STELLA HOLDINGS BERHAD

(formerly known as Merge Energy Bhd)
(199701004603) (420099-X)

construction

property development

oil & gas support services

ANNUAL REPORT 2020

CONTENTS

Corporate Profile

Stella Holdings Berhad (formerly known as Merge Energy Bhd) ("Stella" or "the Company") is an investment holding company listed on the Main Market of Bursa Malaysia Securities Berhad on 17 November 1998. The Company assumed the new name as Stella Holdings Berhad on 22 October 2019.

The principal activities of Stella Group can be segregated into 3 segments mainly, construction, property development and oil & gas support services.

The Group was established as a construction group 38 years ago via Mewah Kota Sdn Bhd, which was involved in small and medium sized contracts for building of schools, houses, water treatment plants, pipe laying, security fencing and piling works. From then on, the Group gradually progressed to establish itself as a reliable contractor capable of undertaking bigger and more complex engineering and infrastructure projects nationwide. It has achieved good records in terms of quality and timely completion of works undertaken, all of which attributed to its recognition as a reputable contractor and project manager.

In 2013, Stella acquired Iris Synergy Sdn Bhd, a company providing support to the oil and gas industries. Its core business is to provide solution to all water related systems in the said industries including petrochemical plant and rigs.

In October 2019, Stella obtained its shareholders' approval during an Extraordinary General Meeting to expand its business into property development activities which will complement its existing businesses of construction. The Board believe that the property development activities will expand the revenue and earnings stream of the Group.

Corporate Information

BOARD OF DIRECTORS

Dato' Hj Mohamad Haslah bin Mohamad Amin
Executive Chairman

Dato' Ir. Tan Gee Swan @ Tan Suan Ching
Executive Director

Dato' Lee Tian Hock
Non-Independent Non-Executive Director

Dato' Kamarulzaman bin Jamil
Senior Independent Non-Executive Director

Cik Czarina Alia binti Abdul Razak
Independent Non-Executive Director

Tuan Hj Mohamad Nor bin Abas
Independent Non-Executive Director

Encik Shahrizam bin A Shukor
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Encik Shahrizam bin A Shukor
Members
Dato' Kamarulzaman bin Jamil
Tuan Hj Mohamad Nor bin Abas

NOMINATION COMMITTEE

Chairman
Dato' Kamarulzaman bin Jamil
Members
Cik Czarina Alia binti Abdul Razak
Tuan Hj Mohamad Nor bin Abas

REMUNERATION COMMITTEE

Chairman
Cik Czarina Alia binti Abdul Razak
Members
Dato' Ir. Tan Gee Swan @ Tan Suan Ching
Dato' Kamarulzaman bin Jamil

RISK MANAGEMENT COMMITTEE

Chairman
Encik Shahrizam bin A Shukor
Members
Dato' Kamarulzaman bin Jamil
Tuan Hj Mohamad Nor bin Abas

SUSTAINABILITY COMMITTEE

Chairman
Dato' Hj Mohamad Haslah bin Mohamad Amin
Members
Dato' Ir. Tan Gee Swan @ Tan Suan Ching
Tuan Hj Mohamad Nor bin Abas

EXECUTIVE COMMITTEE

Chairman
Dato' Hj Mohamad Haslah bin Mohamad Amin
Members
Mr. Ng Jun Lip
Mr. Tan Yu Jian
Puan Raizita binti Ahmad @ Harun
Dato' Ir. Hj Mohd Hasdillah bin Hj Hashim
Encik Mohd Azali bin Abdul Rahman
Mr. Ong Yew Soon

COMPANY SECRETARY

Ms. Yew @ Yeoh Siew Yen
(SSM PC No. 201908003496)
(MAICSA 7048094)

REGISTERED OFFICE & BUSINESS ADDRESS

No. 2 Jalan Apollo U5/190
Bandar Pinggiran Subang, Seksyen U5
40150 Shah Alam
Selangor Darul Ehsan
Tel : 603 7847 2900
Fax: 603 7845 5800
E-mail : stella@stella-holdings.com.my
Website : www.stella-holdings.com.my

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor Menara Symphony
No. 5 Jalan Prof Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Tel : 603 7890 4700
Fax : 603 7890 4670
E-mail : BSR.Helpdesk@boardroomlimited.com

AUDITORS

Baker Tilly Monteiro Heng PLT
Chartered Accountants
Baker Tilly Tower, Level 10, Tower 1
Avenue 5,Bangsar South City
59200 Kuala Lumpur
Tel : 603 2297 1000
Fax : 603 2282 9980

BANKERS

Malayan Banking Berhad
Maybank Islamic Berhad
AmBank (M) Berhad
Bank Muamalat Malaysia Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Construction Sector, Main Market
Stock Code : 5006

Corporate Structure

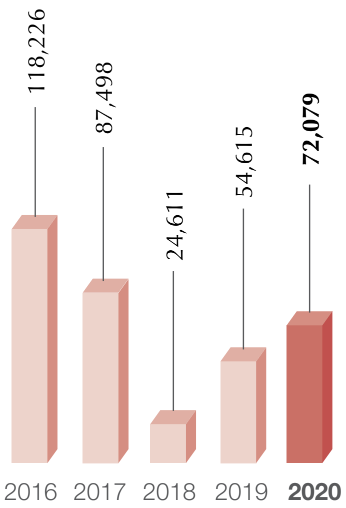
STELLA HOLDINGS BERHAD

STELLA HOLDINGS BERHAD
(formerly known as Merge Energy Bhd)
(199701004603)(420099-X)

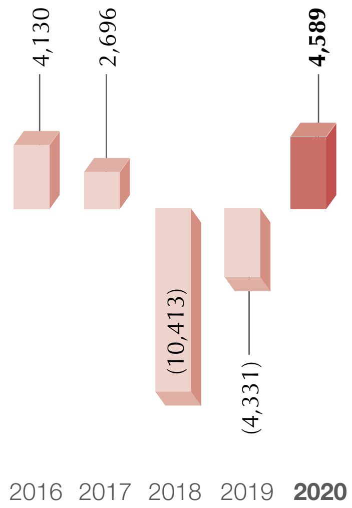
- 100% **MEWAH KOTA SDN BHD** (198101010243) (76368-X)
  - 100% **INNOVASI HEBAT SDN BHD** (200101010261) (546017-D)
- 100% **MERGE PROPERTIES SDN BHD** (197601003418) (29422-T)
- 100% **PARAMOUNT VENTURES SDN BHD** (199301029712) (284451-V)
- 100% **MERGE HIGHWAY ENGINEERING SDN BHD** (199601025559) (397911-X)
- 100% **MEB REALTY SDN BHD** (199101020972) (231283-A)
- 100% **MERGE READYMIX SDN BHD** (199601025320) (397672-V)
- 100% **MEB DEVELOPMENT SDN BHD** (199701003949) (419445-D)
- 100% **SEMARAK NIAGA LANSKAP SDN BHD** (199701001202) (416698-W)
- 100% **MERGE ENERGY O & G SDN BHD** (199601030952) (403304-X)
- 51% **IRIS SYNERGY SDN BHD** (200601022445) (742199-P)

Financial Highlights

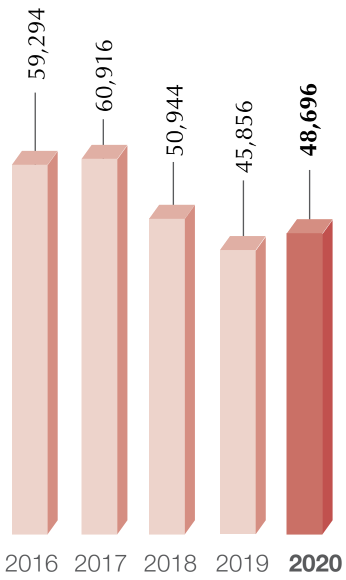
	Audited				
	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Revenue	118,226	87,498	24,611	54,615	72,079
Operating Profit/(Loss)	4,361	2,099	(6,571)	(3,788)	4,983
Profit/(Loss) before taxation & zakat	4,130	2,696	(10,413)	(4,331)	4,589
(Accumulated losses)/Retained Earnings	(15,419)	(13,796)	(23,769)	(28,857)	16,983
Shareholders' Funds	59,294	60,916	50,944	45,856	48,696
Cash & Bank Balances	18,804	17,967	9,301	6,645	23,354



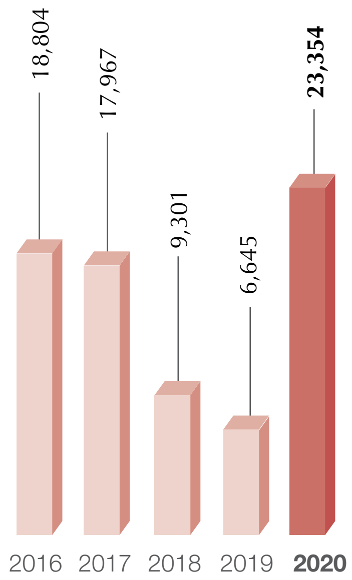
Revenue (RM'000)



Profit/(Loss) Before Taxation & Zakat (RM'000)



Shareholders' Funds (RM'000)



Cash And Bank Balances (RM'000)

Executive
Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Stella Holdings Berhad (formerly known as Merge Energy Bhd) ("Stella" or "the Company"), I am pleased to present the 2020 Annual Report of Stella and its subsidiaries ("the Group") for the financial year ended 31 March 2020 ("FYE 2020").

FINANCIAL PERFORMANCE

The year under review has been both challenging and rewarding. I am proud to announce that the Group managed to return to profitability for FYE 2020 after recording losses for the previous 2 financial years.

For FYE 2020, the Group recorded revenue of RM72.08 million and profit after tax of RM3.38 million as compared to the previous financial year's revenue of RM54.61 million and loss after tax of RM4.66 million respectively.

The Group's earnings per share for FYE 2020 also improve significantly to 4.24 sen in comparison to loss per share of 7.48 sen in the previous financial year.

The Board of Directors has recommended a final single-tier dividend of 2.5 sen per ordinary share in respect of the FYE 2020.

HIGHLIGHTS AND ACHIEVEMENTS DURING THE FINANCIAL YEAR

In FYE 2020, we have changed our Company name to Stella Holdings Berhad and introduce a new Company logo to reflect our new identity. During FYE 2020, the Group had undertaken several corporate restructuring exercises including business diversification to property development, disposal of non-core assets and share capital reduction. These exercises have strengthen both the financial and cashflow position of the Group.

During the year we have entered into two (2) joint ventures property development projects namely project development in Taman Sengkang, Port Dickson with an estimated gross development value ("GDV") of approximately RM73 million and project development in Kuantan with an estimated GVD of approximately RM40 million.

The affordable housing project in Port Dickson is expected to be completed in December 2021 and has been recording good sales since beginning of the year. As at 30 June 2020, 36% of the 257 units of double storey terrace houses have been sold and a further 39% have been booked but pending loan approval.

The emergence of the new shareholders at the end of 2018 and the corporate restructuring exercises undertaken by the Group in 2019 have revitalize the Company to focus on 3 areas of businesses namely construction, property development and oil and gas support services and to rebuilt the shareholders confidence on the Company. These have resulted in Stella being named the construction company with the **Highest Returns to Shareholders** over the last three years in 2019 by **The Edge Malaysia Centurion Club.**

CORPORATE GOVERNANCE

The Board remains committed to upholding and implementing high standards of corporate governance as well as robust risk management and internal control measures throughout the Group. These elements help to ensure long-term sustainability, preserving the Company reputation and boost investors' confidence. During the year, the Group has also adopted and implemented the policies and procedures on anti-corruption and whistle-blowing to promote better governance culture and ethical behavior within the Group.

LOOKING AHEAD

The market environment is expected to remain challenging to the Group for the coming financial year given the uncertainty posted by the Covid-19 outbreak. Nevertheless, we are optimistic that the Malaysian economy will remain resilient and will recover gradually as the Government has put in place various measures to support and stabilize the economy.

In spite of this challenging situation, the Group will focus on delivery of its on-going projects and continue its efforts to tender for new projects whilst conserving and safeguarding its resources.

I am pleased to inform that we had on 3 July 2020 accepted the Letter of Conditional Acceptance of Tender from Permodalan Negeri Selangor Berhad ("PNSB") to jointly develop a 61.65 acres of PNSB's land in Kuala Selangor into a mixed development and "Selangor Seafood Center" with an estimated GDV of approximately RM248 million. The proposed joint venture project is expected to contribute positively to the future earnings of the Group.

APPRECIATION

On behalf of the Board, I would like to place on record my sincere appreciation to all our shareholders, customers, business associates, bankers and contractors for their continuous support and trust. We value and look forward to this continued relationship and support as we advance towards the coming financial year.

Our management team and employees have risen well to meet the challenges. I would like to record my appreciation to the management and employees for their hard work, commitment and dedication in delivering an improved performance and achievement of the Group.

And lastly, my special thanks to my fellow Board members for their concerted effort, insight and unwavering support towards the growth of the Group.

Dato' Hj Mohamad Haslah bin Mohamad Amin
Executive Chairman

Management Discussion and Analysis

Overview Group's Business Operations

In October 2019, Merge Energy Bhd adopted the name Stella Holdings Berhad with a new company logo as part of the Group's rebranding strategy to position itself with new corporate strategy and business activities. During the same year, Stella obtained its shareholders' approval to diversify its businesses into property development activities which complement its core businesses; construction and oil and gas support services. The property development activities are expected to enhance the Group's prospects as the diversification represents an opportunity to expand its revenue stream.

Highest Return to Shareholders Over The Last 3 Years Award

Stella had undertook several other corporate exercises, including a capital reduction to set off its accumulated losses, disposal of non-core assets to provide immediate cash flow to be utilised as working capital, and joint venture agreements in property developments to expand its revenue stream. These restructuring exercises are for the purpose of enhancing the shareholders' value as well as strengthening the Group's financial position. In November 2019, Stella was awarded the highest return to shareholders (construction sector) over the last three years by The Edge Malaysia Centurion Club Corporate Awards 2019.

Group Financial Review

For the FYE 2020, the Group has shown significant growth in revenue from RM54.61 million in the FYE 2019 to RM72.08 million in the FYE 2020, which represents an increase of 32% mainly due to revenue recognized from Pagoh Water Treatment Plant project and Development of Langat 2 Water Treatment Plant and Water Reticulation System project under Mewah Kota Sdn Bhd.

The Group's gross profit also increases from RM5.90 million in the FYE 2019 to RM6.47 million in the FYE 2020, which is in line with the increase in revenue recognition. Through the disposal of non-core assets worth RM18.9 million during the FYE 2020, the Group recorded a net profit of RM3.38 million in the FYE 2020.

For the year under review, Stella eliminates the accumulated losses via cancellation of the issued share capital, enabling the company to reflect more accurately the value of its underlying asset and financial position of the Group.

The bank borrowings decrease by 75.5% from RM6.05 million in the FYE 2019 to RM1.72 million in the FYE 2020. The Group's gearing as at 31 March 2020 stood at 0.03 times.

Business and Financial Overview

Construction Division

Mewah Kota Sdn Bhd is currently undertaking the construction of a water treatment plant in Pagoh, Johor. The plant can process 40 million liters of water per day, allowing it to supply clean water to the surrounding area. The construction started in February 2018 and is expected to complete by December 2020. Pagoh Water Treatment Plant project was awarded by Pengurusan Aset Air Berhad ("PAAB") with a contract sum of RM105 million in 2018.

In July 2019, Mewah Kota Sdn Bhd was awarded the Development of Langat 2 Water Treatment Plant and Water Reticulation System project with a contract sum of RM26 million. The contract was awarded by PAAB and expected to complete by March 2021. These two projects have been vital for the division.

Mewah Kota Sdn Bhd revenue generated during the FYE 2020 increases by 42% from RM44.3 million in the FYE 2019 to RM62.8 million in the FYE 2020. The gross profit has also improved during the financial year, with an increase of 20% from RM3.0 million in the FYE 2019 to RM 3.6 million in the FYE 2020. The company recorded a net profit of RM5.9 million mainly arising from the disposal of non-core assets.

Oil and Gas Support Division

Iris Synergy Sdn Bhd undertakes oil and gas support activities. In February 2020, Iris Synergy Sdn Bhd was awarded a project to Supply of RO Fresh Water Generator Package by Armada Madura Epc Ltd. The Project is expected to complete by July 2020, producing a total revenue of RM1.3 million to the company. Other than that, Iris Synergy Sdn Bhd has secured several projects amounting to RM2.5 million.

Despite uncertainty in the industry, the company's revenue has increased by 52% from RM6.1 million in the FYE 2019 to RM9.3 million in the FYE 2020. This was driven by new contracts and orders awarded to the company, such as the supply of pipes, fittings, spare parts, and level gauge set, installation of Reverse Osmosis Seawater Treatment System, and Chloropac System. The company is also an exclusive agent for products from Nihon Klingage, Evoqua Water Technologies, and Advanced Watertek that are mainly used by prominent oil and gas companies in Malaysia.

Property Development Division

Paramount Ventures Sdn Bhd is a wholly-owned company that we have restructured to undertake property development activities. Paramount Ventures Sdn Bhd is currently developing Taman Sengkang, a 16 acres residential area in Pasir Panjang, Port Dickson. The development was commenced in January 2020 and is expected to complete and hand over by December 2021. The development comprises of 257 double-story terrace houses, and five shop lots, with a total Gross Development Value of approximately RM73 million. During the same financial year, Paramount Ventures Sdn Bhd had also entered into a Joint Venture agreement to develop a residential area in Kuantan with an estimated Gross Development Value of RM40 million.

Business Risk Overview

Competition Risk

The Group faces competition from other companies within the same industry. We compete in all stages of operation, from identifying and acquiring suitable land banks, pricing, and the sale and marketing of the property. Our company's sustainability and profitability will depend significantly on our company's ability to respond to the ever-changing economic conditions and market demands. The Company will continue to take measures to hedge competition risk, such as market research to accommodate homebuyers' needs, develop innovative products, and implement creative marketing strategies, especially on our property development in response to changing economic conditions and market demands.

Project Completion Risk

Project completion promptly is critical in ensuring a cost-effective operation and maintaining a good company's reputation. However, unforeseen circumstances from outside elements could delay the end of our projects. Barring unforeseen circumstances, the company will take the necessary measures to ensure its project are completed on time by monitoring the project costing as per the project plan.

Cost Overrun

The Group manages its internal cost by budgeting estimates of raw materials, labor costs, sub-contracting costs and overheads based on its forecasts from previous experiences, and indicative pricings from third parties. In the construction time, we are subject to unpredictable circumstances, which may cause our project costs to overrun, from events like fluctuation of interest rate and foreign currency exchange, increase in minimum wages of labor, unfavorable weather conditions, and other additional costs from outside influences.

Defect Liability

The Group is liable for repairs, reconstructions, or rectification of any defects or faults which surfaces within the defect liability period, which commonly takes place after project completion. We aim to reduce the possibility of errors in our projects, by working closely with our clients and consultants to ensure the work specifications are met.

Market Risk

Paramount Ventures Sdn Bhd depends significantly on the local property market performance. Changes in demographic trends, purchasing power, government policies, and Malaysia's economic performance will directly affect the property market demand, impacting our business operations and financial performance. In combating this, the Government of Malaysia has adopted several acts that promote a more stable and sustainable market.

- On 1st March 2014, the Prime Minister's Department prohibits property acquisition by foreigners for properties valued less than RM500,000 per unit, which then was revised to RM1,000,000 under the Guideline on the Acquisition of Properties.
- In 2010, Bank Negara Malaysia announced a maximum loan-to-value ratio of 70% for third home purchases.

These regulations by the government can cause property overhang, and affect the demand for our properties and negatively impact our business.

Government and Political Risk

The Group is subject to the jurisdiction of various governmental agencies in Malaysia. Any political and economic developments in Malaysia could, directly and indirectly, affect the financial and business prospects of our Group. Events such as legislative leadership changes, monetary and fiscal policy, economic downturn, global financial crisis, and pandemic spread would unfavorably affect the Group. While we plan to manage our risk and take precautionary measures, the uncertainties are beyond our Group's control.

Prospects and Outlook

The global economy has reached a downturn, where growth is projected to be negative. The pandemic COVID-19 has severely affected our economy. Several major economies, including Malaysia, have begun implementing measures to tackle the pandemic, resulting in our economic activity's gradual resumption. The government of Malaysia has introduced fiscal stimulus packages, alongside monetary and financial means to improve our economic outlook. However, the pace and strength of the domestic economic recovery is a condition to the risk emanating from local and external factors. (Source: BNM Monetary Policy Statement, 7th July 2020).

The market environment is expected to remain challenging for the financial year ending 31 March 2021 due to the uncertainties of the Covid-19 pandemic. The Group will continue to focus on its existing 3 core business segments, namely construction, property development, and oil and gas support services, while also exploring new business opportunities within Malaysia.

The Group, had on 3rd July 2020 accepted the Letter of Conditional Acceptance of Tender dated 30th June 2020 from Permodalan Negeri Selangor Berhad ("PNSB") for the proposed joint development of land owned by PNSB on a parcel of land which is held under title P.T 559 & P.T 92, Pekan Sungai Buloh, Mukim Api-Api, Daerah Kuala Selangor, Selangor Darul Ehsan measuring approximately 61.65 acres for the proposed mix development and "Selangor Seafood Center" ("the Project") with an estimated gross development value of approximately RM248 million. The Project is expected to contribute positively to the earnings and net assets of the Group for the future financial years.

The Board is confident that with the Group's healthy cash flow and the Project awarded by PNSB, we can strengthen and sustain the Group's earnings post financial year ending 31 March 2021.

Profile Of Directors

DATO' HJ MOHAMAD HASLAH BIN MOHAMAD AMIN

Executive Chairman
Malaysian, Age 67, Male

Date of Appointment
29 November 2018

Board Committees Membership
Executive Committee (Chairman)
Sustainability Committee (Chairman)

Academic/Professional Qualification
Diploma in Banking, Institute of Bankers, London, United Kingdom

Board Meeting Attendance
Attended all five (5) Board meetings held in the financial year ended 31 March 2020

Experiences
Dato' Hj Mohamad Haslah started his career with Malayan Banking Berhad ("Maybank") Group in 1974. Some of the key positions held by Dato Hj Mohamad Haslah during his 20 years with the Maybank Group were Branch Manager, Regional Manager of Maybank, Malaysia and President Director of PT Maybank Nusa International, Indonesia. In 1995, he joined Peregrine Fixed Income Limited, Hong Kong as its Executive Director. He subsequently joined Fleet Boston, NA, Singapore as Country Director in 1999. From 2000 to 2001, he was the Financial Advisor of Pacific Plywood Holdings Limited, Hong Kong. In 2004, Dato' Hj Mohamad Haslah was appointed as the Chief Executive Officer of MBI, a Negeri Sembilan state owned entity, a position he held until 2014.

He is the Non-Independent Non-Executive Chairman of Matrix Concepts Holdings Berhad since 2 April 2012. Presently, he also sits on the board of numerous private limited companies.

DATO' Ir. TAN GEE SWAN @ TAN SUAN CHING

Executive Director
Malaysian, Age 64, Male

Date of Appointment
29 November 2018

Board Committees Membership
Remuneration Committee (Member)
Sustainability Committee (Member)

Academic/Professional Qualification
Bachelor's Degree in Engineering (Hons), Universiti Malaya
Corporate Member of The Institute of Engineers Malaysia
Professional Engineer registered with The Board of Engineers Malaysia

Board Meeting Attendance
Attended all five (5) Board meetings held in the financial year ended 31 March 2020

Experiences
Dato' Ir. Tan started his career as a Water Works Engineer in JKR Headquarter, Jabatan Bekalan Air in 1981. From 1983 to 2001, he worked as a Civil & Structural Engineer in Ranhill Bersekutu Sdn Bhd, Reka Professional Corp Sdn Bhd, Reka Engineering Consultant, Promo Engineering Construction Sdn Bhd and Era Baru Sdn Bhd.

From 2001 until to-date, he is the Managing Director of Mega 3 Housing Sdn Bhd, Pembinaan PLC Sdn Bhd, Westiara Development Sdn Bhd and Edenlink Sdn Bhd, which are principally involved in among others property development, building construction and project management. Dato' Ir. Tan has more than 30 years of experience in civil and structural engineering as well as property development.

He does not hold any directorships in other public companies.

DATO' LEE TIAN HOCK

Non-Independent Non-Executive Director
Malaysian, Age 62, Male

Date of Appointment
30 January 2019

Board Committees Membership
Nil

Academic/Professional Qualification
Degree in Housing, Building and Planning, Universiti Sains Malaysia

Board Meeting Attendance
Attended four (4) out of five (5) Board meetings held in the financial year ended 31 March 2020

Experiences
Dato' Lee has more than 37 years of experience in the property development industry where he had held various executive positions throughout his career. In 1992, he was the General Manager with N.S. Industrial Development Corporation Sdn Bhd and was seconded to NS Township Development Sdn Bhd where he was involved in the general management of the development of the Bandar Baru Nilai Township (now known as Putra Nilai) which covers an area of approximately 6,000 acres and with GDV of approximately RM5.5 billion.

