

PERKARA
 Inilah Benda bukti bertanda.....
 yang disebutkan didalam surat ikrar..... *Dato' Seri Koay Huan Eng*
 Diikrar pada **30 SEP 2021**

Pengadil, Mahkamah Rendah, Pulau Pinang
Pesuruhjaya Sumpah Pulau Pinang



NO. 67 BISHOP STREET
 10200 PULAU PINANG

Kobay Technology Bhd.
199401022600 (308279-A)
(Incorporated in Malaysia)

**Reports and financial statements
 for the financial year ended 30 June 2021**

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Directors' report

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 30 June 2021.

Principal activities

The principal activities of the Company are those of investment holding and provision of management services. The principal activities and other details of the subsidiaries are disclosed in Note 9 to the financial statements.

Results

| | Group RM | Company RM |
|---|-------------------|-------------------|
| Profit for the financial year attributable to:- | | |
| - Owners of the Company | 26,760,741 | 30,312,931 |
| - Non-controlling interests | <u>172,482</u> | <u>0</u> |
| | <u>26,933,223</u> | <u>30,312,931</u> |

Dividends

During the financial year, the Company paid a final single tier dividend of 6.0 sen per share amounting to RM6,125,616 in respect of the financial year ended 30 June 2020.

A final single tier dividend of 2.0 sen per share in respect of the financial year ended 30 June 2021 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

Reserves and provisions

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

Issue of shares or debentures

During the financial year, the Company issued 204,187,202 new ordinary shares by way of bonus issue on the basis of 2 new ordinary shares for every 1 existing ordinary share held in the Company.

The Company did not issue any debentures during the financial year.

Share options

The Company did not grant any share options during the financial year.

Bad and doubtful debts

Before the financial statements 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 provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

Directors' report

Bad and doubtful debts (cont'd)

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 the provision for doubtful debts inadequate to any substantial extent.

Current assets

Before the financial statements 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 the value of current assets as shown in the accounting records have been written down to an amount which the current assets 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 current assets in the financial statements misleading.

Valuation methods

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group or 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 the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group or the Company to meet their obligations 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 which would render any amount stated in the financial statements misleading.

Items of an unusual nature

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

Directors' report

Directors

The directors in office since the beginning of the financial year are:-

Directors of the Company

Dato' Seri Koay Hean Eng
 Koay Cheng Lye
 Koay Ah Bah @ Koay Cheng Hock
 Dr. Mohamad Zabdi Bin Zamrod (deceased on 5.1.2021)
 Khaw Eng Peng
 Sharifah Faridah Binti Dato' Syed Mahadzar Jamalullil (appointed on 11.1.2021)

Directors of subsidiaries (other than directors of the Company)

Koay Wooi Tatt
 Koay Zee Ee
 Chan Mun Shee
 Yee San Khien
 Koay Wei Keong (appointed on 7.1.2021)
 Lim Kean Hoe (appointed on 7.1.2021)
 Lim Kean Lai (appointed on 7.1.2021)

Directors' interests

According to the register of directors' shareholdings, the interests in shares in the Company of the directors in office at the end of the financial year are as follows:-

| Name of director | Number of ordinary shares | | | | | |
|----------------------------------|---------------------------|------------------------|--------|-------------------------|---------------------------|----------------------------|
| | Direct interest | | | Deemed interest | | |
| | Balance at 1.7.2020 | Bought/ Bonus issue | (Sold) | Balance at 30.6.2021 | Balance at 1.7.2020 | Balance at 30.6.2021 |
| Dato' Seri Koay Hean Eng | 0 | 0 | 0 | 0 | 33,432,980 ^(a) | 100,298,940 ^(a) |
| Koay Cheng Lye | 0 | 0 | 0 | 0 | 33,432,980 ^(a) | 100,298,940 ^(a) |
| Koay Ah Bah @ Koay Cheng Hock | 0 | 0 | 0 | 0 | 33,432,980 ^(a) | 100,298,940 ^(a) |

^(a) Deemed interest by virtue of shares held by company in which the director has interest

By virtue of their interests in shares in the Company, Dato' Seri Koay Hean Eng, Koay Cheng Lye and Koay Ah Bah @ Koay Cheng Hock are also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 8 of the Companies Act 2016.

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 27 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 except for any benefits which may be deemed to have arisen by virtue of certain related party transactions as disclosed in Note 32 to the financial statements.

Directors' report

Directors' benefits (cont'd)

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose 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 and insurance for directors and officers

There was no indemnity given to or liability insurance effected for any director or officer of the Group or the Company during the financial year.

Auditors

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 26 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

Signed in accordance with a resolution of the directors dated 30 SEP 2021



Dato' Seri Koay Hean Eng



Koay Cheng Lye

Statement by directors

In the opinion of the directors, the financial statements set out on pages 12 to 72 give a true and fair view of the financial position of the Group and the Company as at 30 June 2021 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed in accordance with a resolution of the directors dated 30 SEP 2021



Dato' Seri Koay Hean Eng



Koay Cheng Lye

Statutory declaration

I, Dato' Seri Koay Hean Eng, being the director primarily responsible for the financial management of Kobay Technology Bhd., do solemnly and sincerely declare that the financial statements set out on pages 12 to 72 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the
abovenamed Dato' Seri Koay Hean Eng
at George Town in the State of Penang on
this **30 SEP 2021**



