the Indian Customs had demanded for additional customs duty to be paid by Daxen Agritech totalling INR103.44 million (equivalent to RM5.9 million) comprising:

- (a) INR19.19 million (equivalent to RM1.1 million) for year 2012 ("India 2012 Customs Case"); and
- (b) INR84.23 million (equivalent to RM4.8 million) for the years 2013-2018 ("India 2013-2018 Customs Case").

Daxen Agritech has filed an appeal on 14 June 2013 to the Commissioner of Customs ("the Appeal") and received an order in favour of Daxen Agritech. The Indian Customs then appealed on 9 April 2014 against the order before the Customs Excise and Service Tax Appellate Tribunal ("CESTAT") and received an order in favour of the Indian Customs.

Daxen Agritech subsequently filed another appeal on 9 July 2018 against the order by the CESTAT to the Supreme Court of India where the appeal has been admitted and is now pending the Supreme Court of India. The next hearing date has yet to be fixed. In submitting the appeal before the Supreme Court of India, Daxen Agritech has paid and recognised the INR19.19 million (equivalent to RM1.1 million) in profit or loss. Daxen Agritech's legal adviser is of the opinion that there is an equal chance for Daxen Agritech to obtain a favourable or unfavorable decision from the Supreme Court.

For the India 2013-2018 Customs Case, Daxen Agritech had on 2 September 2020 filed an appeal to the CESTAT against the order. The next hearing date has yet to be fixed. In submitting the appeal before the CESTAT, Daxen Agritech has paid INR6.32 million (equivalent to RM0.4 million) representing 7.5% of the total amount demanded under protest.

The Group has provided for the additional customs duty demanded of INR84.23 million (equivalent to RM4.8 million) in profit or loss during the financial year ended 28 February 2020.

Notwithstanding the outcome of the appeals, Daxen Agritech has commenced paying customs duty in accordance with the recommended tariff rate applicable to the "Food" category since June 2018.

13. ACCOUNTANTS' REPORT (Cont'd)**36. Material tax matters (continued)**

- (vii) DXN Manufacturing (India) Private Limited ("DXN Manufacturing India") has ongoing tax disputes with the Indian Income Tax Department for the years of assessment ("YA") 2004 to 2012. The Indian Income Tax Department had raised a demand for additional taxes as DXN Manufacturing India was deemed not to be eligible for a tax deduction on its profits under Section 80IB of the Income Tax Act, 1961 of India ("India ITA") ("DXN Manufacturing India Tax Case").

Under Section 80IB of the India ITA, companies that commence manufacturing activities in an under developed industrial area between April 1993 to March 2004 are entitled for a tax deduction of 100% on profits for the first 5 years and thereafter 30% for the subsequent 5 years ("Exemption Benefit").

DXN Manufacturing India was established in 2001 and commenced manufacturing of RG and GL capsules using raw materials (i.e. RG and GL powder) imported from Malaysia. DXN Manufacturing India had claimed the Exemption Benefit but the Indian Tax Department disallowed the Exemption Benefit on grounds that DXN Manufacturing India did not carry out manufacturing activities but was merely purchasing the raw materials and filling them into capsules.

DXN had won the income tax cases for year of assessment ("YA") 2004 and YA2005 at the High Court of Chennai. The Indian Income Tax Department then appealed against the order of the High Court before the Supreme Court and the cases are now pending before the Supreme Court. DXN Manufacturing India's legal counsel is of the opinion that there is a high probability for the Supreme Court deciding in DXN Manufacturing India's favour.

For YA 2006, DXN Manufacturing India has filed an appeal before the Commissioner of Income Tax (Appeals) and subsequently before the Income Tax Appellate Tribunal. The Income Tax Appellate Tribunal had vide its order dated 18 September 2009 ordered the Commissioner of Income Tax (Appeals) to re-examine the case and pass a fresh order after giving DXN Manufacturing India adequate opportunity of being heard. The Commissioner of Income Tax (Appeals) has not issued a fresh order to date.

DXN Manufacturing India had paid under protest the full amount demanded by the Indian Income Tax Department for YA2004 up to YA2012 amounting to INR140.03 million (equivalent to RM7.8 million) and subsequently received refunds for part of the amount paid of INR114.64 million (equivalent to RM6.4 million) for cases (i.e. YA2007, YA2008, YA2009 and YA2010) that were ruled in favour of DXN Manufacturing India.

- (viii) DXN Manufacturing India has an ongoing dispute with the Customs Excise and Service Tax Appellate Tribunal ("CESTAT") in respect of a demand issued by the CESTAT for additional excise duty payable on RG and GL powder capsules manufactured and sold for the period from February 2002 to July 2002 amounting to INR20,304,544 (equivalent to RM1.1million).

The CESTAT is of the view that RG and GL powder capsules should have been categorised as health food supplements which are liable to a higher excise duty compared to ayurvedic proprietary medicine as categorised by DXN Manufacturing India. DXN Manufacturing India paid the above amount demanded. DXN Manufacturing India had on 5 March 2018 submitted an appeal before the Supreme Court of India to appeal against the decision by the CESTAT. The hearing date for the appeal has yet to be determined.

13. ACCOUNTANTS' REPORT (Cont'd)**36. Material tax matters (continued)**

Pending an outcome for the appeal, DXN Manufacturing India had paid excise duty for all subsequent RG and GL powder capsules manufactured and sold up till June 2011 using the higher excise duty prescribed by the CESTAT. DXN Manufacturing India discontinued the manufacturing and sale of the said products after June 2011. The total additional amount paid and recognised as an expense as a result of applying the higher excise duty under the health food supplements category amounted to INR321,884,801 (equivalent to RM17.9 million).

The counsel advising DXN Manufacturing India on this matter is of the opinion that DXN Manufacturing India has a fair (i.e. 50%) chance to obtain a favourable decision from the Supreme Court.