In 1995, Dato' Lee was appointed as the Managing Director of Semangat Tinggi Sdn Bhd which he assisted the development of luxurious bungalows with a total estimated GDV of RM55 million wherein 80% of bungalow units were sold during launch.

He later sold his equity interest in Semangat Tinggi Sdn Bhd and founded the Matrix Concepts Group in 1996 and was appointed as the Group Managing Director on 2 April 2012. He oversaw the maiden development of the medium cost mixed housing scheme known as Taman Bahau in Bahau, Negeri Sembilan. Taman Bahau was launched by the then Menteri Besar of Negeri Sembilan on 7 August 1997 with a GDV of approximately RM35 million. Since then, he has successfully led the Group to become a reputable developer in Negeri Sembilan and Johor including two (2) major townships which are flagship developments of the Group among many other mixed residential and commercial development. On 28 May 2013, he successfully listed the company on the Main Market of Bursa Malaysia Securities Berhad under the Property sector with a market capitalisation of RM660 million which has since grown to the current market capitalisation of RM1.5 billion. Currently, Dato' Lee is the Group Executive Deputy Chairman of Matrix Concepts Holdings Berhad.

Besides holding the posts of Advisors in numerous local charitable organisations and associations, Dato' Lee is also the President of Negri Sembilan Chinese Maternity Association, Seremban as well as the President of Pusat Hemodialisis Mawar, Seremban.

DATO' KAMARULZAMAN BIN JAMIL

Senior Independent Non-Executive Director
Malaysian, Age 65, Male

Date of Appointment
1 September 2015

Board Committees Membership
Nomination Committee (Chairman)
Audit Committee (Member)
Remuneration Committee (Member)
Risk Management Committee (Member)

Academic/Professional Qualification
Bachelor's Degree in Economics, Universiti Kebangsaan Malaysia

Board Meeting Attendance
Attended all five (5) Board meetings held in the financial year ended 31 March 2020

Experiences
Dato' Kamarulzaman has extensive experience and knowledge in areas related to public services, human resource management and land administration as he has held various prominent position in his 35 years of services in various government departments/offices, among others in the Ministry of Transport, District and Land Offices, Public Services Department and Selangor Land and Mines Office. Dato' Kamarulzaman last held position was as the Director of Land and Mines with the Selangor Land and Mines Office where he served until he retired in January 2015.

Presently he is a board member of Urus Maju Ehsan (M) Sdn Bhd, Perbadanan Wakaf Selangor since 1 February 2015 and a director of IIUM Properties (M) Sdn Bhd, the property arm of Universiti Islam Antarabangsa since 3 September 2018. He is also one of the appeal board member (Lembaga Rayuan Negeri Selangor) of Jabatan Perancangan Bandar dan Desa Negeri Selangor, an agency under the Selangor State Government for 3 years' term effective from 1 January 2018 until 31 December 2020.

He does not hold any directorships in other public companies.

CZARINA ALIA BINTI ABDUL RAZAK

Independent Non-Executive Director
Malaysian, Age 48, Female

Date of Appointment
30 January 2019

Board Committees Membership
Remuneration Committee (Chairman)
Nomination Committee (Member)

Academic/Professional Qualification
Degree in Civil Engineering, Universiti Teknologi Malaysia
Certified Career Coach

Board Meeting Attendance
Attended four (4) out of five (5) Board meetings held in the financial year ended 31 March 2020

Experiences
Cik Czarina is the Managing Director of Matiin Education Services Sdn Bhd and CKW Consulting Sdn Bhd. She has 21 years of recruitment as well as human capital consulting experience from Kelly Services (M) Sdn Bhd, a multinational staffing company, and CareerXcell Sdn Bhd. Her strengths in human capital, strategic sales management and investor relations provide her a wide leverage in delivering high performance results in an equally high competitive market.

Her experience covers international and local recruitment, recruitment process outsourcing, strategic business development, workforce transformation and training management. Cik Czarina is a certified Career Coach. She was also the Board member of Majlis Amanah Rakyat (MARA) from 2010 to 2011.

Highlights of her professional experience includes experienced in delivering key account management in various human capital services and setting up a middle-east recruitment and human capital operation based in Saudi Arabia. She also led the implementation of the Graduate Employment Programme, under the Ministry of Higher Education, Ministry of Human Resource to increase the employability of the graduates and ensure placement in high value positions. The project saw a successful placement of more than 80% of the unemployed graduates. She was also involved in building and cultivating exceptionally strong investor relations for successful consulting work in Germany, London and Oman.

Cik Czarina was appointed as representative for Commonwealth Environmental Investment Platform (CEIP) in Malaysia for her successful collaboration work with CEIP from 2014 to present. This business relation also involves CEIP sponsor Clarkslegal LLP and its connected Forbury companies which altogether increase trade and investment opportunities between the United Kingdom and Malaysia.

She also successfully managed the Leadership Talent Benchstrength Analysis project, under the Ministry of Higher Education to establish the current state of leadership talent readiness among the academic workforce in Malaysia's higher education sector. She was also involved in the capacity of an Assessor for this project.

She does not hold any directorships in other public companies.

TUAN HJ MOHAMAD NOR BIN ABAS

Independent Non-Executive Director
Malaysian, Age 65, Male

Date of Appointment
6 May 2019

Board Committees Membership
Audit Committee (Member)
Nomination Committee (Member)
Risk Management Committee (Member)
Sustainability Committee (Member)

Academic/Professional Qualification
Master in Business Administration, Ohio University, USA
Degree in Business Administration, Ohio University, USA

Board Meeting Attendance
Attended four (4) out of five (5) Board meetings held in the financial year ended 31 March 2020

Experiences
Tuan Hj Mohamad Nor has an extensive experience in managing a full spectrum of human resources function with over 35 years in the management level for various reputable organisation.

His previous work experiences include as a Recruitment Manager with Malayan Banking Bhd (1981-1993), Senior Manager, Personnel, Training & Administration with Kewangan Bersatu Bhd (1993-1995), Vice President, Human Resources with Bank of Commerce Bhd (1995-1997), Senior Manager, Human Resources with Nationwide Express Courier Services Bhd (1997-2007), Senior Vice President, Human Capital Management with MNRB Holdings Bhd (2007-2010) and Senior Consultant with Mauve Associate Consulting Sdn Bhd (2011-2014). His last held position was as the Head, Group Human Resources and Administration with Matrix Concepts Holdings Bhd (2014-2019).

He does not hold any directorships in other public companies.

SHAHRIZAM BIN A SHUKOR

Independent Non-Executive Director
Malaysian, Age 48, Male

Date of Appointment
6 May 2019

Board Committees Membership
Audit Committee (Chairman)
Risk Management Committee (Chairman)

Academic/Professional Qualification
Bachelor of Accountancy, Universiti Putra Malaysia
Chartered Accountant, Malaysian Institute of Accountants
Associate Member, CPA Australia

Board Meeting Attendance
Attended all five (5) Board meetings held in the financial year ended 31 March 2020

Experiences
Encik Shahrizam is a Chartered Accountant and has more than 24 years of auditing, accounting and corporate finance experience across various industries. He started his career at Coopers & Lybrand in 1996 and then joined Azman, Wong Salleh & Co. in the audit and advisory services and covered industries such as construction, agriculture, manufacturing, trading, banking and finance.

He then set up his own financial advisory firm, known as Westland Consulting Sdn Bhd. Currently he is the Director of Finance at Seri Pacific Corporation Kuala Lumpur.

He also sits on the Board of Damansara Realty Berhad.

Note:
Save and except for what was disclosed in this Annual Report, NONE of the Directors:-
i) have any family relationship with any Director and/or major shareholder of the Company;
ii) have any conflict of interest with the Company;
iii) have any convictions for offences (other than traffic offences) within the past 5 years; and
iv) have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Key Senior Management

NG JUN LIP

Group Chief Executive Officer
Age 42, Male, Malaysian

Mr Ng Jun Lip was appointed as the Director of Mewah Kota Sdn Bhd on 30 January 2019 and Chief Corporate Officer of Stella Group on 1 February 2019. Subsequently, he was appointed as the Group Chief Executive Officer of Stella Group on 1 July 2020.

He graduated with Bachelor of Commerce, majoring in Accounting and Finance from Curtin University of Technology in Perth, Australia in 2000. In 2001, he obtained a Postgraduate Diploma in Business, majoring in Information Systems from Curtin University of Technology in Perth, Australia. In 2002, he further obtained his Master of Business Administration from University of Western Australia in Perth, Australia.

He commenced his career as an Executive at the Corporate Finance Department in RHB Investment Bank Berhad from 2002 to 2007 in which he was involved in various corporate exercises, such as IPO, merger and acquisition, reverse takeover, debt restructuring and fund raising.

Thereafter, he joined Bun Seng Hardware Sdn Bhd as its Financial Controller in 2007 and was promoted as the Head of Finance of Bunseng Holdings Berhad, the investment holding company of Bun Seng Hardware Sdn Bhd until his resignation in May 2013.

Subsequently in June 2013, he joined Matrix Concept Holdings Berhad ("Matrix Concepts") as the Personal Assistant to the Chairman of Matrix Concepts to assist in reviewing and implementing corporate proposals, operational performance as well as investor relations of the group. He left Matrix Concept in December 2014.

He joined Cabnet Systems (M) Sdn Bhd in January 2015 as the Finance Director and assumed the position as the Executive Director/ Chief Financial Officer of Cabnet Holdings Berhad in September 2015. He left Cabnet Holdings Berhad in March 2017 and re-joined Matrix Concepts as the Executive Assistant to its Chairman in April 2017.

Mr Ng Jun Lip currently sits on the board of several subsidiaries of Stella and is a member of the Executive Committee. He also sits on the boards of several private limited companies. He has no conflict of interest with the Company and has no family relationship with any director and/or major shareholder of the Company. He currently has a direct interest of 17,000 ordinary shares in Stella.

TAN YU JIAN

Chief Operating Officer
Age 38, Male, Malaysian

Mr Tan Yu Jian was appointed as the Director of Mewah Kota Sdn Bhd on 30 January 2019 and Chief Operating Officer of Stella Group on 1 December 2018.

He obtained his Bachelor's Degree in Electrical and Electronics Engineering from University of Tenaga Nasional, Malaysia in 2005.

After graduating in 2005, he commenced his career as a Sales Executive with Mega 3 Housing Sdn Bhd. He was involved in the project planning for the development projects of Mega 3 Housing Seremban & Melaka. Subsequently, he was promoted as a Director of Mega 3 Housing Sdn Bhd and was responsible for the setting up of branch offices in Salak Sepang and Teluk Panglima Garang, Kuala Langat in Selangor.

Mr Tan Yu Jian currently sits on the board of several subsidiaries of Stella and is a member of the Executive Committee. He also sits on the boards of several private limited companies.

His father, Dato' Ir. Tan Gee Swan @ Tan Suan Ching, is the Executive Director and a major shareholder of Stella. Save as disclosed, he does not have any family relationship with any other Directors and/or major shareholders of Stella, nor any conflict of interest with Stella.

RAIZITA BINTI AHMAD @ HARUN

Chief Financial Officer
Age 52, Female, Malaysian

Puan Raizita was redesignated as the Chief Financial Officer of Stella Group on 30th January 2019. She was the Executive Director of Stella from 1st September 2015 until 30th January 2019. Prior to her appointment as Executive Director, she was the Senior General Manager of Finance and Accounts Division, responsible for the overall financial management. Her current responsibilities including formulation of policies, corporate finance, treasury, risk management, compliances and best practices of accounting policies for Stella Group.

She graduated with Bachelor of Science in Administration (Accountancy) from California State University, Sacramento in 1990.

Puan Raizita has more than 29 years working experience and 15 years financial leadership position with Stella Group. She has advised the Board on numerous project-financing arrangements, structured debts and schemes of arrangements and represented the Company in several major corporate exercises.

She currently sits on the board of several subsidiaries of Stella and is a member of the Executive Committee. She has no conflict of interest with the Company and has no family relationship with any director and/or major shareholder of the Company.

Profile of Key Senior Management (cont'd)

DATO' Ir. HJ MOHD HASDILLAH BIN HJ HASHIM

Chief Executive Officer, Mewah Kota Sdn Bhd, a wholly-owned subsidiary of Stella
Age 54, Male, Malaysian

Dato' Ir. Hj Mohd Hasdillah was appointed as Consultant / Project Director on 1 February 2019 and was subsequently appointed as the Chief Executive Officer of Mewah Kota Sdn Bhd on 1 May 2019.

He graduated with a Bachelor of Science in Civil Engineering from Bradley University Peoria, Illinois, Unites States of America in 1988.

Dato' Ir. Hj Mohd Hasdillah has over 30 years of extensive experience in the construction and water related industry. His expertise also includes areas in project consultancy, management, construction and housing development. He was the Managing Director of Bentara Bakti Sdn Bhd from 2006 until present. Dato' Ir. Hj Mohd Hasdillah started his career as a Site Agent with Machinda Sdn Bhd from 1989 to 1990. He then joined Asia Baru Construction Sdn Bhd as Site Engineer from 1990 to 1991. From 1993 to 1996, he was appointed as Director of Engineering in international company, Hyatt Regency Hotel Johor Bahru. Subsequent to that, Dato' Ir. Hj Mohd Hasdillah joined Kumpulan Astulin Pahang Bhd from 1996 to 2002 which was involved in housing development and constructions, where he was appointed as Executive Director for Angkasa Tulin Sdn Bhd. In 2008, he joined hGc Consulting Engineer as Principal - Civil and Structural Consulting Engineer.

Dato' Ir. Hj Mohd Hasdillah is a registered Professional Engineer with Practising Certificate (Civil) from Board of Engineers Malaysia. He is also involved in non-governmental organization (NGO), elected as the President for the Persatuan Penduduk Kiara View, Desa Sri Hartamas.

He is a member of the Executive Committee of Stella. He has no conflict of interest with the Company and has no family relationship with any director and/or major shareholder of the Company.

MOHD AZALI BIN ABDUL RAHMAN

Managing Director, Iris Synergy Sdn Bhd ("Iris Synergy"), a subsidiary of Stella
Age 55, Male, Malaysian

Encik Mohd Azali was appointed as Managing Director of Iris Synergy on 1 January 2013 and heads Iris Synergy, responsible for the overall operation and management of Iris Synergy. He is also a shareholder of Iris Synergy.

Encik Mohd Azali graduated with a Bachelor of Science in Chemistry from University of Alabama in 1987.

He started his career with Malaysia Mining Corporation ("MMC") as Project Engineer developing hydrometallurgical testing in a copper mining development. After 3 years with MMC, he joined Nalco Chemicals and GE Water in providing chemical solution for water treatment in Oil & Gas industries.

After 10 years, Encik Mohd Azali started his own private company concentrating into Oil & Gas industries. The company grows into a one stop centre for all water related requirement for Oil & Gas industries. Currently, Iris Synergy is working with reputable manufacturer and technology provider in offering the solution to the water related needs in Malaysia Oil & Gas industries.

He is a member of the Executive Committee of Stella. He has no conflict of interest with the Company and has no family relationship with any director and/or major shareholder of the Company.

ONG YEW SOON

General Manager, Paramount Ventures Sdn Bhd, a wholly-owned subsidiary of Stella
Age 61, Male, Malaysian

Mr Ong Yew Soon was appointed as the General Manager of Paramount Ventures Sdn Bhd on 10 September 2019 to head the Property Development Division of the Group.

He graduated with a Bachelor of Science (Hon) Degree in Housing, Building and Planning from Universiti Sains Malaysia in 1984. In 1999, he was admitted as an Incorporate of the Chartered Institute of Building.

Mr Ong has more than 30 years of extensive experience in property development industry, having been working in senior position overseeing various type of joint-venture development with state government and private corporations including housing estate, industrial estate, high rise condominium, office block as well as hypermarket.

He is a member of the Executive Committee of Stella. He has no conflict of interest with the Company and has no family relationship with any director and/or major shareholder of the Company.

Note:
Save as disclosed above, NONE of the Key Senior Management:-

i) hold any directorship in other public companies and listed issuers;
ii) have any convictions for offences (other than traffic offences) within the past 5 years; and
iii) have any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Sustainability Statement

At Stella, we focus on undertaking sustainable and responsible business practices in order to deliver a positive impact to our economy, environment and to create values to our communities in which we operates in. By doing so, we aim to achieve and deliver long-term sustainability values to our stakeholders. This statement focuses on the Group's material sustainability risks and opportunities, and is prepared in accordance with Part III, Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

As such, the Group remains mindful that its activities should be carried out with high standards of corporate and social responsibility as it strives to align its businesses and engage all stakeholders in its daily operations, minimise environmental impact arising from its business operations and actions and improving the social and economic conditions of its stakeholders, employees and the communities that it operates in.

Sustainability Governance Structure

Our sustainability governance structure are as follows:-

Board of Directors

Sustainability Committee

Management Committee

The Board is primarily responsible for the Group's sustainability practices and performance and the Sustainability Committee is tasked to assist the Board in managing sustainability related matters.

The Sustainability Committee, comprises of three (3) board members, is entrusted with the responsibilities to incorporate sustainability considerations in the Group's business and management of economic, environmental and social risks.

The Sustainability Committee is supported by the Management Committee, comprises of heads of department/subsidiaries. The Management Committee executes, implements and monitors the sustainability considerations in the Group's business and management of economic, environmental and social risks on a day-to-day basis.

Stakeholder Engagement

Our stakeholders are defined in accordance with Bursa Malaysia's Sustainability Reporting Guide wherein stakeholders are defined as "any individuals, community and entities that may be impacted by Stella's business operation".

These stakeholders were identified through discussion with the management and the following table describe how we engage with them:

Stakeholder Engagement (cont'd)

Stakeholder	Engagement channels	Areas of concern
Shareholders/Investors	General meetings; Corporate announcements; Company's website	• Financial performance • Corporate Governance
Customers	Correspondence; Meeting; Site visiting	• Product quality • Customer support
Employees	Performance appraisal; Email and memo; Staff and management meetings; Sports club activities	• Conducive working environment • Career development • Benefits and remuneration
Contractors/Suppliers/ Consultant	Meeting; Written communication; Assessment and reviews; Site visiting	• Fair procurement • Business integrity • Timely and quality delivery
Regulators/Government/ Authorities	Meeting; Consultation; Written communication; Audit and inspection	• Compliance • Environmental friendly development
Communities	Community events and contribution	• Societal contributions • Community well being

Material Sustainability Matter

The material sustainability matters were identified based on its impact and value to the Group and to our stakeholders. The management held discussions to review the material sustainability matters which is group under the following three (3) main sustainability pillars:

Economic	Environment	Social
Diversification and Financial Sustainability Procurement Practice Compliance with Regulatory	Water and Energy Conservation Waste Management	Diversity and Equal Opportunity Health and Safety Employee Welfare and Engagement Community Engagement

ECONOMIC

a) Diversification and Financial Sustainability

In order to create value and deliver long-term financial sustainability to our stakeholders, the Group is committed to manage its business in a responsible way and aligning its business processes and strategies to support sustainable development and growth.

In line with the Group's objective to improve the earnings and enhance shareholders' value, the Group with the mandate obtained from its shareholders in 2019 has diversified into property development business, after taking into consideration the prospects and outlook of the property markets.

The Group's financial results and performance are discussed in detail in the Management Discussion & Analysis of this Annual Report.

b) Procurement Practice

Mewah Kota Sdn Bhd, our main construction arm has attained the ISO 9001:2015 certification for Quality Management System where procurement of materials and services are controlled to ensure that the purchased materials and services conform to the specified requirement. This is achieved by maintaining an approved list of suppliers and subcontractors while potential new suppliers and subcontractors are evaluated to ensure their ability to meet the specific requirements. Furthermore, the sub-contractors are also evaluated based on their performance at the site.

The procurement department also operates within a set of standard operating procedures. The Group has also established a Tender Committee to perform check and balances in terms of quality, supply specification and pricing, amongst others.

An anti-corruption policy and practices has been established and put in place to ensure fair and ethical business conduct are adhered to when doing business and dealing with customers/suppliers/subcontractors etc.

Besides that, the Group will also assess the economic benefits by patronizing local businesses and local contractors within the project areas which in turn will help strengthen the local economy and encourage good relationships with the community.

c) Compliance with Regulatory

Our business activities are conducted based on ethical and legal standards with high level of integrity.

We will continue to maintain a high standard of corporate governance and aim to respect and abide by all legislation, regulations and guidelines as part of our efforts to practice and promote ethical business.

ENVIRONMENT

a) Water and Energy Conservation

Head Office

The Company is committed to manage and reduce the level of water and electricity consumption across our operations. By reducing the power consumption, this will not only reduce the cost to the Group but will also help to protect the ecosystem.

Some of the initiatives taken to reduce water and energy consumption from daily routine are as below:-

- LED lighting are used in office premises
- Ensure lights are switched off when not in used or during lunch time
- Computer and photocopier machines are set to sleeping mode or switched off when not in use
- Daily monitoring of air-conditioning usage and also adjusting the setting to ensure optimal efficiency
- Responsible use of water at our sites and offices
- Energy consumption will be recorded and monitored by the Human Resource and Administration Department ("HRAD") on a monthly basis

The HRAD is monitoring the energy and water usage for the Group and would record the consumption on a monthly basis. The monthly usage would then be reported at the management committee meeting every month.

Sustainability Statement (cont'd)

a) Water and Energy Conservation (cont'd)

Construction Office/Site

At our construction site, the following actions are being taken to protect the environment:-

- Has established an Environmental Policy
- At our Leachate Treatment Plant, we provide treatment system and facility to treat harmful landfill leachate to acceptable condition as per the requirement stated in the Second Schedule (Regulation 13) of Environmental Quality (Control of Pollution from Solid Waste Transfer Station and Landfill) Regulations 2009 before discharging into nearby river
- High energy street lighting at our Leachate Treatment Plant have been replaced with energy efficient LED bulbs

Property Development Office/Site

At our project site, the following actions are being taken to protect the environment:-

- Full compliance with all applicable environmental law regulation
- Implement pollution prevention measures and improve the surrounding to minimize impacts to the environment
- Incorporated systematic environment management in all construction project
- Cooperate with government agencies and local communities to enhance the protection of the environment.
- Proper signage and full time Health, Safety and Environment Manager to carry out regular checking and inspection on Plants and Machinery to ensure compliance with Environmental Quality Act 1974.

b) Waste Management

Head office

Some of the initiatives taken within the Group to manage waste are as below:-

- Maximize the lifespan of papers, envelopes and boxes by encouraging employees to recycle
- Encourage employees to only print in hardcopy where necessary, otherwise to use softcopy
- HRAD is in the midst of implementing the E-forms
- Printing usage will be recorded and monitored every month by the HRAD

Construction Office/Site

At our construction site, the following action are being taken:-

- Comply with laws and regulations imposed by Construction Industry Development Board (CIDB), Department of Environment (DOE), Ministry of Housing and Local Government, Local Authority, Land Office as well as requirement by related agencies
- Adhered to Environmental Quality Act 1974 (Act 127)
- Construction site waste is assembled at designated area. Wastes are disposed at sites approved by Local Authorities
- The Company will ensure that the contractor maximize the recovery of materials, reusing and recycling construction waste on-site whenever possible
- Further, at our Leachate Project Site:-
  - ➢ We have competent staff certified by the Director General of DOE to oversee the operation of leachate treatment system and manage the scheduled waste
    (a) Certified Environmental Professional in Leachate Treatment Plant Operation (CePLTPO)
    (b) Certified Environmental Professional in Scheduled waste Management (CepSWaM)
  - ➢ Our Leachate Project Site follow these regulations:
    (a) Environmental Quality (Scheduled Waste) Regulations 2005
    (b) Environmental Quality (Control of Pollution from Solid Waste Transfer Station and Landfill) Regulations 2009
  - ➢ Scheduled waste is stored in compatible containers, labelled and placed in dedicated storage area to prevent spillage or leakage into the environment.
  - ➢ Scheduled waste is disposed periodically to prescribed premises and updated in DOE's eSWIS (Electronic Scheduled Waste Information System)
  - ➢ Inventory of scheduled waste is recorded and kept according to regulations.

b) Waste Management (cont'd)

Property Development Office/Site

At our project site, the following actions are being taken:-

- Ensure compliance with the requirement of Environmental Quality Act 1974 (Act 127) and other relevant legislation on waste management
- Dissemination of waste management information to staff and contractors on an ongoing basis and housekeeping at workplace.
- Design of the workplace, the work practices and hygiene are essential part of waste management
- Guideline for packaging, labelling and storage of schedule waste (Environmental Quality (Amendment) Act 2012)
- Proper storage area for scheduled waste and disposed off-site by license contractor as per Environmental Quality Act 1974 (Act 127)

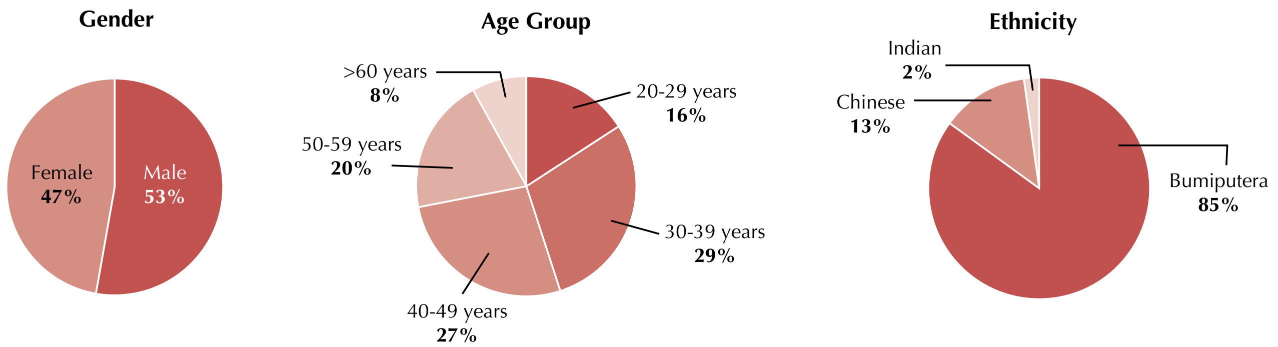
SOCIAL

a) Diversity and Equal Opportunity

The Group practice equal employment opportunity to all individual regardless of their age, gender, ethnicity, religion, marital status or background. We do not differentiate between gender in terms of wages, promotions, rewards and access to training.