Dato' Seri Koay Hean Eng

Before me



NO. 67 BISHOP STREET
10200 PULAU PINANG

**Independent auditors' report to the members of
Kobay Technology Bhd.
199401022600 (308279-A)
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kobay Technology Bhd., which comprise the statements of financial position as at 30 June 2021 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and 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 12 to 72.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2021, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group and the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and the Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Independent auditors' report to the members of
Kobay Technology Bhd. (cont'd)
199401022600 (308279-A)
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| <i>Key audit matter</i> | <i>How our audit addressed the key audit matter</i> |
|---|---|
| <p><u>Property development activities (Refer to Notes 3 and 7 to the financial statements)</u></p> <p>For property development in progress, the Group recognises revenue over time by measuring the progress towards complete satisfaction of the performance obligation. Property development costs are also recognised in profit or loss on a systematic basis that is consistent with the recognition of related revenue. These procedures involve judgements in estimating the total costs and outcome of the development activity based on past experience, work of experts and continuous monitoring mechanism.</p> <p>Land held for future development is subject to assessment for any potential write-down of cost to net realisable value. Such assessment involves judgements in considering information about the asset's value and economic performance as well as the overall property market conditions.</p> | <p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> Obtaining an understanding of:- <ul style="list-style-type: none"> the Group's feasibility study and budgeting process; and how the Group estimates the total costs and outcome of the development activity. Reviewing the project budgets and evaluating the reasonableness thereof by examining supporting documentation such as contracts, letters of award, variation orders, quotations, etc. Verifying major costs incurred to supporting documentation such as contracts, progress claims, invoices, architect certifications, etc. Reviewing the feasibility study of future projects and evaluating the reasonableness thereof by examining the contractual terms of joint venture agreements, project plans, estimated gross development value and costs as well as the prospective market and economic conditions. Where feasibility study is not available, evaluating the reasonableness of fair value estimates made by management for land itself. |
| <p><u>Impairment of receivables (Refer to Notes 3 and 12 to the financial statements)</u></p> <p>The Group carries significant receivables and is subject to major credit risk exposure. The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.</p> | <p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> Obtaining an understanding of:- <ul style="list-style-type: none"> the Group's control over the receivable collection process; how the Group identifies and assesses the impairment of receivables; and how the Group makes the accounting estimates for impairment. Reviewing the ageing analysis and past due status of receivables and testing the reliability thereof. Reviewing the subsequent cash collections for major receivables and overdue amounts. Making inquiries of management regarding the action plans to recover overdue amounts. |

**Independent auditors' report to the members of
Kobay Technology Bhd. (cont'd)
199401022600 (308279-A)
(Incorporated in Malaysia)**

| <i>Key audit matter</i> | <i>How our audit addressed the key audit matter</i> |
|--|--|
| <u>Impairment of receivables (Refer to Notes 3 and 12 to the financial statements) (cont'd)</u> | <ul style="list-style-type: none"> • Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections. • Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix. • Evaluating the reasonableness and adequacy of the resulting loss allowance recognised. |
| <u>Valuation of inventories (Refer to Notes 3 and 14 to the financial statements)</u> The Group carries significant inventories. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involves judgements and estimation uncertainty in forming expectations about future sales and demands. | Our audit procedures included, among others:- <ul style="list-style-type: none"> • Obtaining an understanding of:- <ul style="list-style-type: none"> • the Group's inventory management process; • how the Group identifies and assesses inventory write-downs; and • how the Group makes the accounting estimates for inventory write-downs. • Reviewing the ageing analysis of inventories and testing the reliability thereof. • Examining the perpetual records for inventory movements and to identify slow moving aged items. • Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories. • Reviewing the net realisable value of major inventories. • Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures. |

We have determined that there are no key audit matters to communicate in our report in respect of 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 directors' report (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

**Independent auditors' report to the members of
Kobay Technology Bhd. (cont'd)
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(Incorporated in Malaysia)**

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and request that a correction be made. If the directors refuse to make the correction, we shall take appropriate action considering our legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom our auditors' report is prepared.

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 the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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 the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Independent auditors' report to the members of
Kobay Technology Bhd. (cont'd)
199401022600 (308279-A)
(Incorporated in Malaysia)**

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 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 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 the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

**Independent auditors' report to the members of
Kobay Technology Bhd. (cont'd)
199401022600 (308279-A)
(Incorporated in Malaysia)**

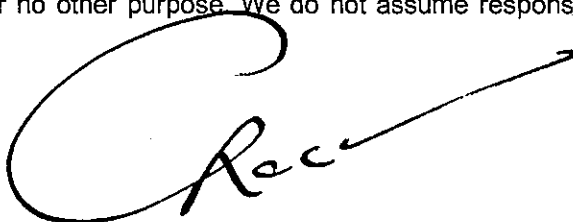
From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Company of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law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



Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants



Eddy Chan Wai Hun
02182/10/2021 J
Chartered Accountant

Date: **30 SEP 2021**

Penang

Kobay Technology Bhd.
199401022600 (308279-A)
(Incorporated in Malaysia)

Consolidated statement of financial position as at 30 June 2021

| | Note | 2021 RM | 2020 RM |
|--|------|--------------------|--------------------|
| Non-current assets | | | |
| Property, plant and equipment | 4 | 66,175,251 | 69,294,499 |
| Investment properties | 5 | 4,838,195 | 4,839,625 |
| Right-of-use assets | 6 | 12,772,872 | 13,251,798 |
| Land held for property development | 7 | 43,598,015 | 40,133,840 |
| Intangible assets | 8 | 98,742 | 98,742 |
| Investment in joint venture | 10 | 0 | 751,382 |
| Other investments | 11 | 2,301,094 | 1,515 |
| Receivables | 12 | 4,344,615 | 2,871,700 |
| Deferred tax assets | 13 | 516,000 | 0 |
| | | <u>134,644,784</u> | <u>131,243,101</u> |
| Current assets | | | |
| Property development costs | 7 | 25,753,812 | 11,128,520 |
| Receivables | 12 | 44,944,634 | 61,715,091 |
| Inventories | 14 | 23,803,202 | 27,178,917 |
| Derivatives | 15 | 18,990 | 0 |
| Prepayments | 16 | 13,181,750 | 4,335,100 |
| Current tax assets | | 1,665,965 | 1,629,501 |
| Cash and cash equivalents | 17 | 49,265,102 | 48,819,008 |
| | | <u>158,633,455</u> | <u>154,806,137</u> |
| Current liabilities | | | |
| Derivatives | 15 | 96,945 | 70,971 |
| Contract liabilities | 18 | 70,788 | 2,097,150 |
| Payables | 19 | 35,348,713 | 34,661,352 |
| Loans and borrowings | 20 | 16,076,767 | 19,546,472 |
| Current tax liabilities | | 1,165,492 | 2,857,693 |
| | | <u>52,758,705</u> | <u>59,233,638</u> |
| Net current assets | | <u>105,874,750</u> | <u>95,572,499</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | 13 | 4,771,000 | 4,369,000 |
| Loans and borrowings | 20 | 24,964,502 | 22,709,393 |
| Deferred income on government grants | 21 | 758,961 | 862,430 |
| | | <u>30,494,463</u> | <u>27,940,823</u> |
| Net assets | | <u>210,025,071</u> | <u>198,874,777</u> |
| Equity | | | |
| Share capital | 22 | 102,103,907 | 102,103,907 |
| Treasury shares | 22 | (9,522,642) | 0 |
| Capital reserve | | 1,550,000 | 1,550,000 |
| Retained profits | | 115,288,181 | 94,653,056 |
| Equity attributable to owners of the Company | | <u>209,419,446</u> | <u>198,306,963</u> |
| Non-controlling interests | 23 | 605,625 | 567,814 |
| Total equity | | <u>210,025,071</u> | <u>198,874,777</u> |