37. Adjustments to previous years' financial statements

The following are the material adjustments made to the previous years' financial statements:

(i) MFRS 16, *Leases*

As stated in Note 1(a)(iii), on transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. MFRS 16 was applied only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 March 2018.

Where the Group is a lessee, the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application, if any as an adjustment to the retained earnings at 1 March 2018.

(ii) Performance bonus and stockists commission

In the previous financial years, certain performance bonus and stockists commission were incorrectly recognised after control of the goods were transferred to the customer. These amounts including the related tax impacts have been retrospectively adjusted for.

(iii) Income tax liabilities

In the previous financial years, income tax liabilities relating to a subsidiary (see Note 36 (ii)) were understated in profit or loss. These have been retrospectively adjusted for.

In view of the above material adjustments, the amounts included in this consolidated financial statements will not directly agree to the amounts presented in the previous years' financial statements. Additionally, certain comparative figures have also been reclassified to conform to the current period's/year's presentation for comparability purposes.

13. ACCOUNTANTS' REPORT (Cont'd)**38. Subsequent events**

- (i) The Company had on 3 February 2022 entered into a Share Sale Agreement ("SSA") to acquire the entire equity interest of PT Suryasoft Konsultama ("Suryasoft") from its existing shareholders ("Suryasoft Acquisition").

Suryasoft is principally involved in the provision of information technology ("IT") services including IT system, IT consultancy, customised software development, customised software system and others. Suryasoft currently provides software services, among others to DXN Group such as maintaining DXN Group's online billing system, eWorld and DXN application and ePoint system.

On 4 April 2022, the Company completed the acquisition of Suryasoft for a total purchase consideration of IDR313,196,695 (equivalent to RM91,664) upon which, Suryasoft became a wholly-owned subsidiary of the Company.

- (ii) On 23 February 2022, the shareholders of the Company approved the following proposals to be undertaken by the Company:

- subdivision of the ordinary shares in the Company of 240,764,000 shares into 4,825,000,000 shares;
- initial public offering of up to 1,406,250,000 ordinary shares comprising an offer for sale of up to 1,246,250,000 existing ordinary shares and a public issue of 160,000,000 new ordinary shares to retail and institutional investors;
- listing of and quotation for the entire enlarged issued shares on the main market of Bursa Malaysia Securities Berhad; and
- employees' share option scheme for the granting of options to the eligible Directors and employees of the Company and its subsidiaries.

- (iii) On 6 May 2022, the Company has transferred its entire equity interest held in Florin (Fujian) Integrated Agricultural Science and Technology Co., Ltd, ("Florin Fujian") to its wholly-owned subsidiary, DXN Corporation (Ningxia) Co., Ltd. ("DXN Ningxia").

On 17 May 2022, DXN Ningxia entered into a Share Sale Agreement ("SSA") to dispose of its entire equity interest held in Florin Fujian to Fujian Anxi Jinjiang Source Tea Technology Co., Ltd for a total consideration of RMB58,660,000 (equivalent to RM38,800,000), of which RMB49,330,000 (equivalent to RM32,600,000) is payable in cash and the remaining RMB9,330,000 (equivalent to RM6,200,000) will be set-off against future purchase of goods by the Group from Florin Fujian.

The disposal is expected to be completed within 6 months from the date of the SSA, following which Florin Fujian and its subsidiary namely, Anxi Gande Foluohua Integrated Agricultural Science and Technology Co., Ltd will cease to be subsidiaries of the Company.

13. ACCOUNTANTS' REPORT (Cont'd)



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The Board of Directors
DXN Holdings Bhd.
Wisma DXN,
213, Lebuhraya Sultan Abdul Halim,
05400 Alor Setar,
Kedah Darul Aman

Date: 25 May 2022

Dear Sirs,

Reporting Accountants' opinion on the consolidated financial statements contained in the Accountants' Report of DXN Holdings Bhd.

Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of DXN Holdings Bhd. ("DXN" or the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2021, 28 February 2021, 29 February 2020 and 28 February 2019 of DXN, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the period and years then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 1 to 144. These consolidated financial statements have been prepared for inclusion in the draft prospectus of the Company in connection with the proposed listing of and quotation for the entire enlarged issued ordinary shares in the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and for no other purposes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 28 February 2021, 29 February 2020 and 28 February 2019 and of its financial performance and cash flows for the period and years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

13. ACCOUNTANTS' REPORT (Cont'd)



DXN Holdings Bhd.
*Accountants' Report on the
 Consolidated Financial Statements*

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Consolidated 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 Company and the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Directors' Responsibility for the Consolidated Financial Statements

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

In preparing the consolidated financial statements of the Company, the Directors are responsible for assessing the ability of the Company and the Group 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 Company or the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountant's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 consolidated financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)



DXN Holdings Bhd.
*Accountants' Report on the
 Consolidated Financial Statements*

Reporting Accountant's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements 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 internal control of the Group.
- 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 ability of the Company and the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements 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 report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements of the Company, including the disclosures, and whether the consolidated financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements of the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

13. ACCOUNTANTS' REPORT (Cont'd)



DXN Holdings Bhd.
Accountants' Report on the
Consolidated Financial Statements

Other Matter

The comparative information for the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows, and notes to the consolidated financial statements of the Company for the financial period ended 31 December 2020 has not been audited.

Restriction on Distribution and Use

This report is made solely to the Company and for inclusion in the draft prospectus of the Company in connection with the proposed listing of and quotation for the entire enlarged issued ordinary shares in the Company on the Main Market of Bursa Securities Berhad and for no other purposes. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Penang

Raymond Chong Chee Mon
Approval Number: 03272/06/2022 J
Chartered Accountant