The employees are treated fairly and are given equal opportunity to perform and to voice their opinion. All the employees are able to work in a harmonious and conducive working environment.

During the FYE2020, our employee profiles by gender, age and ethnicity are as follows:-



b) Health and Safety

The Group always endeavors to achieve high standards in health and safety matters across all aspects of its operations in order to ensure a safe and conducive working environment for its employees. Employees and workers are provided with relevant protective and safety equipment at the project sites. Regular safety briefing and training sessions are also provided to instill awareness on safety and health matters and to familiarize them with the appropriate response procedures in case of fire, emergency or accidents.

During the financial year under review, all our construction and project sites have reported zero accident.

b) Health and Safety (cont'd)

Construction Office/Site

At our construction site, the following actions are being taken:-

- Has established a-group level Occupational Health & Safety Policy
- Ensure that the following requirements are complied:-
  (a) Occupational Safety and Health Act 1994
  (b) Factory and Machinery Act 2006
- Each Project site has dedicated Safety & Health Officer ("SHO") who conduct his respective duties according to the Occupational Safety and Health (Safety and Health Officer) Regulation 1997
- Safety and Health Committee ("SHC") has been established to oversee all matters related to safety and health
- SHO will inspect place of work at least once in 3 months, record observations, report and give recommendations for remedial measures to SHC
- Random audits and spot checks are conducted to make sure that staff and subcontractors are aligned with OSH policy and regulations
- Periodic trainings and safety awareness are given to employees by SHO and our Human Resource Department.

Property Development Office/Site

At our project site, the following actions are being taken:-

- Has established a Safety & Health Policy Statement
  - Compliance with Safety & Health legislation (FMA1967, OSHAE 1994 etc.)
- Has a full time Safety & Health Officer at site
- Ensure safe working practices and safe operating procedure are follow in line with *Akta 520 CIDB, Akta Keselamatan dan Kesihatan Pekerjaan,1994 (Akta 514)* and *Akta Kilang and Jentera 1967 (Akta 139)*
- Provide information, instruction, training and supervision for employee in relation to health and safety

Safety measures taken in relation to Covid-19 outbreak

Following the outbreak of the Covid-19, the Company has followed the directive from the Ministry of Health ("MOH") and relevant authorities to undertake the necessary preventive measures to ensure the protection of its staff. Measures such as office sanitization, daily temperature checking, wearing face mask, hand sanitizing and physical distancing are practice in the head office and project sites to prevent the spread of Covid-19.

Further measures taken at our construction and project sites are:-

- Have in place the Standard Operating Procedure ("SOP") which provide detailed process to carry out construction works and the conditions to be complied at the construction site together with the Contractor's responsibilities on compliance to the "Covid-19 Prevention Practice Guidelines at Construction Site 1/2020" established by CIDB
- To carry out the functions and responsibilities as stated in the SOP and as per the instruction from MOH and other relevant authorities to spread the awareness of staying healthy and hygiene to prevent disease infection

c) Employee Welfare and Engagement

Our employees are also offered competitive salaries, performance incentives and other benefits. Part of the benefits offered by the Group to its employees include Group Hospitalization and Surgery Insurance Scheme and outpatient medical treatment which is also extended to their spouse and children. Employees are further covered under a Group Personal Accident and Group Term Life Insurance.

The management of Stella Group also believe that apart from work, a well balanced and healthy lifestyle is essential for the overall well-being of its employees. Some of the activities undertaken during the financial year through its Kelab Sukan dan Kebajikan (MEB) Merge Energy ("KSKMEB") to further strengthen the employees' integration and team spirit are as follows:

1. Sports and Recreational Activities
   - Bowling tournament was organized during the year
   - Fruits Feast
   - Monthly "Tazkirah, Bacaan Yasin and Solat Berjemaah" with the Group employees

2. Training and Staff Development Programme
   - Senior Management Retreat at Jakarta, Indonesia (2 - 4 August 2019)
   - Staff Development Program at Lexis Hibiscus Port Dickson (7 & 8 March 2020)
   - Health Screening Package for staff

3. Celebration
   - Staff Birthday gatherings
   - 2019 Hari Raya open house
   - 2020 Chinese New Year open house

d) Community Engagement

The Group also recognized that its businesses have direct and indirect impact on the communities in which it operates, and is conscious of its responsibility to act as a good corporate citizen and to reach out to the local communities where it operates.

Some of the community activities carried out by the Group through its KSKMEB during the financial year are as follows:

- During the Ramadhan fasting month, it has always been a tradition for the Group to distribute food which was cooked and prepared by the employees of the Group for the community. During the last Ramadhan, the employees cooked "Bubur Lambuk", "Kuih Buah Melaka" and distributed to the community of Kampung Melayu Subang, including the nearby mosques and orphanages.
- Blood Donation Campaign organized by Pusat Bekalan Darah Negara and participated by our employees and nearby community.

Conclusion

The Board believes that a balance approach to economic, environment and social areas will help to create value not only to the business but will also result in long term benefits to our employees, customers, shareholders and society at large. Moving forward we will continue to align our sustainability practices to the Group's purpose and strategies, as appropriate.

Corporate Governance Overview Statement

The Board of Directors of Stella Holdings Berhad (formerly known as Merge Energy Bhd) ("Stella" or "Company") acknowledges the importance of good corporate governance and is committed in ensuring that the Company and its subsidiaries ("Group") practice good corporate governance in line with the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") issued by the Securities Commission of Malaysia.

This statement, which is made pursuant to paragraph 15.25 and guided by Practice Note 9 of the Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), sets out the extent to which the Group has applied the principles and best practices of the MCCG 2017 during the financial year 2020.

The detailed application by Stella Group for each practice as set out in the MCCG 2017 during the financial year 2020 is disclosed in the Corporate Governance Report ("CG Report") which is available on the Company's corporate website at www.stella-holdings.com.my. This statement is to be read together with the CG Report.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

1. Clear Roles and Responsibilities

The Board plays a key role in the governance process through its review and approval of the Group's direction and strategy, monitoring of business performance and review of the adequacy and integrity of the Group's internal control system. The Board believes that commitment to its fiduciary duties and responsibilities is critical to its goal of driving long term shareholders' value.

The Board, together with Management, reviewed the Group's strategy and the Board had satisfied itself that all appropriate considerations have been taken into account in the formulation of the Group's strategy.

In addition to strategic matters, the Board, amongst others, is also responsible for the following key matters:

- Reviewing and adopting the strategic plan for the Group
- Overseeing the conduct of the Group's business to determine whether the business is being properly managed
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks
- Reviewing the adequacy of the Group's management information and internal control systems
- Reviewing and approving the financial results: quarterly and annually
- Ensuring the Company adheres to high standards of ethics and corporate behavior

The Board is also mindful of the importance of building a sustainable business and therefore, takes into consideration its environmental, social and government impact when developing the corporate strategy of the Group.

2. Separation of Roles between Chairman and Group Chief Executive Officer

The roles of the Chairman and Group Chief Executive Officer ("CEO") are separately held with each having distinct authority and responsibilities. The Board realize the importance in the separation of roles and responsibilities of the Chairman and the Group CEO as this will ensure that there is a balance of power and authority, such that there is no excessive concentration of power in the Chairman or the Group CEO.

Dato' Hj Mohamad Haslah bin Mohamad Amin is the Executive Chairman of the Board who provides strong leadership and is responsible for ensuring the adequacy and effectiveness of the Board's governance process, whilst Dato' Ir. Tan Gee Swan @ Tan Suan Ching is the Executive Director of the Company who is overseeing the development project of the Group.

The Group CEO is responsible for the effective running the Group's operations and implementation of the Board's policies and decisions. The Board also has an effective working partnership with the Management in establishing the strategic direction of the Group. The Management is responsible for supporting and assisting the Group CEO in implementing and running the Group's day to day business.

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

I Board Responsibilities (Cont'd)

3. Company Secretary

The Company Secretary, who is qualified and experience, provide advises to the Board on regulatory requirements and corporate governance matters to ensure that the Board discharges its duties and responsibilities effectively.

4. Supply and Access to Information

The Directors have full and unrestricted access to all information pertaining to the Group's business and affair to enable them to discharge their duties. The Directors have access to information through the following means:

- Members of senior management attend Board and Board Committees meetings by invitation to report areas of the business within their responsibilities including financial, operational, corporate, regulatory, business development and audit matters updates, for the Board's decision making and effective discharge of the Board's responsibilities.
- The Board and Board Committees papers, which include agenda and reports relevant to the issues of the meetings are prepared and forwarded to the Directors within reasonable period before the respective meetings to enable them to receive the information in a timely manner.
- The Audit Committee meets with the Management, Internal Auditor and External Auditor regularly to review the reports regarding internal control system, financial reporting and risk management. The Audit Committee Chairman then will report to the Board.

In the furtherance of its duties, the Board is also authorised to obtained independent professional advice on specific matters, if necessary, at the Company's expense to enable the Board to discharge its functions in the decision-making process.

5. Board Charter, Code of Ethics and Whistleblowing Policy

A copy each of the Board Charter, Code of Ethics for Company Directors and Whistleblowing Policy is made available at the Group's website www.stella-holdings.com.my.

II Board Composition

1. Board Composition and Balance

During the financial year under review, the Board has seven (7) Directors, comprising the Executive Chairman, an Executive Director, a Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors which complies with Paragraph 15.02(1) of the MMLR of Bursa Malaysia.

The Board is satisfied that the current composition of Directors provides the right balance and size between Executive Directors and Non-Executive Directors with appropriate mix of relevant skills, knowledge and industry experience required to promote all shareholders' interests and to govern the Company effectively.

Board balance is achieved with the contribution of the independent non-executive directors and the fair representation of the shareholders' interests. The independent non-executive directors are able to exercise their unbiased independent judgment and views freely and do not have any business or other relationships that could interfere with their duties.

None of the Independent Directors have exceeded nine (9) years tenure as recommended by MCCG.

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

II Board Composition (Cont'd)

2. Board Committees

The Board has delegated certain responsibilities and duties to the following Committees to assist the Board in the efficient and effective discharge of its duties. Meetings of the Board Committees provide an avenue for members of the respective Committees to focus on specific issues to enable full and in-depth discussion of business operations of the Group:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Management Committee
- Executive Committee
- Sustainability Committee

The Board Committees exercise transparency and full disclosure in their proceedings. Where applicable, issues are reported to the Board with the appropriate recommendations by the Board Committees.

Each Board Committee operates in accordance with the written terms of reference approved by the Board.

3. Board Meetings

The Board holds at least five (5) regularly scheduled meetings annually with additional meetings convened when necessary. Senior Management staff as well as professional advisers have been invited to attend the Board meetings to provide the Board with their views and clarifications on issues raised by the Directors.

During the financial year ended 31 March 2020, there were five (5) meetings held and the details of attendance of each Director are as follows:

Name of Directors	No. of Meetings Attended
Dato' Hj Mohamad Haslah bin Mohamad Amin	5/5
Dato' Ir. Tan Gee Swan @ Tan Suan Ching	5/5
Dato' Lee Tian Hock	4/5
Dato' Kamarulzaman bin Jamil	5/5
Cik Czarina Alia binti Abdul Razak	4/5
Tuan Hj Mohamad Nor bin Abas	4/5
Encik Shahrizam bin A Shukor	5/5

In between Board meetings, approval on matters requiring the sanction of the Board are sought by way of circular resolutions enclosing all relevant information to enable the Board to make informed decisions. The resolutions passed by way of such circular resolutions were then noted in the next Board meetings.

The Directors are to allocate sufficient time to the Company to perform their duties effectively including being prepare for the meetings and contributing effectively to the business of the Company. They should notify the Board on any new directorships and such notification should include an indication of time that will be spent on the new appointment.

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

II Board Composition (Cont'd)

4. Policy on Gender Diversity

The Board recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage.

The Board's overriding objective in any new appointment is to select a suitable candidate with a view to achieving a high-performing Board. Appointments to the Board are based on merit, in the context of character, skills, experience and competency the Board as a whole requires to be effective.

The Board aims to have an appropriate level of diversity in the Boardroom to reflect the nature of the Company's operation and to support the achievement of the Company's objectives.

The Board supports the representation of women in the composition of the Board and currently has one (1) women Director on the Board.

Moving forward, the Board will work towards achieving the 30% women Directors on the Board.

The Board, through the Nomination Committee, will conduct all Board appointment processes in a manner that promotes diversity.

In identifying, considering and recommending suitable persons for appointment as Directors, other than relying on the recommendation from the existing Board members, management and/or major shareholders, the Board will also explore independent sources to identify suitable qualified candidates.

In furtherance, as for employment gender diversity, the Board is of the view that there is balanced gender diversity at Executive and Managerial levels of employees in the Group during the year under review.

5. Nomination Committee

As at the date of this statement, the Nomination Committee comprises of the following three (3) members, all being Independent Directors:-

- Dato' Kamarulzaman bin Jamil (Chairman)
- Cik Czarina Alia binti Abdul Razak
- Tuan Hj Mohamad Nor bin Abas

The Nomination Committee had been given the responsibility to recommend new appointments to the Board and Board Committees of Stella. The Nomination Committee assesses the effectiveness and balance of the Board as a whole, the Committees of the Board and the contribution of each individual Director.

Summary of Activities of Nomination Committee

The Nomination Committee met three (3) times during the financial year to carry out the following activities:-

- nominated new appointments to the Board
- proposed the re-election of Directors retiring in accordance with the Company's Constitution;
- reviewed and assessed the mix of skills, experience and size of the Board, contribution of each Director and effectiveness of the Board as a whole and Board Committees;
- reviewed and assessed the independence of the Independent Directors;
- reviewed the performance and effectiveness of the Audit Committee and its members

All assessments and evaluations carried out by the Nomination Committee were properly documented.

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

II Board Composition (Cont'd)

5. Nomination Committee (Cont'd)

Annual Board Evaluation

With regard to the Board evaluation, the Nomination Committee had reviewed and assessed the following for the financial year 2020:-

- The effectiveness of the Board and Board Committee
- The mix of skill, experience and contribution of each individual Director
- The independence of the Independent Directors

The criteria on the evaluation of the effectiveness of the Board related to, amongst others, the appropriate composition and committees in correspondence to the Board's oversight duties, the right mix of skills and experience to optimize performance and strategy, clear definition of roles and responsibilities of the Board and individual Director.

The criteria on the evaluation of the effectiveness of Board Committees related to, amongst others, whether the Board Committees have the right composition, sufficient knowledge on financial and related laws and regulations, whether the Board Committee properly discharges their responsibilities and provides appropriate report and recommendations to the Board.

Based on the evaluation carried out, the Nomination Committee and the Board concluded that overall the Board's size is conducive for effective discussion and decision making and are satisfied that it has an appropriate balance of expertise, skill and attributes among the Director including relevant core competencies.

During the financial year under review, the Independent Non-Executive Directors did a self evaluation of their independence based on the criteria of independence of the Bursa Malaysia MMLR and the Nomination Committee and the Board had reviewed and assessed the results of the said self-evaluation.

6. Re-election and Re-appointment

In accordance with the Company's Constitution, all Directors who are appointed by the Board are subject to re-election by shareholders at the Annual General Meeting ("AGM") following their appointment. That one-third of the Directors shall retire from office at each AGM and all Directors shall retire from office at least once in every three years. All retiring Directors are eligible to offer themselves for re-election at the AGM.

7. Directors' Training

All the Directors of the Company have attended the Mandatory Accreditation Program ("MAP") prescribed by Bursa Malaysia. The Board members will attend further training programmes, seminars, conferences and/or forums from time to time to keep abreast with current developments in the market place as well as the current changes in laws and regulatory requirements.

The Company Secretary briefed and highlighted the relevant guidelines on statutory and regulatory requirements from time to time to the Board, amongst others, the amendments to the MMLR of Bursa Malaysia, the new requirements of MCCG and the Companies Act 2016. The External Auditors also briefed the Board members on any current and future changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

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

II Board Composition (Cont'd)

7. Directors' Training (Cont'd)

The training programmes and briefings attended by the Directors during the financial year ended 31 March 2020 are as follows:

Name of Directors	Title of training/briefings/workshops
Dato' Hj Mohamad Haslah bin Mohamad Amin	• The Board Chair – The First Among Equals
Dato' Ir. Tan Gee Swan @ Tan Suan Ching	• Corporate Directors Training Programme Fundamental 3.0 + Financial Statements 101
Dato' Lee Tian Hock	• The Board Chair – The First Among Equals
Dato' Kamarulzaman bin Jamil	• Corporate Directors Training Programme Fundamental 3.0 + Financial Statements 101
Cik Czarina Alia binti Abdul Razak	• Mandatory Accreditation Program • Corporate Directors Training Programme Fundamental 3.0 + Financial Statements 101
Tuan Hj Mohamad Nor bin Abas	• Mandatory Accreditation Program • ICDM International Directors Summit 2019
Encik Shahrizam bin A Shukor	• Bengkel Pelan Pengurusan Risiko Rasuah • Project Management • Executive Leadership Programme • Corporate Liability Provision - Section 17A MACC Act 2018

The Board will continuously evaluate and determine the training needs of its members to assist them in the discharge of their duties as Directors.

III Remuneration

1. Remuneration Committee

As at the date of this statement, the Remuneration Committee comprises of the following three (3) members, of which two (2) are Independent Directors and one (1) is the Executive Director:-

- Cik Czarina Alia binti Abdul Razak (Chairman)
- Dato' Ir. Tan Gee Swan @ Tan Suan Ching
- Dato' Kamarulzaman bin Jamil

The remuneration for the Independent Non-Executive Directors is decided by the Board as a whole. The Board recommends the Directors' fee payable to Independent Non-Executive Directors on a yearly basis to the shareholders for approval at the AGM.

2. Directors' Remuneration

The Group has in place a remuneration policy and procedures which sets out the criteria to be used in recommending the remuneration package for Directors and Senior Management to ensure that the Directors and Senior Management are adequately remunerated for the services they render.

A copy of the remuneration policy and procedures is available for viewing at the Company's website www.stella-holdings.com.my.

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

III Remuneration (Cont'd)

2. Directors' Remuneration (Cont'd)

Disclosure for Directors

The aggregate Directors' remuneration paid or otherwise made available to the Directors of the Company as at the financial year ended 31 March 2020 is as follows:

	Salaries (RM)	Bonus (RM)	Fees (RM)	Allowances (RM)	Benefits in kind (RM)
Dato' Hj Mohamad Haslah bin Mohamad Amin	114,000	7,500	55,000	6,000	–
Dato' Ir. Tan Gee Swan @ Tan Suan Ching	–	–	36,000	6,500	–
Dato' Lee Tian Hock	–	–	36,000	5,500	–
Dato' Kamarulzaman bin Jamil	–	–	37,000	12,500	–
Cik Czarina Alia binti Abdul Razak	–	–	36,000	6,500	–
Tuan Hj Mohamad Nor bin Abas	–	–	33,000	10,500	–
Encik Shahrizam bin A Shukor	–	–	33,000	12,500	–

Notes:
All the Directors of Stella only received remuneration from the Company and none from the subsidiary

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I Audit Committee

1. Composition

As at the date of this statement, the Audit Committee comprises three (3) Independent Directors.

The Audit Committee provides independent oversight of the Group's financial reporting and internal control system and ensures that checks and balances are in place within the Group.

The Audit Committee Report detailing its composition and a summary of activities and works during the financial year is set out in pages 35 to 37 of this Annual Report.

2. External Auditors

Relationship with the Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with its external auditors in seeking their professional advice towards ensuring compliance with the applicable accounting standards. The external auditors are invited to attend the Audit Committee meetings to brief the Audit Committee on audit issues. During the Audit Committee meetings, they table the audit planning and highlight observations made during the course of audit to the Audit Committee members.

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

I Audit Committee (Cont'd)

2. External Auditors (Cont'd)

Assessment of external auditors

The Audit Committee is responsible for the assessment of the suitability and independence of the external auditors. Having assessed their performance, the Audit Committee will tabled the summary of the assessment to the Board for review. All assessment and evaluation carried out were properly documented.

Independence of external auditors

The external auditors are required to declare their independence to the Audit Committee in accordance with the independence criteria set out by the Malaysia Institute of Accountants. The external auditors have provided the declaration in their annual audit plan presented to the Audit Committee of the Company.

II Risk Management and Internal Control

The Board acknowledges its overall responsibility of the Group's system of internal control as well as risk management to safeguard shareholders' investment and the Group's assets. The effectiveness of the Group's internal control is reviewed by the Audit Committee during its quarterly meetings. This review covers the financial, operational and compliance controls as well as the process for the identification, evaluation and management of the significant risks faced by the Group.

Details on internal control and risk management framework are set out in the Statement on Risk Management and Internal Control in this Annual Report.

Internal Audit Function

The Board has an established Internal Audit Department which assists the Audit Committee in the discharge of its duties and responsibilities.

The internal audit function is effective and able to function independently. The Internal Auditor reports directly and functionally to the Audit Committee. The internal audit function and activities are set out in the Statement on Risk Management and Internal Control and Audit Committee Report in this Annual Report.

Risk Management Committee

As at the date of this statement, the Risk Management Committee comprises of three (3) members who are Independent Directors. The Risk Management Committee assist the Board in overseeing the risk management process within the Group.

During the financial year, the Risk Management Committee convened three (3) meetings to review and evaluate the risk exposures of the Group.

Corporate Governance Overview Statement (cont'd)

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

III Accountability and Audit

1. Financial Reporting

In its financial reporting to shareholders and other interested parties by means of quarterly results announcement and the annual financial statements, the Board aims to present a balanced and understandable assessment of the Group's financial position and prospects.

The Group's performance and prospects in the Annual Report and financial results on a quarterly basis, prepared based on appropriate accounting standards and accounting policies, will be reviewed and deliberated by the Audit Committee prior to recommendation for adoption by the Board. The Audit Committee ensures that information to be disclosed is accurate, adequate and in compliance with the various disclosure requirements imposed by the regulatory authorities.

The Board takes responsibility in ensuring that the financial statements reflect a true and fair view of the state of affairs of the Group and the Company in accordance with the Companies Act 2016, the applicable approved accounting standards in Malaysia and the MMLR of Bursa Malaysia. This also applies to other price-sensitive public announcements and reports to the regulatory authorities.

2. Statement of Directors' Responsibilities in respect of the Audited Financial Statements

The Board of Directors do hereby state that the preparation of financial statements for the year ended 31 March 2020 is the responsibility of the Directors. They are legally required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company and of their results and cash flow for the financial year then ended. In preparing those financial statements, the Directors have:

- adopted appropriate accounting policies and then applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed and complied with.

The Directors are responsible for ensuring proper accounting records are kept which discloses with reasonable accuracy at any time the financial position of the Company and its subsidiaries and to enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors also have the overall responsibilities to take all steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

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

I Communication with Stakeholders

The Board believes in clear communication with the Company's shareholders. The Group continuously ensures that it maintains a high level of disclosure and communication with its shareholders through various practicable channels. The annual reports and the announcements made quarterly and otherwise, are the primary modes of communication to report on the Group's business, activities and financial performance to all its shareholders. In addition to various announcements made during the year, the timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations.

Stella's website at www.stella-holdings.com.my also provides an avenue for shareholders and members of the public to assess information pertaining to the Group, which is being updated regularly.

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

I Communication with Stakeholders (Cont'd)

The general meetings are opportunities to meet shareholders, to encourage them to interact and participate in getting to know the Company's and the Group's progress and/or performance better.