Consolidated statement of comprehensive income for the financial year ended 30 June 2021

| | Note | 2021 RM | 2020 RM |
|---|------|-------------------|-------------------|
| Revenue | 24 | 156,990,808 | 197,524,435 |
| Cost of revenue | | (100,018,693) | (131,946,925) |
| Gross profit | | <u>56,972,115</u> | <u>65,577,510</u> |
| Interest income | | 1,265,111 | 940,601 |
| Other income | | 4,718,903 | 2,918,963 |
| Administrative and general expenses | | (21,204,781) | (29,169,403) |
| Selling and distribution expenses | | (4,673,137) | (5,501,189) |
| Finance costs | | (1,106,683) | (1,016,215) |
| Impairment losses on financial assets | 25 | (591,939) | 0 |
| Share of joint venture's profit | | 3,218 | 5,071 |
| Profit before tax | 26 | <u>35,382,807</u> | <u>33,755,338</u> |
| Tax expense | 28 | (8,449,584) | (9,654,265) |
| Profit for the financial year | | <u>26,933,223</u> | <u>24,101,073</u> |
| Other comprehensive income:- | | | |
| <i>Item that may be reclassified subsequently to profit or loss:-</i> | | | |
| - Reclassification adjustment on dissolution of foreign operation | | 0 | (87,170) |
| Total other comprehensive income for the financial year | | <u>0</u> | <u>(87,170)</u> |
| Comprehensive income for the financial year | | <u>26,933,223</u> | <u>24,013,903</u> |
| Profit for the financial year attributable to:- | | | |
| - Owners of the Company | | 26,760,741 | 23,925,944 |
| - Non-controlling interests | 23 | <u>172,482</u> | <u>175,129</u> |
| | | <u>26,933,223</u> | <u>24,101,073</u> |
| Comprehensive income for the financial year attributable to:- | | | |
| - Owners of the Company | | 26,760,741 | 23,838,774 |
| - Non-controlling interests | | <u>172,482</u> | <u>175,129</u> |
| | | <u>26,933,223</u> | <u>24,013,903</u> |
| Earnings per share:- | 29 | | |
| - Basic (sen) | | <u>8.76</u> | <u>7.81</u> |
| - Diluted (sen) | | <u>8.76</u> | <u>7.81</u> |

Consolidated statement of changes in equity for the financial year ended 30 June 2021

| | Non-distributable | | | | Distributable | | Equity attributable to owners of the Company RM | Non-controlling interests RM | Total equity RM |
|--|-------------------|--------------------|--------------------|---------------------------------|---------------------|--|---|------------------------------|-----------------|
| | Share capital RM | Treasury shares RM | Capital reserve RM | Currency translation reserve RM | Retained profits RM | | | | |
| Balance at 1 July 2019 | 102,103,907 | 0 | 1,550,000 | 87,170 | 73,787,797 | | 177,528,874 | 506,808 | 178,035,682 |
| Profit for the financial year | 0 | 0 | 0 | 0 | 23,925,944 | | 23,925,944 | 175,129 | 24,101,073 |
| Reclassification adjustment on dissolution of foreign operation (representing other comprehensive income for the financial year) | 0 | 0 | 0 | (87,170) | 0 | | (87,170) | 0 | (87,170) |
| Comprehensive income for the financial year | 0 | 0 | 0 | (87,170) | 23,925,944 | | 23,838,774 | 175,129 | 24,013,903 |
| Dividend to owners of the Company (Note 30) | 0 | 0 | 0 | 0 | (3,062,808) | | (3,062,808) | 0 | (3,062,808) |
| Dividends to non-controlling interests | 0 | 0 | 0 | 0 | 0 | | 0 | (100,000) | (100,000) |
| Distributions to owners | 0 | 0 | 0 | 0 | (3,062,808) | | (3,062,808) | (100,000) | (3,162,808) |
| Change in ownership interest in subsidiary | 0 | 0 | 0 | 0 | 2,123 | | 2,123 | (14,123) | (12,000) |
| Total transactions with owners | 0 | 0 | 0 | 0 | (3,060,685) | | (3,060,685) | (114,123) | (3,174,808) |
| Balance at 30 June 2020 | 102,103,907 | 0 | 1,550,000 | 0 | 94,653,056 | | 198,306,963 | 567,814 | 198,874,777 |

Consolidated statement of changes in equity for the financial year ended 30 June 2021 (cont'd)

| | Non-distributable | | | Distributable | | Equity attributable to owners of the Company RM | Non-controlling interests RM | Total equity RM |
|---|-------------------|--------------------|--------------------|---------------------------------|---------------------|---|------------------------------|-----------------|
| | Share capital RM | Treasury shares RM | Capital reserve RM | Currency translation reserve RM | Retained profits RM | | | |
| Balance at 1 July 2020 | 102,103,907 | 0 | 1,550,000 | 0 | 94,653,056 | 198,306,963 | 567,814 | 198,874,777 |
| Dissolution of subsidiary | 0 | 0 | 0 | 0 | 0 | 0 | (12,220) | (12,220) |
| Profit (representing comprehensive income) for the financial year | 0 | 0 | 0 | 0 | 26,760,741 | 26,760,741 | 172,482 | 26,933,223 |
| Issue of shares to non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 | 49 | 49 |
| Purchase of own shares | 0 | (9,522,642) | 0 | 0 | 0 | (9,522,642) | 0 | (9,522,642) |
| Dividend to owners of the Company (Note 30) | 0 | 0 | 0 | 0 | (6,125,616) | (6,125,616) | 0 | (6,125,616) |
| Dividends to non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 | (122,500) | (122,500) |
| Total transactions with owners | 0 | (9,522,642) | 0 | 0 | (6,125,616) | (15,648,258) | (122,451) | (15,770,709) |
| Balance at 30 June 2021 | 102,103,907 | (9,522,642) | 1,550,000 | 0 | 115,288,181 | 209,419,446 | 605,625 | 210,025,071 |

Consolidated statement of cash flows for the financial year ended 30 June 2021

| | Note | 2021 RM | 2020 RM |
|--|------|--------------|--------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 35,382,807 | 33,755,338 |
| Adjustments for:- | | | |
| Amortisation of deferred income on government grants | | (420,547) | (436,089) |
| Depreciation | | 7,552,834 | 7,202,278 |
| Development costs written off | | 0 | 1,693,356 |
| Dividend income | | 0 | (54,070) |
| Fair value gains on financial instruments | | (1,155,567) | (201,804) |
| Gain on disposal of property, plant and equipment | | (70,410) | (213,158) |
| Gain on disposal of subsidiary | | 0 | (72) |
| Gain on dissolution of subsidiary | | 0 | (87,170) |
| Impairment loss on investment property | | 0 | 63,100 |
| Impairment losses on financial assets | | 591,939 | 0 |
| Interest expense | | 1,106,683 | 1,016,215 |
| Interest income | | (1,265,111) | (940,601) |
| Inventories written down | | 2,991 | 2,195,000 |
| Property, plant and equipment written off | | 55,808 | 199,878 |
| Share of joint venture's profit | | (3,218) | (5,071) |
| Unrealised (gain)/loss on foreign exchange | | (75,596) | 21,823 |
| Waiver of debts | | 0 | (15,351) |
| Operating profit before working capital changes | | 41,702,613 | 44,193,602 |
| Changes in:- | | | |
| Land held for property development | | (3,464,175) | 1,148,000 |
| Property development costs | | (14,625,292) | 13,111,457 |
| Inventories | | 3,372,724 | (15,340,746) |
| Receivables | | 14,826,254 | (25,277,690) |
| Contract assets and contract liabilities | | (2,026,362) | 9,774,805 |
| Derivatives | | (70,971) | (3,986) |
| Prepayments | | (332,293) | (2,233,186) |
| Payables | | 594,349 | (3,419,712) |
| Cash generated from operations | | 39,976,847 | 21,952,544 |
| Tax paid | | (10,966,094) | (9,388,121) |
| Tax refunded | | 674,478 | 898,872 |
| Net cash from operating activities | | 29,685,231 | 13,463,295 |

Consolidated statement of cash flows for the financial year ended 30 June 2021 (cont'd)

| | Note | 2021 RM | 2020 RM |
|--|------|-------------------|-------------------|
| Cash flows from investing activities | | | |
| Acquisition of other investments | | (1,602,622) | (3,651,196) |
| Acquisition of property, plant and equipment | | (3,986,690) | (22,008,922) |
| Acquisition of right-of-use assets | | 0 | (107,849) |
| Acquisition of subsidiary, net of cash acquired | 9 | 409,890 | 0 |
| Additions of investment properties | | (452,365) | (13,403) |
| Disposal of subsidiary, net of cash disposed of | | 0 | (3,213) |
| Dividend received | | 0 | 54,070 |
| Grants received | | 317,078 | 0 |
| Interest received | | 1,265,111 | 932,669 |
| Issue of shares to non-controlling interests | | 49 | 0 |
| Prepayment for acquisition of subsidiaries | 16 | (4,766,568) | 0 |
| Prepayment for acquisition of land and building | 16 | (3,308,800) | 0 |
| Proceeds from disposal of assets held for sale | | 0 | 21,000 |
| Proceeds from disposal of investment property | | 420,000 | 0 |
| Proceeds from disposal of other investments | | 536,565 | 3,923,971 |
| Proceeds from disposal of property, plant and equipment | | 80,294 | 1,046,256 |
| Net cash used in investing activities | | (11,088,058) | (19,806,617) |
| Cash flows from financing activities | | | |
| Acquisition of shares from non-controlling interests | | 0 | (12,000) |
| Capital distribution to non-controlling interests | | (12,220) | 0 |
| Changes in term deposits pledged as security | | 14,545 | (228,739) |
| (Decrease)/Increase in short-term loans and borrowings (net) | 31 | (6,497,021) | 12,690,555 |
| Dividend paid to owners of the Company | | (6,125,616) | (3,062,808) |
| Dividends paid to non-controlling interests | | (122,500) | (100,000) |
| Drawdown of term loans | 31 | 5,489,584 | 9,971,200 |
| Interest paid | | (1,106,992) | (992,898) |
| Purchase of own shares | | (9,522,642) | 0 |
| Repayment of term loans | 31 | (3,266,650) | (2,543,043) |
| Net cash (used in)/from financing activities | | (21,149,512) | 15,722,267 |
| Currency translation differences | | 12,898 | (5,382) |
| Net (decrease)/increase in cash and cash equivalents | | (2,539,441) | 9,373,563 |
| Cash and cash equivalents brought forward | | 45,552,184 | 36,178,621 |
| Cash and cash equivalents carried forward | 17 | <u>43,012,743</u> | <u>45,552,184</u> |

Statement of financial position as at 30 June 2021

| | Note | 2021 RM | 2020 RM |
|--------------------------------|------|--------------------|--------------------|
| Non-current assets | | | |
| Property, plant and equipment | 4 | 364,436 | 441,841 |
| Investments in subsidiaries | 9 | 141,057,567 | 122,945,516 |
| Investment in joint venture | 10 | 0 | 750,000 |
| Other investment | 11 | 1,500 | 1,515 |
| | | <u>141,423,503</u> | <u>124,138,872</u> |
| Current assets | | | |
| Receivables | 12 | 910,491 | 6,036,922 |
| Prepayments | 16 | 4,781,426 | 11,317 |
| Current tax assets | | 264,481 | 213,430 |
| Cash and cash equivalents | 17 | 19,642,175 | 21,977,194 |
| | | <u>25,598,573</u> | <u>28,238,863</u> |
| Current liabilities | | | |
| Payables | 19 | 412,976 | 2,322,695 |
| Loans and borrowings | 20 | 3,906,527 | 850,783 |
| | | <u>4,319,503</u> | <u>3,173,478</u> |
| Net current assets | | <u>21,279,070</u> | <u>25,065,385</u> |
| Non-current liabilities | | | |
| Loans and borrowings | 20 | 5,773,979 | 6,940,336 |
| Net assets | | <u>156,928,594</u> | <u>142,263,921</u> |
| Equity | | | |
| Share capital | 22 | 102,103,907 | 102,103,907 |
| Treasury shares | 22 | (9,522,642) | 0 |
| Retained profits | | 64,347,329 | 40,160,014 |
| Total equity | | <u>156,928,594</u> | <u>142,263,921</u> |

Statement of comprehensive income for the financial year ended 30 June 2021

| | Note | 2021 RM | 2020 RM |
|---|------|-------------------|-------------------|
| Revenue | 24 | 35,534,947 | 17,988,470 |
| Interest income | | 340,640 | 181,728 |
| Other income | | 22,501 | 272,775 |
| Administrative and general expenses | | (5,505,927) | (5,285,464) |
| Finance costs | | (47,031) | (119,305) |
| Impairment losses on financial assets | 25 | 0 | (3,909) |
| Profit before tax | 26 | 30,345,130 | 13,034,295 |
| Tax (expense)/income | 28 | (32,199) | 46,630 |
| Profit for the financial year | | <u>30,312,931</u> | <u>13,080,925</u> |
| Other comprehensive income for the financial year | | 0 | 0 |
| Comprehensive income for the financial year | | <u>30,312,931</u> | <u>13,080,925</u> |