The Board has also established corporate disclosure policies and procedures to enable accurate and timely disclosures to the regulators, shareholders and stakeholders.

II Annual General Meeting

At least 28 days prior to the AGM, the Annual Report will be sent to the shareholders, to allow shareholders additional time to go through the Annual Report and make the necessary attendance and voting arrangements. Each item of special business included in the notice of the AGM will be accompanied by a full explanation of the effects of a proposed resolution to facilitate full understanding and evaluation of the issues involved.

During the AGM, the Board presents the financial performance of the Group. Shareholders are given the opportunity to seek and clarify any pertinent and relevant issues raised in the meeting in relation to the operations and performance of the Group and to exchange views with the Board. The external auditors are also present at the AGM to provide their professional and independent clarification on issues and concerns raised by the shareholders.

All the resolutions set out in the Notice of the Twenty-Second (22nd) AGM were put to vote by poll and duly passed. The outcome of the 22nd AGM was announced to Bursa Malaysia on the same day of the 22nd AGM.

A summary of the key matters discussed at the AGM, as soon as practicable after the conclusion of the AGM is published on the Company's website.

Other Compliance Information

1. Utilisation of Proceeds

There were no proceeds raised by the Company from any corporate proposals during the financial year.

2. Audit and Non-Audit Fees

During the financial year ended 31 March 2020, the amount of audit and non-audit fees paid to Messrs Baker Tilly Monteiro Heng PLT, the external auditors are as follows:

	Company (RM)	Group (RM)
Audit Fees	71,500	163,200
Non-Audit Fees	6,500	6,500

3. Material Contracts or Loans

Save as disclosed below, there were no other material contracts or loans entered into by the Group during the financial year that involved Directors' or major shareholders' interests:-

- A joint venture agreement dated 4 July 2019 ("JVA") between Paramount Ventures Sdn Bhd ("PVSB"), a wholly owned subsidiary of the Company and Mega 3 Housing Sdn Bhd ("M3H") to develop a mixed development project located within Taman Sengkang (Taman Pasir Panjang), Port Dickson, Negeri Sembilan ("the Land").

  M3H is the registered and beneficial owner of the Land. Under the JVA, M3H shall grant PVSB the sole and exclusive rights and entitlement to develop the Land.

  Relationship of Related Parties

  (a) Dato' Ir. Tan Gee Swan @ Tan Suan Ching ("Dato' Ir. Tan") is an Executive Director and major shareholder of the Company. He is also a director and shareholder of M3H.
  (b) Tan Yu Jian is a director of PVSB as well as shareholder and director of M3H.
  (c) Tan Yu Jian is Dato' Ir. Tan's son.

4. Recurrent Related Party Transactions

The Group did not enter into any significant recurrent related party transactions which require shareholders' mandate during the financial year.

5. Internal Audit Function

The Company's internal audit function is performed in-house at RM91,461 for the financial year.

6 Employee Share Option Scheme

The Company did not have any Employee Share Option Scheme during the financial year.

Audit Committee Report

The report of the Audit Committee of Stella Holdings Berhad (formerly known as Merge Energy Bhd) ("Stella" or "Company") for the financial year ended 31 March 2020 is presented as follows:-

COMPOSITION

The Audit Committee comprised the following Directors during the financial year ended 31 March 2020:-

Chairman
Encik Shahrizam bin A Shukor - Independent Director

Members
Dato' Kamarulzaman bin Jamil - Senior Independent Director
Tuan Hj Mohamad Nor bin Abas - Independent Director

The Audit Committee was made up of no fewer than three (3) members, who were all Independent Non-Executive Directors. Encik Shahrizam bin A Shukor is member of the Malaysian Institute of Accountants and Associate member of Certified Public Accountant Australia.

TERMS OF REFERENCE

In fulfilling its duties and objectives, the Audit Committee is guided by its Terms of Reference which is made available on the Company's website at www.stella-holdings.com.my.

MEETINGS AND ATTENDANCE

All Audit Committee members are provided with an agenda together with relevant reports and papers which are issued prior to the Audit Committee meeting to enable the members to review the reports and papers as well as to obtain further information or explanation.

At the Board Meeting, the Chairman of the Audit Committee reports and highlights to the Board any pertinent issues discussed and deliberated by the Audit Committee during its meeting.

The Audit Committee held six (6) meetings during the financial year ended 31 March 2020. Details of attendance of each Audit Committee member are as follows:

Name of Audit Committee Member	No. of Meetings Attended
Encik Shahrizam bin A Shukor	6/6
Dato' Kamarulzaman bin Jamil	6/6
Tuan Hj Mohamad Nor bin Abas	5/6

ACTIVITIES AND WORK OF THE AUDIT COMMITTEE

During the financial year under review, the Audit Committee had discharged its duties and responsibilities by carrying out the following work and activities:-

1. Reviewed the quarterly financial reports before tabling to the Board for approval and release to Bursa Malaysia Securities Berhad.

   The above review is to ensure the Company's quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the applicable accounting standards and the Listing Requirements of Bursa Malaysia Securities Berhad;

2. Reviewed the audited financial statements of the Group and the Company together with the external auditors to ensure that it presented a true and fair view of the Company's financial position and performance for the year and is in compliance with all disclosure and regulatory requirements prior to submission to the Board for their consideration and approval;

3. Met with the external auditors and reviewed and discussed the audit plan 2020 on the scope of their audit to ensure it adequately covered the activities of the Group including its independence policies and procedure, consideration of fraud, related party disclosure and procedures, statutory timeline and audit timeframe, risk assessment and audit approach, review of statement on risk management and internal control, communication of key audit matters, accounting developments and reading of other information;

4. Held a separate session with the external auditors once during the financial year without the presence of the executive director and management to ensure there were no restriction in their scope of audit and to discuss any matters that the auditors wish to raise without the presence of the management. During the separate session, no critical issues were raised;

5. Reviewed the audit findings by the external auditors arising from the interim audit as well as the final audit and their resolution of the issues highlighted;

6. Reviewed, discussed and assessed the performance of the external auditors for the financial year covering areas such as calibre, performance, audit team, audit scope and planning, independence and objectivity, audit communications as well as audit fees prior to submission to the Board for their approval. The Audit Committee is satisfied with the suitability, performance and independence of the external auditors;

7. Reviewed and approved the internal audit plan for 2020 presented by the internal auditor to ensure there is adequate scope and comprehensive coverage over the activities of the operating subsidiaries of the Company;

8. Reviewed the internal audit reports which highlighted the audit issues, recommendations and the Management's responses and directed actions to be taken by the Management to improve the system of internal control;

9. Followed up on corrective actions taken by the Management on audit issues raised by the external auditors and the internal auditor to ensure that all key risks and control weaknesses are properly address;

10. Reviewed the Statement on Risk Management and Internal Control and the Audit Committee Report before tabling to the Board for approval to be published in the Annual Report;

11. Reviewed and discussed the joint venture agreement entered between Mega3 Housing Sdn Bhd and Paramount Ventures Sdn Bhd, to develop a mixed development project located at Pasir Panjang, Port Dickson, Negeri Sembilan, which is a related party transaction; and

12. Reported to and updated the Board on significant issues and concerns discussed during the Audit Committee meetings and where appropriate, made the necessary recommendation to the Board.

An annual assessment on the performance and effectiveness of the Audit Committee and its members for the financial year 2020 has been carried out by the Nomination Committee. The Nomination Committee and the Board are satisfied that the Audit Committee and its members had carried out their duties in accordance with the Audit Committee's Terms of Reference.

INTERNAL AUDIT FUNCTION

The Group has established the Internal Audit Department to support the Audit Committee and the Board in reviewing the Group's system of internal control and governance process so as to provide assurance that such systems continue to operate satisfactorily and effectively.

The Internal Audit Department provides an independent assurance on risk management and internal control. It focuses on regular and systematic review of the internal control and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines.

The Internal Audit Department provides quarterly reports of the audit undertaken to the Audit Committee, reporting on the outcome of its audits. The Audit Committee reviews and evaluates the key issues raised by the Internal Audit Department and ensures that appropriate and prompt remedial actions are taken by the Management.

During the financial year under review, the activities and work of the Internal Audit Department included:

1. Prepared the annual audit plan based on risk approach method for deliberation by the Audit Committee. The department uses risk-based audit approach to determine the priorities of the internal audit activities;

2. Presented the internal audit reports to the Audit Committee for review;

3. Carried out audit work and provide recommendations to assist various operating units within the Group in accomplishing its internal control objectives by using COSO Framework;

4. Ascertained the extent of compliance with the established Group's policies, procedures and statutory requirements;

5. Established the Group anti-corruption policies, made revision to the whistleblowing and risk management policies;

6. Ascertained the adequacy of controls for safeguarding the Group's assets from all kinds of losses;

7. Reviewed and appraised all existing controls to promote effective internal control in the Group;

8. Carried out ad-hoc audit site visits and follow up on the Group's construction sites; and

9. Follow-up on the execution of Management action plans to ensure that necessary corrective actions have been taken/are being taken to rectify any significant gaps identified in governance, risk management and internal controls.

Statement on Risk Management & Internal Control

INTRODUCTION

The Board of Directors ("the Board") of Stella Holdings Berhad (formerly known as Merge Energy Bhd) ("the Company") is pleased to provide the following statement on the state of risk management and internal control of the Group which has been prepared in accordance with the statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers endorsed by Bursa Malaysia Securities Berhad. The Company has complied with the requirement stated in the Malaysian Code of Corporate Governance 2017 which requires the Board of listed companies to establish and maintain a sound risk management framework and internal controls system.

RESPONSIBILITY

The Board acknowledges its responsibility to adopt sound risk management practices to safeguard the Company's business interest from risk events that may impede achievement of business strategy and action plan, enable value creation and enable process improvement.

The Board acknowledges its overall responsibility in the establishment and oversight of the Group's risk management and internal control systems. The risk management system and internal control is being reviewed regularly to ensure it remains relevant, effective and applicable to the changes in the Group's structure, processes and dynamic business environment.

The risk management system and internal control can only provide reasonable but not absolute assurance against material misstatement, financial loss or fraud.

The Board confirms that there is an ongoing process of identifying, evaluating and managing all significant risks faced by the Group and is satisfied with the adequacy, effectiveness and integrity of the Group's risk management and internal control for the year under review.

CONTROL ENVIRONMENT

The Control Environment is a set of standards, processes and structures established and implemented to carry out internal control across the Group.

RISK MANAGEMENT POLICY ("RMP")

The RMP approved by the Board and the Management to provide assurance of the Group in achieving its business objectives, enhance shareholders' investments and safeguards the Group assets.

ANTI CORRUPTION & BRIBERY POLICY ("ACBP")

The Group has adopted an ACBP in order to in line with Malaysian Anti-Corruption Commission ("MACC") Act amended in 2018. The Group is aware on the new MACC Act 2018 under Section 17A. The Management also ensures all staffs aware on the compliance of this policy.

The Company has inculcated that managing risk is everyone's business. The whole Group comes together to manage risks in a successful and cost efficient manner. Seven (7) key controls for lines of defense:

a. Board of Directors ("the Board")

The Board acknowledges its overall responsibility in the establishment and oversight of the Company's risk management and internal control systems.

These are designed to manage the Group's risks within an acceptable risk appetite as set by Board and Management, rather than eliminate totally the risks of failure to achieve the Group's goals and objective in generating potential return to shareholders.

The two (2) Committees at Board level with primary risk management and internal control oversight responsibility namely Risk Management Committee ("RMC") and Audit Committee ("AC"). Other Board Committee such Nomination Committee ("NC") also have clearly defined accountabilities and responsibilities to oversee various key business activities within the Group.

b. Risk Management Committee ("RMC")

The Board is assisted by the RMC in the oversight and its management of all identified risks. The RMC meets half yearly to ensure that the accountability for managing identified significant risks is clearly assigned and that any identified risks affecting the Group are being addressed, managed and mitigated on an ongoing basis.

The members of RMC are comprises of one (1) Senior Independent Non-Executive Director & two (2) Independent Non-Executive Directors i.e.:

1. En Shahrizam Bin A Shukor (Chairman)
2. Dato' Kamarulzaman Bin Jamil
3. Tuan Hj Mohamad Nor Bin Abas

The RMC will assist the Board in fulfilling its oversight responsibilities with regard to the risk appetite of the Company, the risk management framework and the governance structure that supports it.

The RMC undertakes the following responsibilities:

a) Review and recommend risk management policies and procedures for Board's approval;
b) Review the adequacy and effectiveness of risk management process; and
c) Review the consolidated risk register assessed by the Risk Management Working Committee ("RMWC") comprising members of C-level and Internal Auditor.

The Board has also delegated the responsibility of reviewing the risk management systems and to ensure the effectiveness of the Company`s Risk Management Framework to the RMC.

c. Risk Management Working Committee ("RMWC")

A RMWC to facilitate the group-wide risk management initiative from an operational perspective. Its main function encompasses provision of regular feedback on risk factor's status for informed management decision making, execution of appropriate risk mitigation measures and progress monitoring thereof, and identification of new and emerging risk factors.

Risk Management Function

The ideology of risk management is built on a culture where risks are mitigated by calibrating risks to acceptable levels whilst achieving the organization's business plans and goals.

At the Company, risk management is integrated within the Company's strategy planning process and its ongoing improvement in strengthening the quantification, reviewing and monitoring of all significant risk areas remain a vital focus of the Board in building a successful and sustainable business.

Risk Reporting Structure

The Company has a structured risk management reporting line to ensure significant risks are escalated to the appropriate levels. The RMC role is to provide oversight and extensive discussion on risk management matters at the Board level. RMC reviews and assesses the adequacy risk management policies and ensures infrastructure, resources and systems are emplaced for risk management.

In discharging their risk management responsibilities, the Board and RMC are supported by the RMWC. RMWC coordinates the risk review exercise across the Company to identify, manage and report the significant risks faced by the company to the RMC and ultimately to the Board. RMWC is also responsible for ensuring that the risk management framework is effectively implemented and that risk registers are maintained by the respective business platforms.

Risk Management Approach

The Company's risk management framework encapsulates an on-going process of identifying, assessing, controlling, monitoring and reporting material risks affecting the achievement of business objectives.

A structured risk management approach has been formulated to ensure the significant risks are identified and treated accordingly. The exercise encompasses the following activities:-

- Identifying key risks affecting business objectives and strategic plans;
- Defining a common understanding of risk classification tolerance through quantification, whenever possible, and development of criteria matrix that reflect the impact and likelihood of the risk materializing via Risk Profile;
- Evaluating adequacy of existing controls and developing additional plans, if required, to treat these risks;
- Monitoring effectiveness of measures taken to mitigate risks;
- Seizing prospects through evaluation of 'opportunity risks' so that management proactively realize opportunities; and
- Identifying changes to risks or emerging risks and promptly bringing these to the attention of the Board where appropriate.

The outcomes from the risk review exercise and other risk management activities will be documented and presented to the RMC and ultimately to the Board.

To ensure that risk registers are up-to-date and risk controls are enhanced and kept current, all business units are responsible to carry out a risk review on a regular basis, especially in the context of exceptional events.

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

d. *Audit Committee ("AC")*

The Board is also supported by the AC with the main responsibility to provide independent assessment on the adequacy and reliability of the risk management processes and internal control, as well as compliance with policies and regulatory requirements.

The AC has unimpeded access to both the Internal and External Auditors and has the right to convene meetings with the auditors without the presence of the Executive Director and Management.

The AC reviews the findings and recommendations provided by the Internal Auditor to ensure that it meets the necessary level of assurance with respect to the adequacy of the internal controls.

The AC meets at least on quarterly basis and minutes of the AC meeting are then table to the Board. Further deliberation and update on details of the activities undertaken by the AC during the year are set out in the AC Report on page 35 to 37 of the Annual Report.

e. *Internal Audit ("IA")*

The IA is an in-house internal audit function that reports to AC with the objective of providing independent, objective assurance and consulting activities designed to add value and improve an organization's operations. IA helps the Group to accomplish is objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

IAD undertakes regular reviews of the Company's operations and its system of internal controls based on an approved audit plan presented to the AC. The audit plan is developed based on the risk profiles of the respective business entities of the Company identified in accordance with the Company's Risk Management Framework and input from the Senior Management and the Board. This application confirms to the Practice 10.2 of the MCCG 2017.

Internal audit findings are discussed at Management level and the progress of implementation of the agreed actions is being monitored by the IAD through follow up reviews in which implementation status are presented to the AC on a quarterly basis.

IA has a clear line of reporting to the AC and the AC determines the remit of the Internal Audit function as conforming to the Practice 10.1 of the MCCG 2017. Thus, the department is independent of the activities being audited and is performed with impartiality, proficiency and due professional care.

f. *Executive Committee ("EXCO")*

EXCO is to provide assistance to the Board in fulfilling its fiduciary responsibilities in the areas relating to the Group's accounting and management controls, financial reporting, operational issues, human resources policies and company secretarial matters and in safeguarding shareholders' investment and the Group's assets.

g. *Management Committee ("MC")*

MC are established to ensure that the Company`s interests are adequately protected in arriving at important business/operational decisions. MC is responsible for the identification and management of risks within its operations together on the compliance of all daily activities with the approved framework, policies, guidelines and procedures. Monthly meetings are held to formulate strategies on an on-going basis and to address issues arising from changes in both external business environment and internal operating conditions.

CONTROL ACTIVITIES

a. *Documented Policies & Procedures*

The Company has documented policies and procedures in place which are structured in a way to promote consistency and governance as well as to assist daily business operations. Policies and Procedural Manuals have been approved by the Board to set the tone of control consciousness within the Company.

b. *Quality Management System ("QMS")*

Mewah Kota Sdn Bhd ("MKSB") a subsidiary of the Company has attained the ISO 9001/2015 certification for QMS. The system consists of a set of policies, processes and procedures required for planning, execution, production, development and service in the core business area of an organization to meet customers' requirements.

c. ***Tender Committee ("TC")***

TC is established as a committee under the Company to assist all subsidiaries in overseeing the process of awarding, purchase and etc. The TC is divided into 3 Tender Evaluation Sub Committee.

d. ***Key Performance Index ("KPI")***

The Company has an established and quantifiable KPI that reflects the critical success factors of an organization and also to enhance company's performance.

ASSURANCE

The Board is of the view that the system of internal controls instituted throughout the Group is sound and effective and provides a level of confidence on which the Board relies for assurance. The Board ensures that the internal control system and risk management practice of the Group are reviewed regularly to meet the changing and challenging operating environment.

The Company Group Chief Executive Officer assure the Board that the Company's internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Company.

The Board is satisfied that the system of risk management and internal control was generally satisfactory. Based on the assessment of the Company's internal control system for the year under review and up to date of approval of this statement, no significant control failures or weaknesses that would result in material loss, contingency or uncertainty requiring disclosure in the Company's annual report were noted.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Company.

The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of risk management and internal controls system of the Company.

This statement has been approved by the Board of Directors at its meeting on 18 August 2020.

FINANCIAL STATEMENTS

Director's Report

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

CHANGE OF COMPANY NAME

The Company has changed its name from Merge Energy Bhd to Stella Holdings Berhad with effect from 22 October 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit for the financial year	3,377,571	2,109,391
Attributable to:		
Owners of the Company	2,839,893	2,109,391
Non-controlling interest	537,678	–
	3,377,571	2,109,391

DIVIDENDS

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

At the forthcoming Annual General Meeting, a single tier final dividend of 2.5 sen per ordinary share, amounting to RM1,675,000 in respect of the current financial year, as at 31 March 2020, will be proposed for the shareholders approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2021.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

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

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

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

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

Dato' Mohamad Haslah bin Mohamad Amin*	
Dato' Lee Tian Hock	
Dato' Ir. Tan Gee Swan @ Tan Suan Ching	
Czarina Alia binti Abdul Razak	
Dato' Kamarulzaman bin Jamil	
Tuan Hj Mohamad Nor bin Abas	(Appointed on 6 May 2019)
Shahrizam bin A Shukor	(Appointed on 6 May 2019)

* Directors of the Company and certain subsidiaries

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

Mohd Azali bin Abdul Rahman
Tan Yu Jian
Ng Jun Lip
Raizita binti Ahmad @ Harun

Director's Report
(cont'd)

DIRECTORS' INTERESTS

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

	At 31.3.2019	Bought	Sold	At 31.3.2020
Interest in the Company				
Direct interest:				
Dato' Lee Tian Hock	1,500,000	–	–	1,500,000
Dato' Ir. Tan Gee Swan @ Tan Suan Ching*	–	100,000	–	100,000
Indirect interest:				
Dato' Ir. Tan Gee Swan @ Tan Suan Ching*	19,113,100	–	–	19,113,100
Dato' Lee Tian Hock*	17,956,900	–	–	17,956,900
Dato' Mohamad Haslah bin Mohamad Amin*	4,432,000	985,000	–	5,417,000

* Shares held through company in which the director has substantial financial interests.

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Dato' Ir. Tan Gee Swan @ Tan Suan Ching, Dato' Lee Tian Hock and Dato' Mohamad Haslah bin Mohamad Amin are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than disclosed above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 26 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

Every directors and other officers for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Companies Act 2016 in which relief is granted to him by the court in respect of any negligence, default, breach of duty or breach of trust.

During the financial year, there were no indemnity given to any directors and officers of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

The auditor's reports on the accounts of the subsidiaries did not contain any qualifications.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year is disclosed in Note 35 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant event subsequent to the end of the financial year is disclosed in Note 36 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 25 to the financial statements.