Statement of changes in equity for the financial year ended 30 June 2021

| | Share capital RM | Treasury shares RM | <u>Distributable</u> Retained profits RM | Total equity RM |
|---|------------------------|--------------------------|---|-----------------------|
| Balance at 1 July 2019 | 102,103,907 | 0 | 30,141,897 | 132,245,804 |
| Profit (representing comprehensive income) for the financial year | 0 | 0 | 13,080,925 | 13,080,925 |
| Dividend (representing total transactions with owners) (Note 30) | 0 | 0 | (3,062,808) | (3,062,808) |
| Balance at 30 June 2020 | <u>102,103,907</u> | <u>0</u> | <u>40,160,014</u> | <u>142,263,921</u> |
| Profit (representing comprehensive income) for the financial year | 0 | 0 | 30,312,931 | 30,312,931 |
| Purchase of own shares | 0 | (9,522,642) | 0 | (9,522,642) |
| Dividend (Note 30) | 0 | 0 | (6,125,616) | (6,125,616) |
| Total transactions with owners | 0 | (9,522,642) | (6,125,616) | (15,648,258) |
| Balance at 30 June 2021 | <u>102,103,907</u> | <u>(9,522,642)</u> | <u>64,347,329</u> | <u>156,928,594</u> |

Statement of cash flows for the financial year ended 30 June 2021

| | Note | 2021 RM | 2020 RM |
|---|------|--------------|--------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 30,345,130 | 13,034,295 |
| Adjustments for:- | | | |
| Depreciation | | 96,402 | 97,337 |
| Dividend income | | (32,572,171) | (15,447,697) |
| Fair value gains on financial instruments | | 0 | (272,775) |
| Gain on dissolution of subsidiary | | (22,501) | 0 |
| Impairment losses on financial assets | | 0 | 3,909 |
| Interest expense | | 47,031 | 119,305 |
| Interest income | | (340,640) | (181,728) |
| Loss on disposal of subsidiary | | 0 | 4,854 |
| Property, plant and equipment written off | | 9 | 14 |
| Operating loss before working capital changes | | (2,446,740) | (2,642,486) |
| Changes in:- | | | |
| Receivables | | (4,103) | 29,822 |
| Prepayments | | (3,541) | (4,450) |
| Payables | | (9,719) | (228,663) |
| Cash absorbed by operations | | (2,464,103) | (2,845,777) |
| Tax paid | | (83,250) | (121,400) |
| Net cash used in operating activities | | (2,547,353) | (2,967,177) |
| Cash flows from investing activities | | | |
| Acquisition of other investments | | 0 | (3,651,196) |
| Acquisition of property, plant and equipment | | (19,006) | (37,400) |
| Acquisition of subsidiaries | | (862,000) | 0 |
| Capital distribution from subsidiary | | 22,501 | 0 |
| Dividends received | | 32,572,171 | 15,447,697 |
| Incorporation of subsidiary | | (51) | 0 |
| Interest received | | 340,640 | 181,728 |
| Net repayment from subsidiaries | | 3,230,534 | 6,238,881 |
| Prepayment for acquisition for subsidiaries | 16 | (4,766,568) | 0 |
| Proceeds from disposal of assets held for sale | | 0 | 21,000 |
| Proceeds from disposal of other investments | | 15 | 3,923,971 |
| Proceeds from disposal of property, plant and equipment | | 0 | 4,032 |
| Proceeds from disposal of subsidiary | | 0 | 44,871 |
| Redemption of preference shares from subsidiaries | | 1,320,000 | 0 |
| Subscription for shares in subsidiaries | | (17,820,000) | (7,992,000) |
| Net cash from investing activities | | 14,018,236 | 14,181,584 |

Statement of cash flows for the financial year ended 30 June 2021 (cont'd)

| | Note | 2021 RM | 2020 RM |
|--|------|--------------------|--------------------|
| Cash flows from financing activities | | | |
| Dividend paid | | (6,125,616) | (3,062,808) |
| Interest paid | | (47,031) | (119,305) |
| Purchase of own shares | | (9,522,642) | 0 |
| Repayment of term loans | 31 | <u>(1,110,693)</u> | <u>(1,030,025)</u> |
| Net cash used in financing activities | | (16,805,982) | (4,212,138) |
| Net (decrease)/increase in cash and cash equivalents | | (5,335,099) | 7,002,269 |
| Cash and cash equivalents brought forward | | 21,969,194 | 14,966,925 |
| Cash and cash equivalents carried forward | 17 | <u>16,634,095</u> | <u>21,969,194</u> |

Notes to the financial statements - 30 June 2021

1. General information

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 9.

The registered office and principal place of business of the Company are located at 3rd Floor, Wisma Kobay, No. 42-B Jalan Rangoon, 10400 George Town, Penang, Malaysia.

The consolidated financial statements set out on pages 12 to 17 together with the notes thereto cover the Company and its subsidiaries ("Group") and the Group's interest in a joint venture. The separate financial statements of the Company set out on pages 18 to 22 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

The financial statements were authorised for issue in accordance with a resolution of the directors dated **30 SEP 2021**

2. Significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following MFRSs became effective for the financial year under review:-

| MFRS | Effective for annual periods beginning on or after |
|---|--|
| Amendments to MFRS 3 <i>Definition of a Business</i> | 1 January 2020 |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i> | 1 January 2020 |
| Amendment to MFRS 16 <i>Covid-19-Related Rent Concessions</i> | 1 June 2020 |
| Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i> | 1 January 2020 |
| Amendments to References to the Conceptual Framework in MFRS Standards | 1 January 2020 |

The Group and the Company have also early applied the Amendment to MFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* which is effective for annual periods beginning on or after 1 April 2021.

The initial application of the above MFRSs did not have any significant impacts on the financial statements.

Notes to the financial statements - 30 June 2021

2. Significant accounting policies (cont'd)

2.1 Basis of preparation of financial statements (cont'd)

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

| MFRS (issued as at the end of the reporting period) | Effective for annual periods beginning on or after |
|---|--|
| MFRS 17 <i>Insurance Contracts</i> | 1 January 2023 |
| Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i> | 1 January 2022 |
| Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 <i>Interest Rate Benchmark Reform - Phase 2</i> | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Deferred |
| Amendments to MFRS 17 <i>Insurance Contracts</i> | 1 January 2023 |
| Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i> | 1 January 2023 |
| Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i> | 1 January 2023 |
| Amendments to MFRS 108 <i>Definition of Accounting Estimates</i> | 1 January 2023 |
| Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> | 1 January 2023 |
| Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i> | 1 January 2022 |
| Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i> | 1 January 2022 |
| Annual Improvements to MFRS Standards 2018 - 2020 | 1 January 2022 |

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements.