INDEMNITY TO AUDITORS

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

AUDITORS

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

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

....
DATO' MOHAMAD HASLAH BIN MOHAMAD AMIN
Director

....
DATO' IR. TAN GEE SWAN @ TAN SUAN CHING
Director

Date: 18 August 2020

Statements of Financial Position
As at 31 March 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	5,155,202	4,884,058	96,751	87,422
Investment properties	6	14,530,000	15,980,000	–	–
Goodwill on consolidation	7	855,994	855,994	–	–
Investment in subsidiaries	8	–	–	49,657,048	50,657,344
Investment in an associate	9	–	–	–	–
Total non-current assets		20,541,196	21,720,052	49,753,799	50,744,766
Current assets					
Inventories	10	1,214,272	46,913	–	–
Contract assets	11	1,459,982	17,874,041	–	–
Trade receivables	12	13,307,426	10,212,309	–	–
Other receivables, deposits and prepayments	13	5,658,373	1,859,013	34,376	33,881
Amounts due from subsidiaries	14	–	–	3,049,873	2,545,874
Current tax assets		26,764	186,605	–	–
Deposits placed with licensed banks	15	4,755,172	3,687,429	–	–
Cash and bank balances	15	18,599,308	2,958,232	3,958,978	377,374
		45,021,297	36,824,542	7,043,227	2,957,129
Assets held for sale	16	5,531,666	16,034,994	–	–
Total current assets		50,552,963	52,859,536	7,043,227	2,957,129
TOTAL ASSETS		71,094,159	74,579,588	56,797,026	53,701,895

Statements of Financial Position (cont'd)

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	31,712,508	74,712,508	31,712,508	74,712,508
Retained earnings/(Accumulated losses)		16,983,258	(28,856,635)	2,399,574	(42,709,817)
		48,695,766	45,855,873	34,112,082	32,002,691
Non-controlling interest		2,208,279	2,160,601	–	–
TOTAL EQUITY		50,904,045	48,016,474	34,112,082	32,002,691
Non-current liabilities					
Loans and borrowings	18	1,308,921	1,477,241	35,364	–
Deferred tax liabilities	19	213,563	215,053	–	–
Total non-current liabilities		1,522,484	1,692,294	35,364	–
Current liabilities					
Contract liabilities	11	1,997,216	1,447,008	–	–
Trade payables	20	8,710,075	8,137,435	–	–
Other payables, accruals and deposits	21	7,474,995	10,712,399	79,017	102,436
Amounts due to subsidiaries	14	–	–	22,525,572	21,596,768
Loans and borrowings	18	415,162	4,569,771	44,991	–
Current tax liabilities		70,182	4,207	–	–
Total current liabilities		18,667,630	24,870,820	22,649,580	21,699,204
TOTAL LIABILITIES		20,190,114	26,563,114	22,684,944	21,699,204
TOTAL EQUITY AND LIABILITIES		71,094,159	74,579,588	56,797,026	53,701,895

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

Statements of Comprehensive Income
For the financial year ended 31 March 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Revenue	22	72,078,900	54,614,740	5,020,000	600,000
Cost of sales	23	(65,610,920)	(48,709,981)	–	–
Gross profit		6,467,980	5,904,759	5,020,000	600,000
Other income		9,505,169	1,191,369	–	5,370
Administrative expenses		(10,388,916)	(9,853,588)	(1,896,073)	(1,214,413)
Net impairment loss on:					
- investment in subsidiaries		–	–	(1,000,296)	495,736
- trade receivables		(600,859)	(1,030,190)	–	–
- amount due from subsidiaries		–	–	(8,879)	(7,252)
Operating profit/(loss)		4,983,374	(3,787,650)	2,114,752	(120,559)
Finance costs	24	(394,371)	(542,914)	(5,361)	–
Profit/(Loss) before tax	25	4,589,003	(4,330,564)	2,109,391	(120,559)
Tax expense	27	(1,211,432)	(325,769)	–	–
Profit/(Loss) for the financial year, representing total comprehensive income/(loss) for the financial year		3,377,571	(4,656,333)	2,109,391	(120,559)
Profit/(Loss) attributable to:					
Owners of the Company		2,839,893	(5,012,972)	2,109,391	(120,559)
Non-controlling interest		537,678	356,639	–	–
		3,377,571	(4,656,333)	2,109,391	(120,559)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		2,839,893	(5,012,972)	2,109,391	(120,559)
Non-controlling interest		537,678	356,639	–	–
		3,377,571	(4,656,333)	2,109,391	(120,559)
Earnings/(Loss) per share (sen):					
Basic/Diluted	28	4.24	(7.48)		

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

Statements of Changes In Equity
For the financial year ended 31 March 2020

	Share capital RM	(Accumulated losses)/ Retained earnings RM	Sub-total RM	Non-controlling interest RM	Total equity RM
	<-- Attributable to owners of the Company -->				
Group					
At 1 April 2018	74,712,508	(23,768,885)	50,943,623	1,811,580	52,755,203
Total comprehensive loss for the financial year					
Loss for the financial year, representing total comprehensive loss	–	(5,012,972)	(5,012,972)	356,639	(4,656,333)
Transactions with owners					
Changes in ownership interests in a subsidiary	–	(74,778)	(74,778)	392,382	317,604
Dividends paid on shares	–	–	–	(400,000)	(400,000)
Total transactions with owners	–	(74,778)	(74,778)	(7,618)	(82,396)
At 31 March 2019	74,712,508	(28,856,635)	45,855,873	2,160,601	48,016,474
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income	–	2,839,893	2,839,893	537,678	3,377,571
Transactions with owners					
Capital reduction	(43,000,000)	43,000,000	–	–	–
Dividends paid on shares	–	–	–	(490,000)	(490,000)
Total transactions with owners	(43,000,000)	43,000,000	–	(490,000)	(490,000)
At 31 March 2020	31,712,508	16,983,258	48,695,766	2,208,279	50,904,045

Statements of Changes In Equity (cont'd)

	Share capital RM	Accumulated losses RM	Total equity RM
Company			
At 1 April 2018	74,712,508	(42,589,258)	32,123,250
Total comprehensive loss for the financial year			
Loss for the financial year, representing total comprehensive loss	–	(120,559)	(120,559)
At 31 March 2019	74,712,508	(42,709,817)	32,002,691
Total comprehensive income for the financial year			
Capital reduction	(43,000,000)	43,000,000	–
Profit for the financial year, representing total comprehensive income	–	2,109,391	2,109,391
At 31 March 2020	31,712,508	2,399,574	34,112,082

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

Statements of Cash Flows

For the financial year ended 31 March 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash flows from operating activities					
Profit/(Loss) before tax		4,589,003	(4,330,564)	2,109,391	(120,559)
Adjustments for:					
Bad debts written off		14,482	6,034	–	–
Bad debts recovered		(3,657)	–	–	–
Deposits written off		43,680	–	–	–
Inventories written off		17,865	–	–	–
Depreciation of property, plant and equipment		821,922	1,135,843	113,665	113,696
Fair value gain on investment properties		(64,400)	(10,000)	–	–
Loss/(Gain) on disposal of subsidiaries	8(a)	–	9,496	–	(1)
Gain on disposal of property, plant and equipment		(200,178)	(232,906)	–	–
Gain on disposal of assets held for sales		(5,612,967)	–	–	–
Gain on disposal of investment in an associate		(2,530,489)	–	–	–
Gain on disposal of investment properties		300,500	–	–	–
Gain on fair value adjustment on payable retention sum		(470,166)	(269,031)	–	–
Impairment loss on:					
- investment in subsidiaries		–	–	1,000,296	–
- trade receivables		600,860	1,030,190	–	–
- amounts due from subsidiaries		–	–	8,879	12,621
- assets held for sale		–	204,058	–	–
Interest expense		394,371	542,914	5,361	–
Interest income		(157,577)	(149,630)	–	–
Reversal of impairment loss on:					
- investment in subsidiaries		–	–	–	(495,736)
- amounts due from subsidiaries		–	–	–	(5,369)
Unrealised gain on foreign exchange		(272)	(10,672)	–	–
Operating (loss)/profit before changes in working capital, carried forward		(2,257,023)	(2,074,268)	3,237,592	(495,348)

Statements of Cash Flows (cont'd)

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash flows from operating activities (continued)					
Operating (loss)/profit before changes in working capital, brought forward		(2,257,023)	(2,074,268)	3,237,592	(495,348)
Changes in working capital:					
Inventories		(1,185,224)	1,114	–	–
Receivables		9,728,606	(3,413,048)	(495)	(4,568)
Payables		(1,644,118)	3,098,374	(23,419)	15,031
Net cash generated from/ (used in) operations		4,642,241	(2,387,828)	3,213,678	(484,885)
Interest paid		(267,114)	(410,278)	(5,361)	–
Tax paid		(987,106)	(69,874)	–	–
Net cash from/(used in) operating activities		3,388,021	(2,867,980)	3,208,317	(484,885)
Cash flows from investing activities					
Purchase of property, plant and equipment	5(a)	(692,343)	(70,926)	–	–
Disposal of subsidiaries, net of cash disposed	8(b)	–	(424,046)	–	–
Changes in ownership interests in a subsidiary	8(c)	–	317,606	–	317,606
Proceeds from disposal of property, plant and equipment		399,981	361,479	–	–
Proceeds from disposal of assets held for sales		16,116,295	–	–	–
Proceeds from disposal of investment properties		2,880,000	–	–	–
Change in pledged deposits		44,777	286,407	–	–
Interest received		157,577	149,630	–	–
Net cash from investing activities		18,906,287	620,150	–	317,606

Statements of Cash Flows (cont'd)

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash flows from financing activities					
Advances from subsidiaries		–	–	415,926	542,941
Repayment of finance lease liabilities	(a)	(641,044)	(548,336)	(42,639)	–
Repayment of term loans	(a)	(43,903)	(42,341)	–	–
Dividend paid		(490,000)	(400,000)	–	–
Interest paid		(127,257)	(132,636)	–	–
Net cash (used in)/from financing activities		(1,302,204)	(1,123,313)	373,287	542,941
Net increase/(decrease) in cash and cash equivalents		20,992,104	(3,371,143)	3,581,604	375,662
Cash and cash equivalents at the beginning of the financial year		(1,302,648)	2,068,409	377,374	1,712
Effects of exchange rate changes on cash and cash equivalents		–	86	–	–
Cash and cash equivalents at the end of the financial year	15	19,689,456	(1,302,648)	3,958,978	377,374

Statements of Cash Flows (cont'd)

(a) Reconciliation of liabilities arising from financing activities:

2020 Group	At 1.4.2019 RM	Cash flows RM	<-----------Non-cash----------> Effect of adoption of MFRS 16 RM	Acquisition RM	At 31.3.2020 RM
Lease liabilities/Finance lease liabilities	618,247	(641,044)	500,526	100,000	577,729
Term loans	1,167,885	(43,903)	–	–	1,123,982
	1,786,132	(684,947)	500,526	100,000	1,701,711

2019 Group	At 1.4.2018 RM	Cash flows RM	Non-cash acquisition RM	At 31.3.2019 RM
Lease liabilities/ Finance lease liabilities	907,483	(548,336)	259,100	618,247
Term loans	1,210,226	(42,341)	–	1,167,885
	2,117,709	(590,677)	259,100	1,786,132

2020 Company	At 1.4.2019 RM	Cash flow RM	Net reversal of impairment loss RM	At 31.3.2020 RM
Amounts due to/(from) subsidiaries	19,050,894	415,926	8,879	19,475,699

2019 Company	At 1.4.2018 RM	Cash flow RM	Net reversal of impairment loss RM	At 31.3.2019 RM
Amounts due to/(from) subsidiaries	18,500,701	542,941	7,252	19,050,894

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

Notes to the Financial Statements

1. CORPORATE INFORMATION

Stella Holdings Berhad (formerly known as Merge Energy Bhd) ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and the principal place of business of the Company is located at No. 2, Jalan Apollo U5/190, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 8. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 August 2020.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

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

<u>New MFRS</u>

MFRS 16	Leases

<u>Amendments/Improvements to MFRSs</u>

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

<u>New IC Int</u>

IC Int 23	Uncertainty over Income Tax Treatments

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

MFRS 16 Leases

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

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

2. BASIS OF PREPARATION (continued)

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

MFRS 16 Leases (continued)

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

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

Definition of a lease

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

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

Impact of the adoption of MFRS 16

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

(i) Classification and measurement

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

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

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

2. BASIS OF PREPARATION (continued)

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

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

(i) Classification and measurement (continued)

For leases that were classified as operating lease under MFRS 117

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

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

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

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

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

For leases that were classified as finance lease under MFRS 117

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

(ii) Short-term lease and low value assets

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

2. BASIS OF PREPARATION (continued)

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

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

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

	Group Increase RM	Company Increase RM
ASSETS		
Non-current assets		
Property, plant and equipment	500,526	122,994
LIABILITIES		
Non-current liabilities		
Lease liabilities	243,705	80,355
Current liabilities		
Lease liabilities	256,821	42,639
TOTAL LIABILITIES	500,526	122,994

The incremental borrowing rate applied to lease liabilities recognised in the statements of financial position on 1 April 2019 is 5.38%.

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments disclosed applying MFRS 117 as at 31 March 2019, as follows:

	Group RM	Company RM
Assets		
Operating lease commitments as at 31 March 2019	526,720	132,000
Incremental borrowing rate as at 1 April 2019	5.38%	5.38%
Discounted operating lease commitments as at 1 April 2019	500,526	122,994
Add:		
Commitments relating to lease previously classified as finance lease	618,247	–
Lease liabilities as at 1 April 2019	1,118,773	122,994

2. BASIS OF PREPARATION (continued)

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

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

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

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

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2021

2. BASIS OF PREPARATION (continued)

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

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

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021#/ 1 January 2022^
MFRS 3	Business Combinations	1 January 2020/ 1 January 2021#/ 1 January 2022
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 7	Financial Instruments: Disclosures	1 January 2020/ 1 January 2021#
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2021#/ 1 January 2022^
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 16	Leases	1 June 2020*/ 1 January 2022^
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2021#/ 1 January 2022
MFRS 107	Statements of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2021#/ 1 January 2022
MFRS 119	Employee Benefits	1 January 2021#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2021#
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2021#/ 1 January 2022
MFRS 138	Intangible Assets	1 January 2021#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2021#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRS Standards 2018-2020*
* *Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020*
\# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

2. BASIS OF PREPARATION (continued)

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

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

Annual Improvements to MFRS Standards 2018–2020

Annual Improvements to MFRS Standards 2018–2020 covers amendments to:

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

Amendments to MFRS 3 Business Combinations

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

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

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

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

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

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

Notes to the Financial Statements (cont'd)

2. BASIS OF PREPARATION (continued)

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

2.3.1 (continued)

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

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

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

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

Amendment to MFRS 16 Leases

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

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

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

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

Amendments to MFRS 101 Presentation of Financial Statements

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

2. BASIS OF PREPARATION (continued)

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

2.3.1 (continued)

Amendments to MFRS 116 Property, Plant and Equipment

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

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

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

2.4 Functional and presentation of currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

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

2.6 Use of estimates and judgement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination

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

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

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

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any 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 (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

The accounting policy for goodwill is set out in Note 3.8.

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

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

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

(b) Non-controlling interests

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

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

(c) Associates

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

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

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 an available-for-sale financial asset or a held for trading financial asset. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decrease but does not result in a loss of significant influence, any retained interest is not remeasured. 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(d) 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 associate are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same ways as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries and an associate are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.13(b).

3.3 Foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the transaction dates.

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

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

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

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

3.4 Financial instruments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

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

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

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified as:

- Financial assets at amortised cost

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

  The Group reclassifies financial assets when and only when its business model for managing those assets changes.

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company classify their debt instruments as:

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.13(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

(ii) Financial liabilities

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

<u>Financial liabilities at amortised cost</u>

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

(b) Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(c) Regular way purchase or sale of financial assets

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

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

Trade date accounting refers to:

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

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

(d) Derecognition

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Financial instruments (continued)

(d) Derecognition (continued)

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

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

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

(e) Offsetting of financial instruments

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

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

3.5 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b).

Cost of assets includes expenditure that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

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

(b) Subsequent costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, plant and equipment (continued)

(c) Depreciation

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

	Useful lives (years)
Freehold building	50
Long term leasehold land and buildings	80 – 82
Plant and machinery	5 – 10
Motor vehicles	5 – 10
Furniture, fittings and office equipment	3 – 20
Office renovation	20

Long term leasehold land and buildings are depreciated over the useful life as the Group has not been able to segregate the cost of the building from the cost of the related land. The directors are of the opinion that the depreciation of the land has no material effect on the financial statements of the Group.

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

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

(d) Derecognition

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

3.6 Leases

(a) Definition of lease

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

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

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

<u>Accounting policies applied until 31 March 2019</u>

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Leases (continued)

(a) Definition of lease (continued)

Accounting policies applied until 31 March 2019 (continued)

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

(b) Lessee accounting

Accounting policies applied from 1 April 2019

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

The Group and the Company present right-of-use assets that meets the definition of property, plant and equipment in Note 5 and lease liabilities in Note 18.

Right-of-use asset

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

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group and the Company expect to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b).

Lease liability

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Leases (continued)

(b) Lessee accounting (continued)

Accounting policies applied from 1 April 2019 (continued)

Lease liability (continued)

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

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

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

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

Short-term leases and leases of low value assets

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

Accounting policies applied until 31 March 2019

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Leases (continued)

(c) Lessor accounting

Accounting policies applied from 1 April 2019

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

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

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

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

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

Accounting policies applied until 31 March 2019

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

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

3.7 Investment properties

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Investment properties (continued)

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

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

3.8 Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b).

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

3.9 Inventories

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

Costs includes the actual cost of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs are assigned on a weighted average cost basis.

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

Property under development

Cost includes:

- freehold rights for land
- planning and design costs, costs for site preparation, professional fees for legal services, and other related costs

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

3.10 Contract assets/(liabilities)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Group's future performance).

The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a).

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when:

- the asset is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets are measured at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. A gain for any subsequent increase in fair value less costs to sell of an asset is recognised but not in excess of the cumulative impairment loss that has been recognised.

Property, plant and equipment once classified as held for sale are not depreciated.

3.12 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3.13 Impairment of assets

(a) Impairment of financial assets and contract assets

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

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

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Impairment of assets (continued)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, contract assets, investment properties measured at fair value and assets held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs 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 CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

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

Impairment losses are recognised in profit or loss.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

3.14 Share capital

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

3.15 Provisions

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Provisions (continued)

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

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

3.16 Revenue and other income

(a) Sales of goods and rendering of services

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

Revenue recognition of the Group and the Company is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

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

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

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

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue and other income (continued)

(b) Construction contracts

Construction service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

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

Sales are made with a credit term ranging from 30 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones.

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

(c) Property development

The Group develops and sells residential and commercial properties.

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

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

Consistent with market practice, the Group collects deposit from customers for sale of properties. A contract liability is recognised for the customer deposits as the Group has obligations to transfer the goods or services to the customer in respect of deposits received. Customer deposits would be recognised as revenue upon transfer of goods or services to the customer.

For residential properties, as part of the statutory requirements, the Group's obligations to repair and made good of any defect, shrinkage or other faults in the building or in the common property which have become apparent within a period of 24 months after the customer takes vacant possession of the building are recognised as a provision.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue and other income (continued)

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

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

(f) Rental income

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

3.17 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

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

3.18 Borrowing costs

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

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

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

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.19 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Income tax (continued)

(a) Current tax

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

(b) Deferred tax

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Income tax (continued)

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

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

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.20 Earning per share

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

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

3.21 Operating segments

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

3.22 Fair value measurements

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Contingencies

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

(a) Construction revenue and expenses (Notes 11, 21(a), 22 and 23)

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

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

(b) Property development revenue and expenses (Notes 11, 22 and 23)

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

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

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building RM	Long term leasehold land and buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Office renovation RM	Right-of-use assets RM	Total RM
Group								
2020								
Cost								
At 1 April 2019								
- As previously reported	1,000,000	2,982,391	131,612	2,575,432	1,667,764	1,810,225	–	10,167,424
- Effect of adoption of MFRS 16	–	–	–	(1,082,848)	–	–	1,583,374	500,526
Adjusted balance at 1 April 2019	1,000,000	2,982,391	131,612	1,492,584	1,667,764	1,810,225	1,583,374	10,667,950
Additions	–	–	–	367,262	285,495	13,280	126,306	792,343
Disposals	–	–	–	(989,435)	–	–	(673,891)	(1,663,326)
At 31 March 2020	1,000,000	2,982,391	131,612	870,411	1,953,259	1,823,505	1,035,789	9,796,967
Accumulated depreciation								
At 1 April 2019								
- As previously reported	58,333	261,954	84,257	1,949,351	1,351,451	1,578,020	–	5,283,366
- Effect of adoption of MFRS 16	–	–	–	(535,228)	–	–	535,228	–
Adjusted balance at 1 April 2019	58,333	261,954	84,257	1,414,123	1,351,451	1,578,020	535,228	5,283,366
Depreciation charge for the financial year	20,000	19,513	16,390	48,392	218,450	15,771	483,406	821,922
Disposals	–	–	–	(915,580)	–	–	(547,943)	(1,463,523)
At 31 March 2020	78,333	281,467	100,647	546,935	1,569,901	1,593,791	470,691	4,641,765
Carrying amount								
At 1 April 2019 (Adjusted)	941,667	2,720,437	47,355	78,461	316,313	232,205	1,048,146	5,384,584
At 31 March 2020	921,667	2,700,924	30,965	323,476	383,358	229,714	565,098	5,155,202

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Note	Freehold land and building RM	Long term leasehold land and buildings RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Office renovation RM	Total RM
Group								
2019								
Cost								
At 1 April 2018		1,000,000	20,916,240	116,227	3,411,050	1,894,963	2,706,840	30,045,320
Additions		–	–	32,990	275,046	21,990	–	330,026
Disposals		–	(183,459)	–	(1,064,017)	(698)	–	(1,248,174)
Disposals of subsidiaries	8(a)	–	–	(17,605)	(46,647)	(248,491)	(896,615)	(1,209,358)
Transfer to assets held for sale	16	–	(17,750,390)	–	–	–	–	(17,750,390)
At 31 March 2019		1,000,000	2,982,391	131,612	2,575,432	1,667,764	1,810,225	10,167,424
Accumulated depreciation								
At 1 April 2018		38,333	1,732,151	68,522	2,446,252	1,223,309	1,571,891	7,080,458
Depreciation charge for the financial year		20,000	224,600	21,502	455,899	208,082	205,760	1,135,843
Disposals		–	(183,459)	–	(935,560)	(582)	–	(1,119,601)
Disposals of subsidiaries	8(a)	–	–	(5,767)	(17,240)	(79,358)	(199,631)	(301,996)
Transfer to assets held for sale	16	–	(1,511,338)	–	–	–	–	(1,511,338)
At 31 March 2019		58,333	261,954	84,257	1,949,351	1,351,451	1,578,020	5,283,366
Carrying amount								
At 31 March 2019		941,667	2,720,437	226,350	626,081	137,318	232,205	4,884,058

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture, fittings and office equipment RM	Office renovation RM	Right-of-use assets RM	Total RM
Company				
2020				
Cost				
At 1 April 2019				
- As previously reported	34,164	2,273,906	–	2,308,070
- Effect of adoption of MFRS 16	–	–	122,994	122,994
Adjusted balance at 1 April 2019/ At 31 March 2020	34,164	2,273,906	122,994	2,431,064
Accumulated depreciation				
At 1 April 2019	34,160	2,186,488	–	2,220,648
Depreciation charge for the financial year	–	68,940	44,725	113,665
At 31 March 2020	34,160	2,255,428	44,725	2,334,313
Carrying amount				
At 31 March 2020	4	18,478	78,269	96,751
2019				
Cost				
At 1 April 2018/31 March 2019	34,164	2,273,906	–	2,308,070
Accumulated depreciation				
At 1 April 2018	34,160	2,072,792	–	2,106,952
Depreciation charge for the financial year	–	113,696	–	113,696
At 31 March 2019	34,160	2,186,488	–	2,220,648
Carrying amount				
At 31 March 2019	4	87,418	–	87,422

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM792,343 (2019: RM330,026) which are satisfied by the following:

	Group	
	2020	**2019**
	RM	**RM**
Financed by way of finance lease arrangement	100,000	259,100
Cash payments	692,343	70,926
	792,343	330,026

(b) The carrying amount of assets under finance lease arrangements as at the end of the financial year are as follows:

	Group	
	2020	**2019**
	RM	**RM**
Motor vehicles	–	539,610
Right-of-use assets	356,014	–
	356,014	539,610

(c) Freehold land and building of the Group with carrying amount of RM921,667 (2019: RM941,667) have been pledged as security to secure banking facilities of the Group as disclosed in Note 18(a).

(d) The Group and the Company lease several assets including leasehold buildings and motor vehicles.

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

		Group	
	Buildings	**Motor vehicles**	**Total**
	RM	**RM**	**RM**
Carrying amount			
At 1 April 2019	–	–	–
Effect of adoption of MFRS 16	500,526	547,620	1,048,146
Adjusted balance at 1 April 2019	500,526	547,620	1,048,146
Additions	–	126,306	126,306
Disposals	–	(125,948)	(125,948)
Depreciation	(263,184)	(220,222)	(483,406)
At 31 March 2020	237,342	327,756	565,098

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Information about leases for which the Group and the Company are lessees is presented below: (continued)

	Company Building RM
Carrying amount	
At 1 April 2019	–
Effect of adoption of MFRS 16	122,994
Adjusted balance at 1 April 2019	122,994
Depreciation	(44,725)
At 31 March 2020	78,269

The Group and the Company lease buildings for their office space and staff apartments. The leases for office space and operation site generally have lease term between 2 to 4 years.

The Group also lease motor vehicles with lease term of 3 to 7 years.

6. INVESTMENT PROPERTIES

	Freehold land and buildings RM	Leasehold land and buildings RM	Total RM
Group			
2020			
At 1 April 2019	2,070,000	13,910,000	15,980,000
Additions	–	1,666,100	1,666,100
Disposals	–	(3,180,500)	(3,180,500)
Gain arising from fair value adjustment	10,000	54,400	64,400
At 31 March	2,080,000	12,450,000	14,530,000
2019			
At 1 April 2018	2,050,000	13,920,000	15,970,000
Gain/(Loss) arising from fair value adjustment	20,000	(10,000)	10,000
At 31 March	2,070,000	13,910,000	15,980,000

6. INVESTMENT PROPERTIES (continued)

(a) Included in freehold land and buildings is a property with carrying amount of RM880,000 (2019: RM870,000) pledged as security to secure term loan of the Group as disclosed in Note 18(a).

(b) Included in leasehold land and building is properties with carrying amount of RM7,320,000 (2019: RM Nil) pledged as security to secure bank overdrafts of the Group as disclosed in Note 18(c).

(c) The following are recognised in profit or loss in respect of the investment properties:

	Group	
	2020	**2019**
	RM	**RM**
Rental income	384,934	406,649
Direct operating expenses		
- income generating investment properties	(41,978)	(42,425)

Fair value information

The fair value of investment properties is determined by external independent property valuers, Raine & Horne International Zaki + Partners Sdn. Bhd., with appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair value of investment properties of the Group are categorised as Level 2. There are no Level 1 and Level 3 investment properties or transfer between the levels during the financial years ended 31 March 2020 or 31 March 2019.

Level 2 fair value

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

7. GOODWILL ON CONSOLIDATION

	Group	
	2020	**2019**
	RM	**RM**
At beginning/end of the financial year	855,994	855,994

Impairment of goodwill

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

7. GOODWILL ON CONSOLIDATION (continued)

Key assumption used in value-in-use calculations

Goodwill is tested for impairment on annual basis by comparing the carrying amount with the recoverable amount of the CGU based on value-in-use. Value in use is determined by discounting the future cash flows based on financial budgets approved by management covering three financial years and no growth rate is projected from the fourth financial year onwards. The same method has also been used in the previous financial year. The key assumptions used for value-in-use calculation are:

(a) Sales growth rate

The sales growth rate is based on the expected projection of the related segments.

The sales growth rate used in value-in-use calculations is -19% to 13% (2019: -4% to 5%).

(b) Gross profit margin

Gross profit margin is based on management's past experience, adjusted for market and economic conditions and internal resource efficiency.

The gross profit margin used in value-in-use calculations is 26% to 29% (2019: 36%).

(c) Discount rate

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

The discount rate used in value-in-use calculations is 15.52% (2019: 12.63%).

The values assigned to the above key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources of information.

Based on the sensitivity analysis performed, management believes that there is no reasonable possible change in any of the above key assumptions that would cause the carrying amount of the CGU to be materially higher than its recoverable amount.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM	**2019 RM**
Unquoted shares, at cost	64,435,626	64,435,626
Less: Impairment losses	(14,778,578)	(13,778,282)
	49,657,048	50,657,344

8. INVESTMENT IN SUBSIDIARIES (continued)

The reconciliation of movement in the impairment of investment in subsidiaries is as follows:

	Company	
	2020 RM	**2019 RM**
At beginning of the financial year	13,778,282	14,324,018
Disposal of subsidiaries	–	(50,000)
Impairment for the financial year	1,000,296	–
Reversal of impairment losses	–	(495,736)
At end of the financial year	14,778,578	13,778,282

Details of the subsidiaries, all of which have principal place of business and are incorporated in Malaysia, are as follows:

Name of company	Ownership interest 2020	Ownership interest 2019	Principal activities
Mewah Kota Sdn. Bhd. ("MKSB")	100%	100%	Contractor for various kinds of civil and structural, mechanical and electrical works and maintenance works.
Paramount Ventures Sdn. Bhd. ("PVSB")	100%	100%	Property development.
Merge Properties Sdn. Bhd. ("MPSB")	100%	100%	Property investment.
MEB Realty Sdn. Bhd. ("MEBR")	100%	100%	Property investment.
MEB Development Sdn. Bhd. ("MEBD")	100%	100%	Inactive.
Merge Readymix Sdn. Bhd. ("MRSB")	100%	100%	Inactive.
Merge Energy O&G Sdn. Bhd. ("MEOG")	100%	100%	Inactive.
Merge Highway Engineering Sdn. Bhd. ("MHE")	100%	100%	Inactive.
Iris Synergy Sdn. Bhd. ("ISSB")	51%	51%	Supply engineering equipment, spare parts and the provision of value added services and information technology solutions to the gas and petroleum industry.
Semarak Niaga Lanskap Sdn. Bhd. ("SNLSB")	100%	100%	Nursery and landscaping, garden design, maintenance and beautification.

8. INVESTMENT IN SUBSIDIARIES (continued)

Details of the subsidiaries, all of which have principal place of business and are incorporated in Malaysia, are as follows: (continued)

Name of company	Ownership interest 2020	Ownership interest 2019	Principal activities
Subsidiary of MKSB			
Innovasi Hebat Sdn. Bhd. ("IHSB")	100%	100%	Supply of valves, spare parts and provision of related maintenance and replacement services.
Subsidiary of SNLSB			
Yakin Rantau Sdn. Bhd. ("YRSB")	–	100%	Housekeeping.

(a) 2020

Deregistration of Yakin Rantau Sdn. Bhd.

On 17 June 2019, Yakin Rantau Sdn. Bhd. a wholly-owned subsidiary of SNLSB which in turn is a wholly-owned subsidiary of the Company was deregistered from Companies Commission of Malaysia.

(b) 2019

Disposal of subsidiaries

On 22 November 2018, the Company has entered into a Share Purchase Agreement ("SPA") with Hamdan bin Mohamed and Mohd Rosidi bin Hassan to dispose its entire equity interest in Arena Terbaik Sdn. Bhd. and its subsidiaries ("Arena Group") for a total consideration of RM1.00, subject to the terms and conditions in the SPA.

(i) Summary of the effects of disposal of Arena Group:

	Arena Group RM
Recognised:	
Cash consideration received	1
Derecognised:	
Fair value of identifiable net assets at disposal date	
Property, plant and equipment	(907,362)
Inventories	(233,339)
Trade receivables	(771,787)
Other receivables, deposits and prepayments	(159,415)
Tax assets	(24,091)
Cash and bank balances	(424,047)
Trade payables	269,247
Other payables, deposits and accruals	2,241,297
	(9,497)
Loss on disposal of Arena Group	(9,496)

8. INVESTMENT IN SUBSIDIARIES (continued)

(b) 2019 (continued)

Disposal of subsidiaries (continued)

(ii) Effect of disposal on cash flow:

	Arena Group RM
Cash consideration received	1
Less: Cash and bank balances of subsidiaries disposed	(424,047)
Net cash outflows from disposal	(424,046)

(c) Changes in ownership interest in Iris Synergy Sdn. Bhd.

On 30 January 2019, the Company decreased its ownership interest in Iris Synergy Sdn. Bhd. from 60% to 51% by disposing 9% of its ownership interest for a total consideration of RM317,606 to Mohd Azali bin Abdul Rahman, one of the directors and shareholder of Iris Synergy Sdn. Bhd..

(d) Non-controlling interest in a subsidiary

The financial information of the Group's subsidiary that has non-controlling interest ("NCI") are as follow:

	2020 RM	2019 RM
Iris Synergy Sdn. Bhd.		
NCI percentage of ownership interest and voting interest	49%	49%
Carrying amount of NCI	2,208,279	2,160,601
Profit allocated to NCI	537,678	356,639

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

	2020 RM	2019 RM
Summarised statement of financial position		
Non-current assets	2,053,313	2,011,418
Current assets	4,749,862	5,084,428
Non-current liabilities	(1,193,294)	(1,203,961)
Current liabilities	(1,132,539)	(1,511,845)
Net assets	4,477,342	4,380,040

8. INVESTMENT IN SUBSIDIARIES (continued)

(d) Non-controlling interest in a subsidiary (continued)

The summarised financial information (before intra-group elimination) of the Group's subsidiary that has non-controlling interest are as follows (continued):

	2020 RM	2019 RM
Summarised statement of comprehensive income		
Revenue	9,257,158	6,067,559
Profit for the financial year, representing total comprehensive income	1,097,302	851,090
Summarised cash flows information		
Cash flows from operating activities	3,532,466	(484,583)
Cash flows from investing activities	(30,130)	329,621
Cash flows from financing activities	(1,132,416)	(1,151,004)
Net increase/(decrease) in cash and cash equivalents	2,369,920	(1,305,966)
Dividends paid to non-controlling interests	490,000	400,000

9. INVESTMENT IN AN ASSOCIATE

	Group 2020 RM	 2019 RM
Unquoted shares, at cost	–	2,530,489
Share of post-acquisition reserves At beginning/end of the financial year	–	(2,530,489)
	–	–

In the previous financial year, the associate is accounted for using the equity method in the consolidated financial statements.

Details of the associate, which is incorporated in Malaysia, are as follows:

Name of company	Ownership interest 2020	 2019	Principal activities
IJMP-MK Joint Venture	–	30%	Property development.

9. INVESTMENT IN AN ASSOCIATE (continued)

The following table illustrates the summarised financial information of the associate:

	Group	
	2020 RM	2019 RM
Assets and liabilities		
Current assets	–	95,821,859
Current liabilities	–	(113,891,110)
Net liabilities	–	(18,069,251)
Results		
Revenue	–	2,602,746
Loss for the financial year, representing total comprehensive loss for the financial year	–	(4,680,709)

(a) 2020

On 17 March 2020, Mewah Kota Sdn. Bhd. ("MKSB"), a wholly-owned subsidiary of the Company had entered into a Rescission Agreement with IJM Properties Sdn. Bhd. ("IJMP") and Worldwide Ventures Sdn. Bhd. to rescind, terminate and cancel the Joint Venture Agreement between MKSB and IJMP, with a total repayment of MKSB's contribution sum of RM2,530,489.

(b) 2019

The Group has not recognised its share of losses of IJMP–MK Joint Venture amounting to RM5,562,205 (2018: RM4,112,368) because the Group's cumulative share of losses has exceeded its interest in that associate and the Group has no obligation in respect of these losses. The Group cumulative accumulated losses not recognised were RM9,674,573.

10. INVENTORIES

	Group	
	2020 RM	2019 RM
Current:		
At cost		
Property under development		
- Freehold land	300,000	–
- Development cost	885,224	–
Finished goods	29,048	46,913
	1,214,272	46,913

(a) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM25,819 (2019: RM270,648).

(b) The cost of inventories of the Group recognised as an expense during the financial year in respect of inventories written off was RM17,865 (2019: Nil).

11. CONTRACT ASSETS/(LIABILITIES)

	Group 2020 RM	2019 RM
Contract assets relating to construction service contracts	1,459,982	17,874,041
Contract liabilities relating to construction service contracts	(821,563)	(1,447,008)
Contract liabilities relating to property development	(1,175,653)	–
	(1,997,216)	(1,447,008)

(a) Significant changes in contract balances

	2020		2019	
	Contract assets Increase/ (decrease) RM	Contract liabilities Increase/ (decrease) RM	Contract assets Increase/ (decrease) RM	Contract liabilities Increase/ (decrease) RM
Group				
Revenue recognised that was included in contract liability at the beginning of the financial year	–	1,447,008	–	(236,837)
Increases due to cash received, excluding amounts recognised as revenue during the period	–	(1,997,216)	–	313,588
Increases as a result of changes in the measure of progress	(1,013,819)	–	12,236,639	–
Transfers from contract assets recognised at the beginning of the period to receivables	(15,400,240)	–	(95,756)	–

(b) Revenue recognised in relation to contract balances

	Group 2020 RM	2019 RM
Revenue recognised that was included in contract liability at the beginning of the financial year	1,447,008	(236,837)

Revenue recognised that was included in the contract liability balance at the beginning of the year represented primarily revenue from the construction service contracts when percentage of completion increases.

12. TRADE RECEIVABLES

	Group 2020 RM	Group 2019 RM
Trade receivables	15,483,681	11,903,000
Less: Impairment losses	(2,176,255)	(1,690,691)
	13,307,426	10,212,309

(a) Trade receivables are non-interest bearing and normal credit terms offered by the Group ranging from 30 to 90 days (2019: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

(b) Included in trade receivables of the Group are retention sums of RM7,689,915 (2019: RM4,772,335) relating to construction work-in-progress. Retention sums are unsecured, interest-free and are expected to be collected within the period of normal operating cycle.

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

	Group 2020 RM	Group 2019 RM
At beginning of the financial year	1,690,691	740,287
Charge for the financial year		
- individual impairment loss	600,860	1,030,190
Written off	(111,639)	–
Reversal of impairment losses	(3,657)	–
Disposal of subsidiaries	–	(79,786)
At end of the financial year	2,176,255	1,690,691

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

The information about the credit exposure are disclosed in Note 32(a).

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other receivables	4,099,707	254,979	1,400	–
GST refundable	973	82,776	–	–
Deposits	1,367,691	506,987	17,386	17,386
Prepayments	190,002	378,659	15,590	16,495
Advances to sub-contractors	–	635,612	–	–
	5,658,373	1,859,013	34,376	33,881

Advances to sub-contractors were made for on-going construction project purposes in the previous financial year.

14. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2020 RM	2019 RM
Amounts due from subsidiaries	15,258,898	14,746,020
Less: Impairment losses	(12,209,025)	(12,200,146)
	3,049,873	2,545,874
Amounts due to subsidiaries	(22,525,572)	(21,596,768)

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.

The reconciliation of movement in the impairment of amounts due from subsidiaries is as follows:

	Company	
	2020 RM	2019 RM
At beginning of the financial year	12,200,146	12,192,894
Charge for the financial year		
- Individual impairment loss	8,879	12,621
Reversal on impairment losses	–	(5,369)
At end of the financial year	12,209,025	12,200,146

15. DEPOSITS PLACED WITH LICENSED BANKS AND CASH AND BANK BALANCES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	18,599,308	2,958,232	3,958,978	377,374
Short-term deposits	4,755,172	3,687,429	–	–
	23,354,480	6,645,661	3,958,978	377,374

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Short-term deposits	4,755,172	3,687,429	–	–
Less: Pledged deposits	(3,642,652)	(3,687,429)	–	–
	1,112,520	–	–	–
Cash and bank balances	18,599,308	2,958,232	3,958,978	377,374
Bank overdrafts	(22,372)	(4,260,880)	–	–
	19,689,456	(1,302,648)	3,958,978	377,374

Included in deposits placed with licensed banks of the Group are:

(a) an amount of RM3,304,611 (2019: RM3,359,870) has been pledged to banks as security for banking facilities granted to subsidiaries.

(b) an amount of RM338,041 (2019: RM327,559) has been pledged to a bank as security for bank guarantee in favour of third party for project purposes.

Included in cash and bank balances of the Group are amount of RM1,046,521 (2019: RM Nil) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1996 and therefore restricted from use in other operations.

The foreign currency exposure profile of cash and cash equivalents of the Group is as follows:

	Group	
	2020 RM	2019 RM
United States Dollar	517	490
Japanese Yen	2,320	2,152
	2,837	2,642

16. ASSETS HELD FOR SALE

On 24 May 2019, 31 May 2019 and 25 June 2019, the Board of Directors approved and announced a plan to dispose lands owned by Mewah Kota Sdn. Bhd., a wholly-owned subsidiary of Stella Holdings Berhad to various parties for the proposed disposal of various parcels of lands contiguous to each other, all of which located at Bandar Serendah, Daerah Ulu Selangor, Selangor Darul Ehsan.

		Group	
	Note	2020 RM	2019 RM
Leasehold land			
At beginning of the financial year		16,034,994	–
Disposals		(10,503,328)	–
Transfer from property, plant and equipment	5	–	16,239,052
Loss arising from fair value adjustment		–	(204,058)
At end of the financial year		5,531,666	16,034,994

In previous financial year, leasehold land with carrying amount of RM10,968,453 have been pledged as security to secure banking facilities of the Group as disclosed in Note 18.

17. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2020 Units	2019 Units	2020 RM	2019 RM
Issued and fully paid up:				
At beginning of the financial year	67,000,000	67,000,000	74,712,508	74,712,508
Capital reduction	–	–	(43,000,000)	–
At end of the financial year	67,000,000	67,000,000	31,712,508	74,712,508

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

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

On 10 January 2020, the Company completed the proposed reduction of the Company's issued share capital pursuant to Section 117 of the Companies Act 2016 by reducing and cancelling the share capital of the Company which is lost or unpresented by available assets, equivalent to the entire accumulated losses of the Company to offset the credit arising against such accumulated losses. After the capital reduction exercise, the issued share capital of the Company is RM31,712,508 comprising 67,000,000 ordinary shares in the Company.

18. LOANS AND BORROWINGS

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Non-current:					
Secured					
Term loans	(a)	1,081,793	1,127,165	–	–
Lease liabilities/Finance lease liabilities	(b)	227,128	350,076	35,364	–
		1,308,921	1,477,241	35,364	–
Current:					
Secured					
Term loans	(a)	42,189	40,720	–	–
Lease liabilities/Finance lease liabilities	(b)	350,601	268,171	44,991	–
Bank overdrafts	(c)	22,372	4,260,880	–	–
		415,162	4,569,771	44,991	–
		1,724,083	6,047,012	80,355	–
Total loans and borrowings:					
Term loans	(a)	1,123,982	1,167,885	–	–
Lease liabilities/Finance lease liabilities	(b)	577,729	618,247	80,355	–
Bank overdrafts	(c)	22,372	4,260,880	–	–
		1,724,083	6,047,012	80,355	–

(a) Term loans

	Group 2020 RM	Group 2019 RM
Current		
Not later than one year	42,189	40,720
Non-current		
Later than one year and not later than five years	186,034	184,707
Later than five years	895,759	942,458
	1,081,793	1,127,165
Total term loans	1,123,982	1,167,885

18. LOANS AND BORROWINGS (continued)

(a) Term loans (continued)

The term loans of the Group bear interest at rates ranging from 4.65% to 5.15% (2019: 4.65% to 5.15%) per annum and are secured and supported as follows:

(i) legal charge over freehold land and buildings of a subsidiary as disclosed in Notes 5 and 6; and
(ii) corporate guarantee by the Company.

(b) Lease Liabilities/Finance lease liabilities

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

	Group		Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Minimum lease payments:				
Not later than one year	376,877	312,587	48,000	–
Later than one year and not later than 5 years	239,541	404,321	36,000	–
Later than 5 years	16,590	–	–	–
	633,008	716,908	84,000	–
Less: Future finance charges	(55,279)	(98,661)	(3,645)	–
Present value of minimum lease payments	577,729	618,247	80,355	–
Present value of minimum lease payments:				
Not later than one year	350,601	268,171	44,991	–
Later than one year and not later than 5 years	227,128	350,076	35,364	–
	577,729	618,247	80,355	–

The finance lease liabilities of the Group bear interest at rates ranging from 2.50% to 3.26% (2019: 2.44% to 3.89%) per annum.

(c) Bank overdrafts

The bank overdrafts of the Group bear interest at a rate of 7.76% (2019: 8.45%) per annum and are secured and supported as follows:

(i) legal charge over leasehold land and building of a subsidiary as disclosed in Notes 6 and 16;
(ii) fixed deposit or sinking fund to be progressively place via deduction of 3% of each contract proceeds received;
(iii) deed of assignment of contract proceeds between a subsidiary and the bank; and
(iv) corporate guarantee by the Company.

19. DEFERRED TAX LIABILITIES

	Group 2020 RM	Group 2019 RM
At beginning of the financial year	215,053	194,076
Recognised in profit or loss (Note 27)	(1,490)	20,977
At end of the financial year	213,563	215,053

This is in respect of estimated deferred tax liabilities arising from temporary differences as follows:

	Group 2020 RM	Group 2019 RM
Deferred tax liabilities		
Revaluation of investment properties	203,690	202,190
Differences between the carrying amount of property, plant and equipment and their tax base	9,807	12,863
Unrealised gain on foreign exchange	66	–
	213,563	215,053

The estimated temporary differences for which no deferred tax assets have been recognised in the financial statements are as follows:

	Group 2020 RM	Group 2019 RM
Deferred tax assets		
Unabsorbed capital allowances	2,459,433	4,346,112
Unutilised tax losses	24,844,666	23,412,453
Other taxable temporary differences	(976,770)	(705,674)
	26,327,329	27,052,891
Potential deferred tax assets at 24% (2019: 24%)	6,318,559	6,492,694

Pursuant to Section 11 of the Finance Act 2018 (Act 812), special provision relating to Section 43 & 44 of Income Tax Act 1967, a time limit has been imposed on the unutilised business losses, to be carried forward for a maximum of 7 consecutive years of assessment, this section has effect from the year of assessment 2020 and subsequent year of assessment.

Any unutilised business losses brought forward from year of assessment 2019 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessment 2020 to 2026).

20. TRADE PAYABLES

(a) Trade payables are non-interest bearing and the normal credit terms granted to the Group range from 30 to 90 days (2019: 30 to 90 days).

(b) Included in trade payables of the Group are retention sums of RM4,854,187 (2019: RM4,454,213) relating to construction work-in-progress. Retention sums are unsecured, interest-free and are expected to be settled within the period of normal operating cycle.

The foreign currency exposure profile of trade payables of the Group is as follows:

	Group	
	2020 RM	2019 RM
Japanese Yen	97,163	902,004

21. OTHER PAYABLES, ACCRUALS AND DEPOSITS

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Other payables		305,347	175,750	10,517	26,436
Accruals	(a)	3,453,364	9,978,520	68,500	76,000
Deposits		3,716,284	558,129	–	–
		7,474,995	10,712,399	79,017	102,436

(a) Included in accruals of the Group is an amount of RM3,037,729 (2019: RM9,452,654) which represents project cost accrued for work performed.

22. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At a point of time:				
Sales of goods	9,257,159	6,475,612	–	–
Dividend income	–	–	5,020,000	600,000
	9,257,159	6,475,612	5,020,000	600,000
Over time:				
Construction contracts	62,756,166	42,938,884	–	–
Property development	34,556	–	–	–
Maintenance services	(33,781)	5,135,444	–	–
Rental income	64,800	64,800	–	–
	62,821,741	48,139,128	–	–
	72,078,900	54,614,740	5,020,000	600,000

23. COST OF SALES

	Group 2020 RM	Group 2019 RM
Cost of construction services	59,166,622	40,002,061
Cost of sales of property development units	25,819	–
Direct cost of services	210,793	4,758,969
Direct operating expenses of investment properties	208,283	11,550
Cost of goods sold	5,999,403	3,937,401
	65,610,920	48,709,981

24. FINANCE COSTS

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Interest expense on:				
- bank overdrafts	267,114	410,278	–	–
- lease liabilities/ finance lease liabilities	73,694	77,098	5,361	–
- term loans	53,563	55,538	–	–
	394,371	542,914	5,361	–

25. PROFIT/(LOSS) BEFORE TAX

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

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Auditors' remuneration:					
- Statutory audit					
- current year		149,500	174,495	62,000	69,500
- prior year		200	2,000	2,000	–
- Non-statutory audit					
- current year		6,500	6,500	6,500	6,500
Bad debts written off		14,482	6,034	–	–
Bad debts recovered		(3,657)	–	–	–
Deposits written off		43,680	–	–	–
Depreciation of property, plant and equipment		821,922	1,135,843	113,665	113,696

25. PROFIT/(LOSS) BEFORE TAX (continued)

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

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Employee benefits expense	26	7,360,871	8,402,555	819,146	599,010
Expense relating to short-term lease		15,400	–	–	–
Fair value gain on investment properties		(64,400)	(10,000)	–	–
(Gain)/Loss on disposal of:					
- property, plant and equipment		(200,178)	(232,906)	–	–
- assets held for sales		(5,612,967)	–	–	–
- investment properties		300,500	–	–	–
Gain on disposal of investment in an associate		(2,530,489)	–	–	–
Gain on fair value adjustment on retention sum		(470,166)	(269,031)	–	–
(Gain)/Loss on foreign exchange:					
- realised		(46,977)	5,307	–	–
- unrealised		(272)	(10,672)	–	–
Impairment losses on:					
- investment in subsidiaries		–	–	1,000,296	–
- trade receivables		600,860	1,030,190	–	–
- amount due from subsidiaries		–	–	8,879	12,621
- assets held for sale		–	204,058	–	–
Interest expense on:					
- bank overdrafts		267,114	410,278	–	–
- lease liabilities/finance lease liabilities		73,694	–	5,361	–
- term loan		53,563	132,636	–	–
Interest income		(157,577)	(149,630)	–	–
Inventories written off		17,865	–	–	–
Loss/(Gain) on disposal of subsidiaries		–	9,496	–	(1)
Rental expenses:					
- premises		–	13,125	–	–
- staff accomodations		–	22,395	–	–
Rental income from premises		(455,138)	(519,349)	–	–
Reversal of impairment losses on:					
- investment in subsidiaries		–	–	–	(495,736)
- amount due from subsidiaries		–	–	–	(5,369)

26. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Wages and salaries	6,624,947	7,535,728	779,778	575,159
Defined contribution plan	735,924	866,827	39,368	23,851
	7,360,871	8,402,555	819,146	599,010

Included in employee benefits expense are:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Directors' fees	269,000	202,000	269,000	202,000
Directors' other emoluments	1,289,659	1,610,697	186,706	159,000
	1,558,659	1,812,697	455,706	361,000

27. TAX EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Statements of comprehensive income				
Current income tax				
Based on results for the current financial year	508,030	300,842	–	–
(Over)/Under provision in prior financial years	(2,624)	3,950	–	–
Real property gain tax	707,516	–	–	–
	1,212,922	304,792	–	–
Deferred tax (Note 19)				
(Reversal)/Origination of temporary differences	(1,600)	772,247	–	–
Under/(Over) provision in prior financial years	110	(751,270)	–	–
	(1,490)	20,977	–	–
Tax expense recognised in profit or loss	1,211,432	325,769	–	–

27. TAX EXPENSE (continued)

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2019: 24%) of the estimated assessable profit for the financial year.

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit/(Loss) before tax	4,589,003	(4,330,564)	2,109,391	(120,559)
Tax at the applicable rate of 24% (2019: 24%)	1,101,361	(1,039,335)	506,254	(28,934)
Tax effect arising from:				
- non-deductible expenses	1,039,216	850,371	698,546	293,200
- non-taxable income	(1,454,312)	(17,389)	(1,204,800)	(264,266)
- deferred tax assets not recognised during the financial year	284,526	1,294,442	–	–
- utilisation of deferred tax assets not recognised	(458,661)	–	–	–
- fair value gain on investment properties	(5,700)	(15,000)	–	–
- income subject to real property gain tax	707,516	–	–	–
(Over)/Under provision in prior financial years:				
- current tax	(2,624)	3,950	–	–
- deferred tax	110	(751,270)	–	–
Tax expense	1,211,432	325,769	–	–

28. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share are based on the profit/(loss) for the financial year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year, calculated as follows:

	Group	
	2020	2019
Profit/(Loss) attributable to owners of the Company (RM)	2,839,893	(5,012,972)
Weighted average number of shares in issue (number)	67,000,000	67,000,000
Basic earnings/(loss) per share (sen)	4.24	(7.48)

(b) The diluted loss per share of the Group for the financial years ended 31 March 2020 and 31 March 2019 is same as the basic earnings/(loss) per share as the Company does not have any dilutive potential ordinary shares.