2.2 Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses.

Business combinations are accounted for using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Notes to the financial statements - 30 June 2021

2. Significant accounting policies (cont'd)

2.2 Business combinations (cont'd)

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
 - (i) the acquisition-date fair value of the consideration transferred;
 - (ii) the amount of any non-controlling interests; and
 - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.11. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

2.3 Basis of consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the acquisition method, except for Kobay UA Sdn. Bhd., the acquisition of which did not constitute a business combination and was accounted for as an asset acquisition. A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

Notes to the financial statements - 30 June 2021

2. Significant accounting policies (cont'd)

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.11.

Freehold land and capital work-in-progress are not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

| | |
|---|-----------|
| Buildings | 2% - 33% |
| Building improvement and renovation | 2% - 33% |
| Factory machinery, moulds and equipment | 10% - 20% |
| Furniture, fittings, office equipment and computer software | 10% - 50% |
| Tools and accessories | 10% |
| Motor vehicles | 10% - 20% |

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.5 Investment properties

Investment property is property held (by the owner or the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both. Investment property is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.11.

Buildings are depreciated on a straight-line basis over their estimated useful lives of 50 years.

2.6 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Lessor accounting

When the Group acts as a lessor, it classifies each lease as either an operating lease or a finance lease. A finance lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, whereas an operating lease does not.

Lease payments from operating leases are recognised as income on a straight-line basis over the lease term. The Group has not entered into any finance lease.

2. Significant accounting policies (cont'd)

2.6 Leases (cont'd)

Lessee accounting

Initial recognition and measurement

When the Group or the Company acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group and the Company have elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

Subsequent measurement

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.11.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term.

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

As a practical expedient, the Group and the Company have elected not to assess whether a rent concession occurring as a direct consequence of the covid-19 pandemic is a lease modification. Accordingly, any change in lease payments resulting from such rent concession is accounted for as a variable lease payment in profit or loss.

Notes to the financial statements - 30 June 2021

2. Significant accounting policies (cont'd)

2.7 Property development

Land held for property development, property development costs and completed development units are valued at the lower of cost (determined principally on the specific identification basis) and net realisable value. Cost consists of costs associated with the acquisition of land, costs that relate directly to a specific development project and other costs attributable to development activities in general and can be allocated to the project. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

Land held for property development is classified as non-current assets. It is transferred to property development costs under current assets when development activities have commenced and are expected to be completed within the normal operating cycle.

Property development costs attributable to development units sold are recognised in profit or loss on a systematic basis that is consistent with the recognition of related revenue as disclosed in Note 2.19. Upon completion of development project, costs attributable to unsold units are transferred to completed development units.

2.8 Intellectual property

Intellectual property with an indefinite useful life is stated at cost less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.11.

2.9 Investments in subsidiaries

As required by the Companies Act 2016, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.11.

2.10 Investment in joint venture

A joint venture is a joint arrangement whereby the joint venturers that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the joint venturers sharing control.

In the consolidated financial statements, investment in joint venture is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of the investee's net assets. After application of the equity method, the investment is assessed for any objective evidence of impairment. If any such evidence exists, the carrying amount of the investment is tested for impairment in accordance with Note 2.11.

In the separate financial statements of the Company, investment in joint venture is stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.11.

Notes to the financial statements - 30 June 2021

2. Significant accounting policies (cont'd)

2.11 Impairment of non-financial assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than deferred tax assets, inventories and contract assets, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill and other intangible assets with indefinite useful lives are tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.

2.12 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.13 Contract assets and contract liabilities

A contract is presented in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 2.14. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

2.14 Financial assets

Financial assets of the Group and the Company consist of investments in equity instruments, receivables, derivatives and cash and cash equivalents.

Initial recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.19). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

2. Significant accounting policies (cont'd)

2.14 Financial assets (cont'd)

Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

(i) Amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

(ii) Fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group and the Company do not have any financial assets classified under this category.

(iii) Fair value through profit or loss

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. All investments in equity instruments and derivatives are classified under this category. Any gain or loss is recognised in profit or loss.

Impairment

At each reporting date, the Group and the Company recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

2. Significant accounting policies (cont'd)

2.14 Financial assets (cont'd)

Impairment (cont'd)

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

2.15 Financial liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings, derivatives and financial guarantee contracts.

Initial recognition and measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs.

Subsequent measurement

All payables and loans and borrowings are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Derivatives are subsequently measured at fair value through profit or loss. Any gain or loss is recognised in profit or loss.

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

2.16 Foreign currency transactions and translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

2. Significant accounting policies (cont'd)

2.16 Foreign currency transactions and translation (cont'd)

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date, whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

In translating the financial position and results of a foreign operation whose functional currency is not the presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate, whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate.

2.17 Share capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends, the cost of the shares distributed is applied in the reduction of distributable reserves. When treasury shares are resold in the open market, the difference between the sale consideration and the cost of the shares resold is adjusted to share capital. When treasury shares are cancelled, the cost of the shares cancelled is applied in the reduction of distributable reserves and the issued share capital is diminished by the shares so cancelled.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

Notes to the financial statements - 30 June 2021

2. Significant accounting policies (cont'd)

2.18 Fair value measurement

Fair value is 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 Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following or a combination thereof:-

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

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

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

Financial assets and financial liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term receivables and loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar assets or liabilities (i.e. Level 2).

The fair values of quoted investments are directly measured using their unadjusted closing prices in active markets (i.e. Level 1).

The fair values of forward exchange contracts are measured using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

Notes to the financial statements - 30 June 2021

2. Significant accounting policies (cont'd)

2.19 Revenue from contracts with customers

The Group and the Company recognise revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.
- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

Sale of goods

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

Rendering of services

The Group and the Company determine that the transfer of control of promised services generally coincides with the Group's or the Company's performance as the customer simultaneously receives and consumes the benefits of the performance as the Group or the Company performs. Accordingly, revenue from the rendering of services is recognised over time when the services are performed. The Group and the Company measure the progress towards complete satisfaction of the performance obligation using output methods, which include surveys of performance completed and time elapsed.

2. Significant accounting policies (cont'd)

2.19 Revenue from contracts with customers (cont'd)

Property development

For sale of properties under development, the Group determines that the transfer of control generally coincides with the Group's performance as the performance does 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. Accordingly, revenue is recognised over time during the development period. The Group measures the progress towards complete satisfaction of the performance obligation using an input method, i.e. costs incurred relative to the total expected costs. The effects of any costs incurred that do not depict the Group's performance are excluded from the calculation.