29. FINANCIAL GUARANTEES

	Company 2020 RM	Company 2019 RM
Financial guarantees given to licensed banks for banking facilities granted to subsidiaries	8,602,915	14,517,228

30. RELATED PARTIES

(a) Identity of related parties

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

Related parties of the Company include:

(i) Subsidiaries as disclosed in Note 8;
(ii) Entities in which directors have substantial financial interests;
(iii) Close members of the family of the directors; and
(iv) Key management personnel of the Group and of the Company, comprises persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group 2020 RM	Group 2019 RM
Paid and payable to a related party		
Land cost	300,000	–

	Company 2020 RM	Company 2019 RM
Received and receivable from subsidiaries		
Dividend income	5,020,000	600,000
Paid and payable to subsidiaries		
Rental fees	48,000	60,000

30. RELATED PARTIES (continued)

(c) Compensation of key management personnel

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Directors of the Company				
Executive directors:				
- Directors' fee	91,000	32,000	91,000	32,000
- Salaries and allowances	134,000	453,070	134,000	4,000
- Defined contribution plan	4,860	67,370	4,860	–
- Other emoluments	346	770	346	–
	230,206	553,210	230,206	36,000
Non-executive directors:				
- Directors' fee	178,000	170,000	178,000	170,000
- Allowances	47,500	155,000	47,500	155,000
	225,500	325,000	225,500	325,000
Directors of the subsidiaries				
Executive directors:				
- Salaries and allowances	967,875	818,969	–	–
- Defined contribution plan	131,386	112,440	–	–
- Other emoluments	3,692	3,078	–	–
	1,102,953	934,487	–	–
Key Management Personnel's remuneration:				
Short term employee benefits	363,938	171,538	–	–
Post-employment employee benefits	38,557	23,064	–	–
	402,495	194,602	–	–
	1,961,154	2,007,299	455,706	361,000

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(i) Amortised cost

	Carrying amount RM	Amortised cost RM
2020		
Financial assets		
Group		
Trade receivables	13,307,426	13,307,426
Other receivables and deposits, excluding GST refundable and prepayments	5,467,398	5,467,398
Deposits placed with licensed banks	4,755,172	4,755,172
Cash and bank balances	18,599,308	18,599,308
	42,129,304	42,129,304
Company		
Other receivables and deposits, excluding prepayments	18,786	18,786
Amounts due from subsidiaries	3,049,873	3,049,873
Cash and bank balances	3,958,978	3,958,978
	7,027,637	7,027,637
Financial liabilities		
Group		
Trade payables	8,710,075	8,710,075
Other payables, accruals and deposits	7,474,995	7,474,995
Loans and borrowings	1,724,083	1,724,083
	17,909,153	17,909,153
Company		
Other payables and accruals	79,017	79,017
Amounts due to subsidiaries	22,525,572	22,525,572
Loans and borrowings	80,355	80,355
	22,684,944	22,684,944

31. FINANCIAL INSTRUMENTS (continued)

(a) Categories of financial instruments (continued)

	Carrying amount RM	Amortised cost RM
2019		
Financial assets		
Group		
Trade receivables	10,212,309	10,212,309
Other receivables and deposits, excluding GST refundable and prepayments	761,966	761,966
Deposits placed with licensed banks	3,687,429	3,687,429
Cash and bank balances	2,958,232	2,958,232
	17,619,936	17,619,936
Company		
Deposits	17,386	17,386
Amounts due from subsidiaries	2,545,874	2,545,874
Cash and bank balances	377,374	377,374
	2,940,634	2,940,634
Financial liabilities		
Group		
Trade payables	8,137,435	8,137,435
Other payables, accruals and deposits	10,712,399	10,712,399
Loans and borrowings	6,047,012	6,047,012
	24,896,846	24,896,846
Company		
Other payables and accruals	102,436	102,436
Amounts due to subsidiaries	21,596,768	21,596,768
	21,699,204	21,699,204

(b) Fair value measurement

The carrying amounts of cash and bank balances and deposits placed with licensed banks, short term receivables and payables and short-term borrowings reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

The carrying amounts of floating rate term loans are reasonable approximation of fair value as the loans will be re-priced to market interest rate on or near reporting date.

There have been no transfer between the levels during the current and previous financial years.

31. FINANCIAL INSTRUMENTS (continued)

(b) Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Group's financial instruments, other than those with carrying amounts reasonably approximate to their fair values:

	Carrying amount RM	Fair value of financial instruments not carried at fair value Level 2 RM
Group		
2020		
Financial liabilities		
Lease liabilities/Finance lease liabilities	577,729	694,134
2019		
Financial liabilities		
Finance lease liabilities	618,247	660,857

Level 2 fair value

Fair value of financial instruments not carried at fair value

The fair value of the finance lease liabilities is determined using the discounted cash flows method based on discount rates that reflects the market borrowing rate as at the end of the reporting period.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's and the Company's financial risk management objective is to optimise value for their shareholders whilst minimising the potential adverse impact arising from interest rates and the unpredictability of the financial markets. The Group's and the Company's policy is not to engage in speculative transactions.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

(a) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from their receivables.

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Head of Corporate Finance.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Trade receivables and contract assets

The Group uses the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected credit losses also incorporated forward looking information. However, there is no material impact arising from application of simplified approach to record the lifetime expected credit losses.

The information about the credit risk exposure on the Group's trade receivables and contract assets using the provision matrix are as follows:

	Expected credit loss rate %	Gross carrying amount at default RM	Impairment losses RM
Group			
2020			
Contract assets	0%	1,459,982	–
Trade receivables			
Current	0%	10,667,780	–
1 to 30 days past due	0%	570,900	–
31 to 60 days past due	0%	339,905	–
61 to 90 days past due	0%	1,076,709	–
91 to 120 days past due	0%	221,250	–
More than 121 days past due	0%	430,882	–
Impaired-assessed individually		2,176,255	(2,176,255)
	0%	15,483,681	(2,176,255)
	0%	16,943,663	(2,176,255)
2019			
Contract assets	0%	17,874,041	–
Trade receivables			
Current	0%	7,447,599	–
1 to 30 days past due	0%	234,260	–
31 to 60 days past due	0%	216,579	–
61 to 90 days past due	0%	127,254	–
91 to 120 days past due	0%	184,696	–
More than 121 days past due	0%	2,001,921	–
Impaired-assessed individually		1,690,691	(1,690,691)
	0%	11,903,000	(1,690,691)
	0%	29,777,041	(1,690,691)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

The Company monitors the results of the subsidiaries in determining the recoverability of these intercompany balances.

For other financial assets (including cash and bank balances and deposits placed with licensed banks), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Exposure to credit risk

As at the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

As at the end of the reporting period, approximately 66% (2019: 53%) of the Group's trade receivables were due from 2 major customers (2019: 3 major customers).

Other receivables and other financial assets

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

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

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

Other financial assets

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Financial guarantee

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM1,146,354 (2019: RM5,428,765) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 29. As at the reporting date, there was no indication that the subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligation when they fall due. The Group's and the Company's exposure to liquidity risk arise principally from payables and loans and borrowings.

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

Maturity analysis

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

		<--------------Contractual undiscounted cash flows-------------->			
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
2020					
Group					
Trade payables	8,710,075	8,710,075	–	–	8,710,075
Other payables, accruals and deposits	7,474,995	7,474,995	–	–	7,474,995
Term loans	1,123,982	97,257	389,029	1,188,453	1,674,739
Lease liabilities	577,729	376,877	239,541	16,590	633,008
Bank overdrafts	22,372	22,372	–	–	22,372
	17,909,153	16,681,576	628,570	1,205,043	18,515,189
Company					
Other payables, accruals and deposits	79,017	79,017	–	–	79,017
Amounts due to subsidiaries	22,525,572	22,525,572	–	–	22,525,572
Financial guarantees	–	8,602,915	–	–	8,602,915
Lease liabilities	80,355	48,000	36,000	–	84,000
	22,684,944	31,255,504	36,000	–	31,291,504

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

Maturity analysis (continued)

		<--------------Contractual undiscounted cash flows-------------->			
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
2019					
Group					
Trade payables	8,137,435	6,542,061	1,864,403	–	8,406,464
Other payables, accruals and deposits	10,712,399	10,712,399	–	–	10,712,399
Term loans	1,167,885	97,881	391,525	1,290,391	1,779,797
Finance lease liabilities	618,247	312,587	404,321	–	716,908
Bank overdrafts	4,260,880	4,260,880	–	–	4,260,880
	24,896,846	21,925,808	2,660,249	1,290,391	25,876,448
Company					
Other payables, accruals and deposits	102,436	102,436	–	–	102,436
Amounts due to subsidiaries	21,596,768	21,596,768	–	–	21,596,768
Financial guarantees	–	14,517,228	–	–	14,517,228
	21,699,204	36,216,432	–	–	36,216,432

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from bank overdrafts, trust receipt and term loans.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's profit/(loss) for the financial year would have been RM4,356 (2019: RM20,629) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in foreign exchange rates.

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when purchases that are denominated in a foreign currency).

The Group has transactional currency exposures arising from purchases that are denominated in a currency other than functional currency of Group entities, primarily United States Dollar ("USD") and Japanese Yen ("JPY").

The Group also holds bank balances denominated in foreign currencies for working capital purposes.

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity to a reasonably possible change in the USD and JPY, with all other variables held constant on the Group's profit/(loss) for the financial year:

	Group Effect on profit/(loss) for the financial year	
	2020 RM	**2019 RM**
USD		
- Strengthened 10% (2019: 10%)	39	68,590
- Weakened 10% (2019: 10%)	(39)	(68,590)
JPY		
- Strengthened 10% (2019: 10%)	(7,208)	(69,520)
- Weakened 10% (2019: 10%)	7,208	69,520

33. SEGMENT INFORMATION

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

Investment holding	:	Investment holding.
Construction	:	Construction of civil and structural, mechanical and electrical works and project management.
Property investment	:	Property investment.
Maintenance, facility management and services	:	Supply of valves, spare parts and landscaping, garden management and provision of related maintenance.
Oil and gas	:	Supply engineering equipment, spare parts and the provision of value added services and information technology solutions to the gas and petroleum industry.
Property development	:	Development of housing and commercial units for sales to house and shop purchasers.
Others	:	Inactive companies.

Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment results

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

Segment assets

The total of segments asset is measured based on all assets of a segment other than goodwill on consolidation, investment in an associate and tax assets, as included in the internal reports that are reviewed by the Group's Chief Executive Officer.

Segment liabilities

The total of segment liability is measured based on all liabilities of a segment other than deferred tax liabilities and tax liabilities as included in the internal reports that are reviewed by the Group's Chief Executive Officer.

33. SEGMENT INFORMATION (continued)

	Note	Investment holding RM	Construction RM	Property investment RM	Maintenance, facility management and services RM	Oil and gas RM	Property development RM	Others RM	Elimination RM	Consolidation RM
2020										
Revenue										
External sales		–	62,756,166	64,800	(33,781)	9,257,159	34,556	–	–	72,078,900
Inter-segment sales	a	5,020,000	–	222,000	700	–	–	–	(5,242,700)	–
Total		5,020,000	62,756,166	286,800	(33,081)	9,257,159	34,556	–	(5,242,700)	72,078,900
Results										
Segment results	b	2,114,752	6,911,019	81,678	(1,081,680)	1,646,274	(636,368)	(14,221)	(4,038,080)	4,983,374
Finance costs		(5,361)	(297,920)	–	(27,495)	(63,595)	–	–	–	(394,371)
Profit/(Loss) before tax		2,109,391	6,613,099	81,678	(1,109,175)	1,582,679	(636,368)	(14,221)	(4,038,080)	4,589,003
Tax expense		–	(617,163)	(18,538)	–	(485,378)	(90,353)	–	–	(1,211,432)
Profit/(Loss) for the financial year		2,109,391	5,995,936	63,140	(1,109,175)	1,097,301	(726,721)	(14,221)	(4,038,080)	3,377,571
Assets										
Segment assets	c	56,797,026	61,870,663	14,600,227	4,951,678	5,947,181	16,833,685	72	(90,789,130)	70,211,402
Goodwill on consolidation		–	–	–	–	855,994	–	–	–	855,994
Tax assets		–	5,151	13,444	8,168	–	–	–	–	26,763
Total assets										71,094,159
Liabilities										
Segment liabilities	d	22,684,944	16,891,567	9,581,641	36,607	2,231,528	30,110,864	4,539,386	(66,170,168)	19,906,369
Deferred tax liabilities		–	–	479,440	–	24,123	–	–	(290,000)	213,563
Tax liabilities		–	–	–	–	70,182	–	–	–	70,182
Total liabilities										20,190,114

33. SEGMENT INFORMATION (continued)

	Note	Investment holding RM	Construction RM	Property investment RM	Maintenance, facility management and services RM	Oil and gas RM	Property development RM	Others RM	Elimination RM	Consolidation RM
2020										
Other segment information										
Purchase of property, plant and equipment		–	505,875	–	–	163,130	123,338	–	–	792,343
Bad debts written off		–	14,482	–	–	–	–	–	–	14,482
Bad debts recovered		–	–	–	(3,657)	–	–	–	–	(3,657)
Deposits written off		–	–	–	43,680	–	–	–	–	43,680
Depreciation of property, plant and equipment	e	113,665	468,807	–	111,189	131,231	8,301	–	(11,271)	821,922
Fair value gain on investment properties		–	(34,400)	(20,000)	–	(10,000)	–	–	–	(64,400)
Impairment losses on:										
- investment in subsidiaries	g	1,000,296	–	–	–	–	–	–	(1,000,296)	–
- trade receivables		–	567,494	–	33,366	–	–	–	–	600,860
- amounts due from subsidiaries	g	8,879	–	–	–	–	–	–	(8,879)	–
- amounts due from related companies		–	8,297	–	–	–	–	–	(8,297)	–
(Gain)/Loss on disposal of property, plant and equipment		–	(135,372)	–	(78,630)	(32,999)	–	–	46,823	(200,178)
Gain on disposal of assets held for sales		–	(5,612,967)	–	–	–	–	–	–	(5,612,967)
Gain on disposal of investment in an associate		–	(2,530,489)	–	–	–	–	–	–	(2,530,489)
Loss on disposal of investment properties		–	20,500	–	–	–	280,000	–	–	300,500
Gain on fair value adjustment on retention sum		–	(470,166)	–	–	–	–	–	–	(470,166)
Unrealised gain on foreign exchange		–	–	–	–	(272)	–	–	–	(272)

33. SEGMENT INFORMATION (continued)

	Note	Investment holding RM	Construction RM	Property investment RM	Maintenance, facility management and services RM	Oil and gas RM	Auto service and maintenance workshop RM	Others RM	Elimination RM	Consolidation RM
2019										
Revenue										
External sales		–	42,938,884	64,800	4,508,441	6,067,559	1,035,056	–	–	54,614,740
Inter-segment sales	a	600,000	–	234,000	399,176	–	–	–	(1,233,176)	–
Total		600,000	42,938,884	298,800	4,907,617	6,067,559	1,035,056	–	(1,233,176)	54,614,740
Results										
Segment results	b	(120,560)	(2,423,103)	(266,982)	(652,748)	1,209,798	(424,753)	(13,568)	(1,095,734)	(3,787,650)
Finance costs		–	(462,364)	–	(14,977)	(65,573)	–	–	–	(542,914)
(Loss)/Profit before tax and zakat		(120,560)	(2,885,467)	(266,982)	(667,725)	1,144,225	(424,753)	(13,568)	(1,095,734)	(4,330,564)
Tax expense		–	–	(12,726)	–	(293,135)	(4,908)	–	(15,000)	(325,769)
(Loss)/Profit for the financial year		(120,560)	(2,885,467)	(279,708)	(667,725)	851,090	(429,661)	(13,568)	(1,110,734)	(4,656,333)
Assets										
Segment assets	c	53,701,895	76,891,685	14,542,318	7,289,776	6,165,749	–	2	(85,054,436)	73,536,989
Goodwill on consolidation		–	–	–	–	855,994	–	–	–	855,994
Tax assets		–	101,515	–	10,988	74,102	–	–	–	186,605
Total assets										74,579,588
Liabilities										
Segment liabilities	d	21,699,204	47,045,187	9,570,220	268,349	2,689,193	–	4,525,255	(59,453,554)	26,343,854
Deferred tax liabilities		–	–	478,440	–	26,613	–	–	(290,000)	215,053
Tax liabilities		–	–	4,207	–	–	–	–	–	4,207
Total liabilities										26,563,114

33. **SEGMENT INFORMATION** (continued)

	Note	Investment holding RM	Construction RM	Property investment RM	Maintenance, facility management and services RM	Oil and gas RM	Auto service and maintenance workshop RM	Others RM	Elimination RM	Consolidation RM
2019										
Other segment information										
Purchase of property, plant and equipment		–	280,367	–	32,990	16,669	–	–	–	330,026
Bad debts written off		–	–	–	–	6,034	–	–	–	6,034
Depreciation of property, plant and equipment	e	113,696	523,830	–	204,128	133,208	168,988	–	(8,007)	1,135,843
Fair value loss/(gain) on investment properties	f	–	–	300,000	10,000	(20,000)	–	–	(300,000)	(10,000)
Impairment losses on:										
- trade receivables		–	830,856	–	199,334	–	–	–	–	1,030,190
- amounts due from subsidiaries	g	12,621	–	–	–	–	–	–	(12,621)	–
(Gain)/Loss on disposal of a subsidiaries		(1)	–	–	–	–	–	–	9,497	9,496
(Gain)/Loss on disposal of property, plant and equipment		–	(210,483)	–	(22,400)	(23)	–	–	–	(232,906)
Gain on fair value adjustment on retention sum		–	(269,031)	–	–	–	–	–	–	(269,031)
Loss on fair value adjustment on assets held for sale		–	204,058	–	–	–	–	–	–	204,058
Reversal of impairment losses on:										
– investment in subsidiaries	g	(495,736)	–	–	–	–	–	–	495,736	–
– amounts due from subsidiaries	g	(5,369)	–	–	–	–	–	–	5,369	–
Unrealised gain on foreign exchange		–	–	–	–	(10,672)	–	–	–	(10,672)

33. SEGMENT INFORMATION (continued)

(a) Inter-segment transactions are eliminated on consolidation.

(b) (Loss)/Profit from other segment transactions are eliminated on consolidation.

(c) The following items are deducted from segments assets to arrive at total assets reported in the consolidated statement of financial position:

	2020 RM	**2019 RM**
Intra group transactions	(8,005,004)	(7,969,453)
Investment in subsidiaries	(49,987,008)	(50,987,304)
Amount due from holding company	(23,473,741)	(22,549,610)
Amounts due from subsidiaries	(3,049,874)	(2,545,874)
Amounts due from related companies	(6,273,503)	(1,002,195)
	(90,789,130)	(85,054,436)

(d) The following items are deducted from segment liabilities to arrive at total liabilities reported in consolidated statement of financial position:

	2020 RM	**2019 RM**
Amount due to holding company	(15,258,899)	(14,746,021)
Amounts due to subsidiaries	(23,473,741)	(22,549,609)
Amounts due to related companies	(27,437,528)	(22,157,924)
	(66,170,168)	(59,453,554)

(e) The depreciation of property, plant and equipment is eliminated.

(f) Fair value gain on owner occupied properties is eliminated.

(g) Impairment loss and reversal of impairment loss on investment in subsidiaries and amounts due from subsidiaries are eliminated.

Geographical information

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

Information about major customers

Major customers' information is revenue from transactions with a single external customer amount to ten percent or more of the Group's revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer, and a government and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

For construction segment, revenue from one customer (2019: one customer) represented RM57,930,871 (2019: RM33,938,034) for the Group's total revenue.

34. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong capital base and safeguard the Group's and the Company's ability to continue as going concerns, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group and the Company manage their capital structure by monitoring the capital and net debt on an ongoing basis. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2020 and 31 March 2019.

The Group and the Company monitor capital using net debt-to-equity ratio, which is net debt divided by total equity. Net debt comprises loans and borrowings and payables, less deposits placed with licensed banks and cash and bank balances whereas total equity represents the equity attributable to owners of the Company.

	Group		Company	
	2020 **RM**	**2019** **RM**	**2020** **RM**	**2019** **RM**
Loans and borrowings	1,724,083	6,047,012	80,355	–
Trade and other payables	18,182,286	20,296,842	79,017	102,436
Amounts due to subsidiaries	–	–	22,525,572	21,596,768
	19,906,369	26,343,854	22,684,944	21,699,204
Less: Deposits placed with licensed banks	(4,755,172)	(3,687,429)	-	-
Cash and bank balances	(18,599,308)	(2,958,232)	(3,958,978)	(377,374)
Net (cash)/debt	(3,448,111)	19,698,193	18,725,966	21,321,830
Total equity	50,904,045	48,016,474	34,112,082	32,002,691
Net debt-to-equity ratio	*	0.41	0.55	0.67

* Not meaningful as the Group is in net cash position.

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Change of company name

On 22 October 2019, the name of the Company changed from "Merge Energy Bhd" to "Stella Holdings Berhad".

(b) Proposed development

On 23 October 2019, in relation to the proposed development, the Landowner (i.e. Mega 3 Housing Sdn. Bhd.) and the Developer (i.e. Paramount Ventures Sdn. Bhd., a wholly-owned subsidiary of the Company) had entered into a joint venture agreement to develop a mixed development project located at Pasir Panjang, Port Dickson, Negeri Sembilan.

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(c) Proposed reduction of the Company's issued share capital

On 10 January 2020, the Company completed the proposed reduction of the Company's issued share capital pursuant to Section 117 of the Companies Act 2016 by reducing and cancelling the share capital of the Company which is lost or unpresented by available assets, equivalent to the entire accumulated losses of the Company to offset the credit arising against such accumulated losses. After the capital reduction exercise, the issued share capital of the Company is RM31,712,508 comprising 67,000,000 ordinary shares in the Company.

(d) Rescission Agreement

On 17 March 2020, Mewah Kota Sdn. Bhd. ("MKSB"), a wholly-owned subsidiary of Stella Holdings Berhad entered into a Rescission Agreement ("RA") with IJM Properties Sdn Bhd ("IJMP") and Worldwide Ventures Sdn Bhd ("the Landowner") to

i. rescind, terminate and cancel the JV agreement ("JVA") between MKSB and IJMP; and
ii. rescind, terminate and cancel the landowner agreement between MKSB, IJMP and the Landowner.

The following is IJMP's repayment of MKSB's contribution sum for the JVA:

i. simultaneously at the execution of the RA, forward to MKSB a licensed bank or financial institution banker's cheque made in favour of MKSB in the sum of RM254,569; and
ii. transfer to MKSB one unit of Double Storey Semi-Detached House having its postal address known as No. 15, Lintang Bukit Jambul 3, 11900 Bayan Lepas, Penang ("the Property"), by the Landowner and IJMP. The nett price of the property is amounting to RM2,275,920.

(e) Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

In developing the disclosures, the Group and the Company have performed an assessment of the overall impact of the situation on the Group's and the Company's operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there is no material adverse effects on the financial statements for the financial year ended 31 March 2020.

The Group and the Company are unable to reasonably estimate the financial impact of these events on their financial position, results of operations or cash flows in the next financial year due to the uncertainty of the future outcome of the current events. It is however certain that the worldwide measures against the spread of the coronavirus will have direct and indirect effects on its operations. The Group and the Company will continuously monitor the impact to minimise the impact of the outbreak on the Group's and the Company's operations.

36. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Disposal of lands by Mewah Kota Sdn. Bhd., a wholly-owned subsidiary of Stella Holdings Berhad to various parties

On 25 June 2019, the Company has entered into a conditional sale and purchase agreement ("SPA") with Dhaya Maju Infrastructure (Asia) Sdn. Bhd., for the disposals of various parcels of lands contiguous to each other, all of which are located at Bandar Serendah, Daerah Ulu Selangor, Selangor Darul Ehsan, for a total cash consideration of RM7,727,561. The disposal has been completed on 12 June 2020 in accordance with the terms of the SPA.

Statement by Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, **DATO' MOHAMAD HASLAH BIN MOHAMAD AMIN** and **DATO' IR. TAN GEE SWAN @ TAN SUAN CHING**, being two of the directors of Stella Holdings Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 48 to 128 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 March 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

……………………………………………………………………
DATO' MOHAMAD HASLAH BIN MOHAMAD AMIN
Director

……………………………………………………………………
DATO' IR. TAN GEE SWAN @ TAN SUAN CHING
Director

Kuala Lumpur

Date: 18 August 2020

Statutory Declaration
Pursuant to Section 251(1) of the Companies Act 2016

I, **RAIZITA BINTI AHMAD @ HARUN**, being the officer primarily responsible for the financial management of Stella Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 48 to 128 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

…………………………………………………….
RAIZITA BINTI AHMAD @ HARUN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 18 August 2020.

Before me,

…………………………………………………….
HADINUR BIN MOHD SYARIF
W761
Commissioner for Oaths

Independent Auditors' Report

To the members of Stella Holdings Berhad
(Formerly known as Merge Energy Bhd)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Stella Holdings Berhad, which comprise the statements of financial positions as at 31 March 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 128.