Sale of completed development units

For sale of completed development units, the Group determines that the transfer of control generally coincides with the delivery of vacant possession. Accordingly, revenue is recognised at a point in time when the vacant possession has been delivered to the customer.

2.20 Other income

Dividend income is recognised in profit or loss only when the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

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

Operating lease income is recognised in profit or loss on a straight-line basis over the lease term.

2.21 Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to the grants and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to assets are presented in the statement of financial position as deferred income which is amortised on a straight-line basis over the estimated useful lives of the assets. Grants related to income are deducted in reporting the related expense in the statement of comprehensive income.

2.22 Employee benefits

Short-term employee benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

Notes to the financial statements - 30 June 2021

2. Significant accounting policies (cont'd)

2.22 Employee benefits (cont'd)

Defined contribution plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

Termination benefits

Termination benefits are recognised in profit or loss at the earlier of when the Group can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

2.23 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.24 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused 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 assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.25 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

3. Judgements and estimation uncertainty

Judgements made in applying accounting policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

Sources of estimation uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Property development

The Group recognises property development revenue over time by measuring the progress towards complete satisfaction of the performance obligation. Property development costs and incremental costs of obtaining the contract are also recognised in profit or loss on a systematic basis that is consistent with the recognition of related revenue. These procedures involve judgements and estimation uncertainty in predicting the outcome of the performance obligation based on past experience, work of experts and continuous monitoring mechanism. Any changes in these accounting estimates will affect the carrying amounts of property development costs (Note 7) and contract liabilities (Note 18).

Impairment of receivables

The Group and the Company recognise loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 12).

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories (Note 14).

Notes to the financial statements - 30 June 2021

4. Property, plant and equipment

Group

| Cost | Freehold land RM | Buildings RM | Building improvement and renovation RM | Factory machinery, moulds and equipment RM | Furniture, fittings, office equipment and computer software RM | Tools and accessories RM | Motor vehicles RM | Capital work-in- progress RM | Total RM |
|---------------------------|---------------------|-----------------|--|--|---|--------------------------------|-------------------------|---------------------------------------|-------------|
| Balance at 1 July 2019 | 4,161,603 | 27,287,705 | 7,679,180 | 84,722,687 | 9,295,891 | 1,264,732 | 1,662,987 | 8,660,721 | 144,735,506 |
| Additions | 0 | 356,747 | 1,200,439 | 10,762,813 | 601,002 | 37,675 | 183,101 | 8,867,145 | 22,008,922 |
| Disposals/Write-offs | 0 | 0 | (104,047) | (4,968,340) | (76,258) | (3,030) | 0 | 0 | (5,151,675) |
| Reclassifications | 0 | 15,708,959 | 0 | 138,718 | 0 | 0 | 0 | (15,847,677) | 0 |
| Balance at 30 June 2020 | 4,161,603 | 43,353,411 | 8,775,572 | 90,655,878 | 9,820,635 | 1,299,377 | 1,846,088 | 1,680,189 | 161,592,753 |
| Acquisition of subsidiary | 0 | 0 | 0 | 12,890 | 0 | 0 | 0 | 0 | 12,890 |
| Additions | 0 | 767,610 | 615,679 | 1,474,191 | 915,467 | 11,918 | 53,555 | 148,270 | 3,986,690 |
| Adjustment | 0 | 0 | (12,271) | 0 | 0 | 0 | 0 | 0 | (12,271) |
| Disposals/Write-offs | 0 | 0 | (8,035) | (1,750,795) | (104,411) | (26,933) | (52,644) | 0 | (1,942,818) |
| Reclassifications | 0 | 0 | 887,809 | 250,000 | 563,430 | 0 | 0 | (1,701,239) | 0 |
| Balance at 30 June 2021 | 4,161,603 | 44,121,021 | 10,258,754 | 90,642,164 | 11,195,121 | 1,284,362 | 1,846,999 | 127,220 | 163,637,244 |

Notes to the financial statements - 30 June 2021

4. Property, plant and equipment (cont'd)

Group

| | Freehold land RM | Buildings RM | Building improvement and renovation RM | Factory machinery, moulds and equipment RM | Furniture, fittings, office equipment and computer software RM | Tools and accessories RM | Motor vehicles RM | Capital work-in- progress RM | Total RM |
|---|---------------------|-----------------|--|--|---|--------------------------------|-------------------------|---------------------------------------|-------------|
| Depreciation and impairment losses | | | | | | | | | |
| Balance at 1 July 2019 | 0 | 8,732,489 | 4,392,722 | 65,797,427 | 6,383,967 | 996,942 | 1,367,636 | 0 | 87,671,183 |
| Accumulated depreciation | 0 | 0 | 0 | 1,438,893 | 100,837 | 77,789 | 34,332 | 127,220 | 1,779,071 |
| Accumulated impairment losses | 0 | 8,732,489 | 4,392,722 | 67,236,320 | 6,484,804 | 1,074,731 | 1,401,968 | 127,220 | 89,450,254 |
| Depreciation | 0 | 924,902 | 596,461 | 4,522,278 | 812,440 | 46,671 | 63,947 | 0 | 6,966,699 |
| Disposals/Write-offs | 0 | 0 | (32,863) | (4,023,059) | (61,428) | (1,349) | 0 | 0 | (4,118,699) |
| Balance at 30 June 2020 | 0 | 9,657,391 | 4,956,320 | 67,131,287 | 7,134,979 | 1,042,264 | 1,431,583 | 0 | 91,353,824 |
| Accumulated depreciation | 0 | 0 | 0 | 604,252 | 100,837 | 77,789 | 34,332 | 127,220 | 944,430 |
| Accumulated impairment losses | 0 | 9,657,391 | 4,956,320 | 67,735,539 | 7,235,816 | 1,120,053 | 1,465,915 | 127,220 | 92,298,254 |
| Acquisition of subsidiary | 0 | 0 | 0 | 752 | 0 | 0 | 0 | 0 | 752 |
| Depreciation | 0 | 1,380,139 | 684,846 | 4,049,289 | 820,350 | 43,176 | 62,313 | 0 | 7,040,113 |
| Disposals/Write-offs | 0 | 0 | (5,223) | (1,727,212) | (93,670) | (22,583) | (28,438) | 0 | (1,877,126) |
| Balance at 30 June 2021 | 0 | 11,037,530 | 5,635,943 | 69,617,720 | 7,861,659 | 1,068,778 | 1,465,458 | 0 | 96,687,088 |
| Accumulated depreciation | 0 | 0 | 0 | 440,648 | 100,837 | 71,868 | 34,332 | 127,220 | 774,905 |
| Accumulated impairment losses | 0 | 11,037,530 | 5,635,943 | 70,058,368 | 7,962,496 | 1,140,646 | 1,499,790 | 127,220 | 97,461,993 |
| Carrying amount | | | | | | | | | |
| Balance at 1 July 2019 | 4,161,603 | 18,555,216 | 3,286,458 | 17,486,367 | 2,811,087 | 190,001 | 261,019 | 8,533,501 | 55,285,252 |
| Balance at 30 June 2020 | 4,161,603 | 33,696,020 | 3,819,252 | 22,920,339 | 2,584,819 | 179,324 | 380,173 | 1,552,969 | 69,294,499 |
| Balance at 30 June 2021 | 4,161,603 | 33,083,491 | 4,622,811 | 20,583,796 | 3,232,625 | 143,716 | 347,209 | 0 | 66,175,251 |