In our opinion, the accompanying financial statements give a true and fair view of the financial positions of the Group and of the Company as at 31 March 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Group

Revenue and corresponding costs recognition for construction activities (Note 22 and Note 23 to the financial statements)

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

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

Our response:
Our audit procedures on a sample of major projects included, among others:

- understanding the design and implementation of controls over the Group's process in recording project costs, preparing project budgets and calculating the progress towards anticipated satisfaction of a performance obligation;
- review samples of project budgets and assess the reasonableness of the project budgets selected by comparing to contractual terms, historical margins and major assumptions made by management;
- discussing the progress of the projects and expected outcome with the management to obtain an understanding of the basis on which the estimates are made;
- assessing the reasonableness of the computed progress towards anticipated satisfaction of a performance obligation for identified projects against progress reports; and
- testing the mathematical computation of the recognised revenue and expenses during the financial year.

Key Audit Matters (continued)

Group (continued)

Revenue and corresponding costs recognition for property development activity (Note 22 and Note 23 to the financial statements)

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

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

Our response:
Our audit procedures on a sample of major projects included, among others:

- reading the terms and conditions of the agreements with customers;
- understanding the Group's process in preparing project budgets and the calculation of the progress towards complete satisfaction of performance obligations;
- comparing the Group's major assumptions to contractual terms and discussing with the project manager on the changes in the assumptions from the previous financial year;
- assessing the computed progress towards complete satisfaction of performance obligation for identified projects against architect or consultant certificates; and
- checking the mathematical computation of recognised revenue and corresponding costs for the projects during the financial year.

Company

We have determined that there are no key audit matters to communicate in our report which arose from the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Independent Auditors' Report (cont'd)

Responsibilities of the Directors for the Financial Statements

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

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

Other Matters

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

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Kenny Yeoh Khi Khen
No. 03229/09/2020 J
Chartered Accountant

Kuala Lumpur

Date: 18 August 2020

List of Properties
As at 31 March 2020

Location	Description (Existing Use)	Tenure (Age of Building)	Land Area (Built-Up Area) sq. ft.	Net Book Value as at 31.03.2020 RM	Date of Valuation/ Acquisition
Lots 727, 728 and 729 No. 230, 231 and 232 Jalan Kota Kenari 2 Taman Kota Kenari 09000 Kulim Kedah Darul Aman	3 units of 2-storey shop house (rented)	Freehold (22 years)	5,764 (6,492)	1,200,000	17.05.2020
No A3-31-3A, Soho Suite @ KLCC No 20, Jalan Perak 50450 Kuala Lumpur	Soho Suite (rented)	Freehold (6 years)	(601)	880,000	18.05.2020
Unit E-11-3, Block E Megan Avenue 1 189 Jalan Tun Razak 50400 Kuala Lumpur	Office Lot (office)	Freehold (22 years)	(1,500)	921,667	13.12.2018
Lot 444 No. 1, Jalan Apollo U5/190 Seksyen U5 Bandar Pinggiran Subang 40150 Shah Alam Selangor Darul Ehsan	2½-storey semi-detached factory (office)	Leasehold Expiring on 7.12.2093 (22 years)	18,238 (5,400)	542,278	06.05.2020
Lot 449 No. 2, Jalan Apollo U5/190 Seksyen U5 Bandar Pinggiran Subang 40150 Shah Alam Selangor Darul Ehsan	2½-storey semi-detached factory (office)	Leasehold Expiring on 7.12.2093 (22 years)	17,668 (5,400)	626,780	06.05.2020
Lot 416 No. 25, Jalan Apollo U5/194 Seksyen U5 Bandar Pinggiran Subang 40150 Shah Alam Selangor Darul Ehsan	3-storey detached factory (rented)	Leasehold Expiring on 7.12.2093 (22 years)	23,153 (10,240)	5,800,000	06.05.2020
Lot 043(E) No. 30 Jalan Matahari AA U5/AA Seksyen U5 Bandar Pinggiran Subang 40150 Shah Alam Selangor Darul Ehsan	3-storey shop office (vacant)	Leasehold Expiring on 25.01.2095 (21 years)	2,516 (8,916)	1,110,000	06.05.2020

List of Properties (cont'd)

Location	Description (Existing Use)	Tenure (Age of Building)	Land Area (Built-Up Area) sq. ft.	Net Book Value as at 31.03.2020 RM	Date of Valuation/ Acquisition
Lot 071(E) No. 29 Jalan Matahari AA U5/AA Seksyen U5 Bandar Pinggiran Subang 40150 Shah Alam Selangor Darul Ehsan	3-storey shop office (vacant)	Leasehold Expiring on 25.01.2095 (21 years)	2,516 (8,916)	1,110,000	06.05.2020
Lot 080 No. 16 Jalan Dinar D U3/D Seksyen U3 Taman Subang Perdana 40150 Shah Alam Selangor Darul Ehsan	4-storey shop office (ground floor is rented)	Leasehold Expiring on 25.09.2095 (15 years)	1,760 (7,040)	1,650,000	06.05.2020
Lot PT8833 No. 2, Lorong Naluri Sukma 8/2 42300 Bandar Puncak Alam Selangor Darul Ehsan	Double Storey Terrace House (rented)	Leasehold Expiring on 08.07.2109 (17 years)	3,387 (3,006)	530,000	13.05.2020
Lot PT8648 No 65 Lorong Naluri Sukma 8/10 Seksyen 8 42300 Bandar Puncak Alam Selangor Darul Ehsan	Double Storey Terrace House (vacant)	Leasehold Expiring on 08.07.2109 (17 years)	1,400 (2,430)	320,000	13.05.2020
Lot PT8610 No 80 Lorong Naluri Sukma 8/11 42300 Bandar Puncak Alam Selangor Darul Ehsan	Double Storey Terrace House (rented)	Leasehold Expiring on 08.07.2109 (17 years)	3,340 (4,038)	560,000	13.05.2020
Lot 0034 No18 Jalan Uranus AH/U5/AH Taman Subang Impian Seksyen U5 40150 Shah Alam Selangor Darul Ehsan	3 Storey Shop Office (vacant)	Leasehold Expiring on 03.04.2099 (20 years)	1,760 (5,280)	1,532,059	13.12.2018
No 6 Lorong Cakera Purnama 12/25 42300 Bandar Puncak Alam Selangor Darul Ehsan	Double Storey house (vacant)	Leasehold Expiring on 15.07.2109 (10 years)	1,080 (2,080)	310,000	13.05.2020

List of Properties (cont'd)

Location	Description (Existing Use)	Tenure (Age of Building)	Land Area (Built-Up Area) sq. ft.	Net Book Value as at 31.03.2020 RM	Date of Valuation/ Acquisition
No 9, Lorong Cakera Purnama 12/1 42300 Bandar Puncak Alam Selangor Darul Ehsan	Double Storey house (rented)	Leasehold Expiring on 14.07.2109 (10 years)	1,400 (3,060)	350,000	13.05.2020
No 67 Lorong Cakera Purnama 12/22 42300 Bandar Puncak Alam Selangor Darul Ehsan	Double Storey house (vacant)	Leasehold Expiring on 15.07.2109 (10 years)	1,378 (1,912)	330,000	13.12.2018
Lot 5723 Pekan Panchor Daerah Seremban Negeri Sembilan	Leasehold land (vacant)	Leasehold Expiring on 19.01.2096	23,412	410,000	19.05.2020
PN 31986, Lot 1508 Seksyen 20, Bandar Serendah Daerah Ulu Selangor Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	84,873	1,002,880	13.12.2018
PN 31987, Lot 1509 Seksyen 20, Bandar Serendah Daerah Ulu Selangor Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	96,122	1,135,572	13.12.2018
PN 31989, Lot 1510 Seksyen 20, Bandar Serendah Daerah Ulu Selangor Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	47,544	556,102	13.12.2018
PN 31990, Lot 1511 Seksyen 20, Bandar Serendah Daerah Ulu Selangor Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	80,202	946,012	13.12.2018
PN 31991, Lot 1512 Seksyen 20, Bandar Serendah Daerah Ulu Selangor Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	80,600	955,490	13.12.2018
PN 31992, Lot 1513 Seksyen 20, Bandar Serendah Daerah Ulu Selangor Negeri Selangor Darul Ehsan	Industrial Land (vacant)	Leasehold Expiring on 10.09.2096	78,996	935,610	13.12.2018

Shareholders' Information
As at 27 July 2020

Issued shares capital	:	67,000,000 ordinary shares
Class of shares	:	Ordinary Shares
Voting rights	:	One (1) vote per one (1) ordinary share held

Distribution of Shareholdings

Size of Holdings	No. of Holders	%	No. of Shares	%
1 – 99	16	2.06	365	0.00
100 – 1,000	309	39.82	274,033	0.41
1,001 – 10,000	282	36.34	1,251,858	1.87
10,001 – 100,000	136	17.53	5,163,044	7.70
100,001 – 3,349,999 (less than 5% of issued shares)	29	3.74	12,523,700	18.69
3,350,000 and above (5% and above of issued shares)	4	0.51	47,787,000	71.33
Total	**776**	**100**	**67,000,000**	**100.00**

Thirty Largest Shareholders

No.	Name of Shareholder	No. of Shares	%
1	Westiara Development Sdn Bhd	19,113,100	28.53
2	Cerdik Cempaka Sdn Bhd	17,956,900	26.80
3	Anjuran Utama Sdn Bhd	5,417,000	8.09
4	Fine Approach Sdn Bhd	5,300,000	7.91
5	Dato' Lee Tian Hock	1,500,000	2.24
6	Ong Boon Hai	1,006,800	1.50
7	Chang Min Wai	1,000,000	1.49
8	Chong Kwong Chin	1,000,000	1.49
9	Leong Low Pew	1,000,000	1.49
10	Zenxin Agriculture Sdn Bhd	900,000	1.34
11	Low Kim Fong	845,400	1.26
12	Yong Soi Mee	630,000	0.94
13	Nge Ying Choon	500,000	0.75
14	Siew Yoke Sum	400,000	0.60
15	Ng Eng Tong	388,000	0.58
16	Low Kim Fong	349,000	0.52
17	Lim Kwong Le	293,000	0.44
18	Ng Eng Fong	268,000	0.40
19	Khoo Chai Pek	250,000	0.37
20	Chong Yun Min	200,000	0.30
21	Hew Choy Yin	200,000	0.30
22	Adeline Chew Wai Yean	194,000	0.29
23	Kenanga Nominees (Tempatan) Sdn Bhd – Rakuten Trade Sdn Bhd for Chai Wei Sheng	190,000	0.28
24	Chong Wei Binajaya Sdn Bhd	183,700	0.27
25	Lim Zheng Xiang	177,000	0.26
26	Tan Seng Heng	174,100	0.26
27	Maybank Nominees (Tempatan) Sdn Bhd – Hau Leong Ming	150,000	0.22
28	Lai Chin Choy	145,000	0.22
29	Chia Well Lang	124,900	0.19
30	Jasmine Lee Kwun Min	120,000	0.18
	Total	**59,975,900**	**89.51**

Shareholders' Information (cont'd)

Substantial Shareholders

Name of Shareholder	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
Westiara Development Sdn Bhd	19,113,100	28.53	–	–
Dato' Ir. Tan Gee Swan @ Tan Suan Ching	100,000	0.15	19,113,100(1)	28.53
Raya Kasturi Sdn Bhd	–	–	19,113,100(2)	28.53
Abdul Aziz bin Isa	–	–	19,113,100(3)	28.53
Norbaizura binti Yadzid	–	–	19,113,100(3)	28.53
Cerdik Cempaka Sdn Bhd	17,956,900	26.80	–	–
Dato' Lee Tian Hock	1,500,000	2.24	17,956,900(4)	26.80
Mohd Sufian bin Abd Murad	–	–	17,956,900(4)	26.80
Abdul Jalil bin Mohd Abd Ghani	–	–	17,956,900(4)	26.80
Anjuran Utama Sdn Bhd	5,417,000	8.09	–	–
Dato' Hj Mohamad Haslah bin Mohamad Amin	–	–	5,417,000(5)	8.09
Nor Hasliza binti Mohamad Haslah	–	–	5,417,000(5)	8.09
Mohamad Haslizan bin Mohamad Haslah	–	–	5,417,000(5)	8.09
Fine Approach Sdn Bhd	5,300,000	7.91	–	–
Lee Tian Huat	100,000	0.15	5,300,000(6)	7.91
Yong Soi Mee	630,000	0.94	5,300,000(6)	7.91

Directors' Shareholdings

Name of Director	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
Dato' Hj Mohamad Haslah bin Mohamad Amin	–	–	5,417,000(5)	8.09
Dato' Ir. Tan Gee Swan @ Tan Suan Ching	100,000	0.15	19,113,100(1)	28.53
Dato' Lee Tian Hock	1,500,000	2.24	17,956,900(4)	26.80
Dato' Kamarulzaman bin Jamil	–	–	–	–
Czarina Alia binti Abdul Razak	–	–	–	–
Tuan Hj Mohamad Nor bin Abas	–	–	–	–
Shahrizam bin A Shukor	–	–	–	–

Notes:
(1) Deemed interested by virtue of his shareholdings in Westiara Development Sdn Bhd.
(2) Deemed interested by virtue of its shareholdings in Westiara Development Sdn Bhd.
(3) Deemed interested by virtue of his/her shareholdings in Raya Kasturi Sdn Bhd, which in turn has interest in Westiara Development Sdn Bhd.
(4) Deemed interested by virtue of his shareholdings in Cerdik Cempaka Sdn Bhd.
(5) Deemed interested by virtue of his/her shareholdings in Anjuran Utama Sdn Bhd.
(6) Deemed interested by virtue of his/her shareholdings in Fine Approach Sdn Bhd.

Notice of Twenty-Third Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-Third (23rd) Annual General Meeting of Stella Holdings Berhad (formerly known as Merge Energy Bhd) will be held at Board Room of the Company, No. 2 Jalan Apollo U5/190, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan on **Tuesday, 29 September 2020** at **10.00 a.m.** for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 March 2020 together with the Reports of the Directors and Auditors thereon. *Please refer to Explanatory Notes*

2. To approve the declaration of a final single-tier dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 March 2020. *Resolution 1*

3. To approve the payment of Directors' fees of RM228,000 from 1 September 2020 until the conclusion of the next Annual General Meeting of the Company. *Resolution 2*

4. To approve the payment of Directors' benefits of up to RM125,000 from 1 February 2020 until the conclusion of the next Annual General Meeting of the Company. *Resolution 3*

5. To re-elect the following Directors retiring pursuant to Article 108 of the Company's Constitution:

   (i) Dato' Hj Mohamad Haslah bin Mohamad Amin *Resolution 4*
   (ii) Dato' Ir. Tan Gee Swan @ Tan Suan Ching *Resolution 5*

6. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as Auditors and to authorise the Directors to fix their remuneration. *Resolution 6*

   As Special Business

7. To consider and if thought fit, to pass the following resolution as Ordinary Resolution:

   Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

   "**THAT**, subject to the Companies Act 2016, the Company's Constitution and approval from Bursa Malaysia Securities Berhad and other Governmental or regulatory bodies, full authority be and is hereby given to the Board of Directors pursuant to Sections 75 and 76 of the Companies Act 2016 to allot and issue shares in the Company at any time upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed twenty percent (20%) of the total number of issued shares of the Company for the time being **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." *Resolution 7*

8. To transact any other business of which due notice shall have been given.

Notice of Twenty-Third Annual General Meeting (cont'd)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a final single-tier dividend of 2.5 sen per ordinary share for the financial year ended 31 March 2020, if approved by the shareholders at the 23rd Annual General Meeting of the Company, will be paid on 27 October 2020 to the shareholders whose names appear on the Record of Depositors of the Company at the close of business on 7 October 2020.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

(a) shares transferred into the Depositor's Securities Account before 4.30 p.m on 7 October 2020 in respect of ordinary transfers; and

(b) shares bought on the Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

YEW @ YEOH SIEW YEN (MAICSA 7048094)
SSM PC No. 201908003496
Company Secretary

Selangor Darul Ehsan
26 August 2020

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A member shall be entitled to appoint only one proxy unless he has more than 1,000 shares in which case he may appoint up to two proxies provided each proxy appointed shall represent at least 1,000 shares. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company.

2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint more than one proxy but not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation, either under its Common Seal or the hand of a duly authorised officer or attorney of the corporation.

5. The instrument appointing a proxy shall be deposited at the registered office of the Company at No. 2 Jalan Apollo U5/190, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

6. For purpose of determining members' eligibility to attend the meeting, only members whose names appear in the Record of Depositors as at 22 September 2020 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on his behalf.

Explanatory Notes

1. **To receive the Audited Financial Statements**

   Agenda item no. 1 is meant for discussion only as the provision of Section 340(1) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

2. **Ordinary Resolution 2 and 3 - To approve the payment of Directors' fees and benefits**

   The proposed Ordinary Resolution 2 is to seek shareholders' approval for the payment of Directors' fees of RM228,000 from 1 September 2020 until the conclusion of the next Annual General Meeting of the Company, to be payable on a monthly basis in arrears after each month of completed services of the Director.

   The proposed Ordinary Resolution 3 is to seek shareholders' approval for the following payment of Directors' benefits:-

   i) Underprovision of Directors' benefit of up to RM36,000 from 1 February 2020 until 31 August 2020; and

   ii) Directors' benefit of up to RM89,000 from 1 September 2020 until the conclusion of the next Annual General Meeting of the Company.

3. **Ordinary Resolution 7 - Authority to Allot and Issue Shares**

   The existing general mandate for the authority to issue shares was approved by the shareholders of the Company at the 22nd Annual General Meeting held on 19 September 2019. The Company did not issue any new shares pursuant to the general mandate obtained at the 22nd Annual General Meeting.

   The proposed Ordinary Resolution 7 is to renew the authority granted by the shareholders of the Company at the 22nd Annual General Meeting. Bursa Malaysia Securities Berhad had on 16 April 2020 announced that listed issuers are allowed to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirement of not more than 20% of the total number of issued shares for issue of new securities ("**20% General Mandate**"). The 20% General Mandate, if passed, will give the Directors, authority to issue shares of not more than 20% of the total number of issued shares for such purposes as the Directors consider would be in the best interests of the Company. The 20% General Mandate may be utilised by listed issuer to issue new securities until 31 December 2021 and thereafter, the 10% general mandate will be reinstated.

   The Board of Directors is of the view that the adoption of the 20% General Mandate would be in the best interest of the Company and its shareholders, on the following basis:-

   a) Given the uncertainty surrounding the recovery of the Covid-19 outbreak and future financial needs of the Group, the additional fund raising flexibility through the 20% General Mandate will enable the Company, should it required to do so, to raise more fund to meets its requirements for working capital, operational expenditures or future investment projects, expeditiously and efficiently, to ensure the long term sustainability of the Company.

   b) This would also eliminate any delay arising from and cost involved in convening a separate general meeting to obtain the approval of the shareholders for such issuance of shares during this challenging period.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Details of persons who are standing for election as Directors

No individual is seeking election as a Director at the 23rd Annual General Meeting of the Company.

Administrative Guide

TWENTY-THIRD ANNUAL GENERAL MEETING OF STELLA HOLDINGS BERHAD (formerly known as Merge Energy Bhd) ("Stella" or "the Company") ("23rd AGM")

Date	:	Tuesday, 29 September 2020
Time	:	10.00 a.m.
Meeting Venue	:	The Boardroom of the Company, No. 2 Jalan Apollo U5/190, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan

1. Safety Measures due to Covid-19 Outbreak

a. In light of the Covid-19 outbreak, shareholders/proxies are encourage to abide and take all the necessary precautions and preventive measures including the Standard Operating Procedures for government and private events, including meetings as issued by the Ministry of Health, the Malaysian National Security Council and other relevant authorities before attending the 23rd AGM.

b. Shareholders are encouraged to appoint the Chairman of the Meeting as proxy to attend and vote for and on behalf at the 23rd AGM. You may submit your Proxy Form with pre-determined voting instructions for the Chairman to vote for and on your behalf.

c. All attendees will be required to undergo a temperature check upon arrival at the Meeting Venue. You will not be allowed to enter the Meeting Venue if you exhibits any flu-like symptoms or have a body temperature above 37.5 Celsius.

d. Patient under Investigation (PUI) and Person under Surveillance (PUS) are prohibited from attending the 23rd AGM.

e. All attendees must register with MySejahtera (QR code scanning) or manual registration for those who does not own a smartphone at the Meeting Venue.

f. All attendees must sanitise their hands and must wear face mask at the Meeting Venue.

g. All attendees must observe/maintain physical distancing throughout the 23rd AGM process.

h. The Company reserves the right to limit the total number of physical attendees in the 23rd AGM depending on the capacity of the Meeting Venue.

2. Eligibility to attend based on the Record of Depositors

Only shareholders whose names appear in the Record of Depositors as at 22 September 2020 ("ROD") shall be entitled to attend or appoint proxy(ies) to attend and vote on his/her behalf.

3. No Refreshment/Food and Door Gift

No refreshment/food and door gift will be provided at the 23rd AGM.

4. Pre-registration to attend the 23rd AGM

Shareholders are required to register ahead of the 23rd AGM to allow the Company to make the necessary arrangement in relation to the meeting by emailing to bsr.helpdesk@boardroomlimited.com the following information:-

(i) Company Name : Stella Holdings Berhad;
(ii) Full name;
(iii) Identity Card or Passport number;
(iv) Mobile number; and
(v) CDS account number.

After verification of your registration against the ROD, the Share Registrar of the Company will send you an email after 22 September 2020 to notify you if your registration has been approved or rejected to attend physically at the Meeting Venue.

5. Registration on the Meeting Date

Registration will start at 9.00 a.m. on 29 September 2020. Original MyKad or passport is required to be presented during registration for verification at the Meeting Venue. You will not be allowed to register on behalf of another person even with the original MyKad or passport of that person.

6. Updates on 23rd AGM arrangement

Shareholders are reminded to monitor the Company's website or announcements from time to time for the latest updates on the status or changes to the arrangement of the 23rd AGM process.

7. Enquiry

If you have any enquiries prior to the 23rd AGM, please contact the following person during office hours:-

Boardroom Share Registrar Sdn. Bhd. En. Zulkernaen Abdul Samad Tel : 03-78904741 Fax : 03-78904670 Email : Zulkernaen.Samad@boardroomlimited.com	**Stella Holdings Berhad** Ms. Sandy Yeoh Tel : 03-78472900 Fax : 03-78455800 Email : sandy@stella-holdings.com.my

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PROXY FORM

STELLA
HOLDINGS BERHAD

STELLA HOLDINGS BERHAD
(formerly known as Merge Energy Bhd)
Company No. 199701004603 (420099-X)
(Incorporated in Malaysia)

No. of shares held	
CDS Account No.	

I/We (full name in block capitals) ....

NRIC No./Company No...of (full address)...

....
being a *member/members of STELLA HOLDINGS BERHAD, hereby appoint the following person (s):-

Name of Proxy & NRIC No.	No. of share to be represented by proxy	Mobile No.
1.		
2.		

or failing him/her, the Chairman of the meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Twenty-Third Annual General Meeting of the Company to be held at the Board Room of the Company, No. 2 Jalan Apollo U5/190, Bandar Pinggiran Subang, Seksyen U5, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 29 September 2020 at 10.00 a.m., and at any adjournment thereof.

Resolution No.	Agenda	For	Against
1.	To approve the declaration of a final single-tier dividend		
2.	To approve the payment of Directors' fees		
3.	To approve the payment of Directors' benefits		
4.	To re-elect Dato' Hj Mohamad Haslah bin Mohamad Amin as Director		
5.	To re-elect Dato' Ir. Tan Gee Swan @ Tan Suan Ching as Director		
6.	To re-appoint Messrs Baker Tilly Monteiro Heng PLT as Auditors		
7.	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		

[Please indicate with an "X" in the space provided above on how you wish your vote to be cast. Unless otherwise instructed, the proxy may vote as he/she shall think fit in respect of the resolution.]

* *Delete if not applicable.*

Signed this ……….. day of ………………………….. 2020

……………………………………………………
Signature/Common Seal of Shareholder

Notes:

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Fold This Flap For Sealing

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AFFIX
STAMP

The Company Secretary
STELLA HOLDINGS BERHAD
(formerly known as Merge Energy Bhd)
No. 2, Jalan Apollo U5/190
Bandar Pinggiran Subang
Seksyen U5
40150 Shah Alam
Selangor Darul Ehsan

1st Fold Here

STELLA
HOLDINGS BERHAD
(formerly known as Merge Energy Bhd)
(199701004603) (420099-X)

No. 2, Jalan Apollo U5/190,
Bandar Pinggiran Subang,
Seksyen U5, 40150 Shah Alam,
Selangor.

Tel : 03-7847 2900 Fax : 03-7845 5800

Email: stella@stella-holdings.com.my

www.stella-holdings.com.my