Notes to the financial statements - 30 June 2021

4. Property, plant and equipment (cont'd)

The Group leases certain portions of its buildings to third parties for 1 to 2 years. The undiscounted lease payments to be received are as follows:-

| | Group | |
|---------------|------------------|------------------|
| | 2021 RM | 2020 RM |
| Within 1 year | 1,169,817 | 1,710,475 |
| 1 to 2 years | 0 | 1,140,317 |
| | <u>1,169,817</u> | <u>2,850,792</u> |

The carrying amounts of property, plant and equipment pledged as security for credit facilities granted to the Group and the Company are as follows:-

| | Group | |
|---|-------------------|-------------------|
| | 2021 RM | 2020 RM |
| Buildings | 28,779,287 | 29,076,679 |
| Factory machinery, moulds and equipment | <u>3,854,913</u> | <u>4,344,402</u> |
| | <u>32,634,200</u> | <u>33,421,081</u> |

Company

| | Renovation RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Total RM |
|---------------------------------|------------------|---|-------------------------|------------------|
| Cost | | | | |
| Balance at 1 July 2019 | 418,144 | 889,342 | 1,800 | 1,309,286 |
| Additions | 8,940 | 28,460 | 0 | 37,400 |
| Disposals/Write-offs | 0 | (26,933) | 0 | (26,933) |
| Balance at 30 June 2020 | <u>427,084</u> | <u>890,869</u> | <u>1,800</u> | <u>1,319,753</u> |
| Additions | 0 | 19,006 | 0 | 19,006 |
| Write-offs | 0 | (23,151) | 0 | (23,151) |
| Balance at 30 June 2021 | <u>427,084</u> | <u>886,724</u> | <u>1,800</u> | <u>1,315,608</u> |
| Accumulated depreciation | | | | |
| Balance at 1 July 2019 | 167,365 | 634,298 | 1,799 | 803,462 |
| Depreciation | 37,689 | 59,648 | 0 | 97,337 |
| Disposals/Write-offs | 0 | (22,887) | 0 | (22,887) |
| Balance at 30 June 2020 | <u>205,054</u> | <u>671,059</u> | <u>1,799</u> | <u>877,912</u> |
| Depreciation | 38,335 | 58,067 | 0 | 96,402 |
| Write-offs | 0 | (23,142) | 0 | (23,142) |
| Balance at 30 June 2021 | <u>243,389</u> | <u>705,984</u> | <u>1,799</u> | <u>951,172</u> |
| Carrying amount | | | | |
| Balance at 1 July 2019 | <u>250,779</u> | <u>255,044</u> | <u>1</u> | <u>505,824</u> |
| Balance at 30 June 2020 | <u>222,030</u> | <u>219,810</u> | <u>1</u> | <u>441,841</u> |
| Balance at 30 June 2021 | <u>183,695</u> | <u>180,740</u> | <u>1</u> | <u>364,436</u> |

Notes to the financial statements - 30 June 2021

5. Investment properties

Group

| | Freehold land RM | Buildings RM | Total RM |
|---|---------------------|-----------------|-------------|
| Cost | | | |
| Balance at 1 July 2019 | 0 | 477,054 | 477,054 |
| Additions | 0 | 13,403 | 13,403 |
| Transfer from inventories | 2,356,000 | 2,063,625 | 4,419,625 |
| Balance at 30 June 2020 | 2,356,000 | 2,554,082 | 4,910,082 |
| Additions | 0 | 452,365 | 452,365 |
| Disposal | 0 | (490,457) | (490,457) |
| Balance at 30 June 2021 | 2,356,000 | 2,515,990 | 4,871,990 |
| Depreciation and impairment losses | | | |
| Balance at 1 July 2019 | 0 | 0 | 0 |
| Accumulated depreciation | 0 | 0 | 0 |
| Accumulated impairment losses | 0 | 0 | 0 |
| Depreciation | 0 | 7,357 | 7,357 |
| Impairment loss | 0 | 63,100 | 63,100 |
| Balance at 30 June 2020 | 0 | 7,357 | 7,357 |
| Accumulated depreciation | 0 | 63,100 | 63,100 |
| Accumulated impairment losses | 0 | 70,457 | 70,457 |
| Depreciation | 0 | 33,795 | 33,795 |
| Disposal | 0 | (70,457) | (70,457) |
| Balance at 30 June 2021 | 0 | 33,795 | 33,795 |
| Accumulated depreciation | 0 | 0 | 0 |
| Accumulated impairment losses | 0 | 33,795 | 33,795 |
| Carrying amount | | | |
| Balance at 1 July 2019 | 0 | 477,054 | 477,054 |
| Balance at 30 June 2020 | 2,356,000 | 2,483,625 | 4,839,625 |
| Balance at 30 June 2021 | 2,356,000 | 2,482,195 | 4,838,195 |
| Fair value | | | |
| Estimated fair value at 30 June 2020 | 3,012,000 | 3,166,000 | 6,178,000 |
| Estimated fair value at 30 June 2021 | 3,012,000 | 2,746,000 | 5,758,000 |

Investment properties as at 30 June 2021 consist of residential properties transferred from completed development units (Note 14) and held for investment purposes. Their fair values were measured by reference to the market selling prices of similar development units.

Notes to the financial statements - 30 June 2021

6. Right-of-use assets

Group

Leasehold
land
RM

Carrying amount

| | |
|-------------------------|-------------------|
| Balance at 1 July 2019 | 13,372,171 |
| Additions | 107,849 |
| Depreciation | (228,222) |
| Balance at 30 June 2020 | 13,251,798 |
| Depreciation | (478,926) |
| Balance at 30 June 2021 | <u>12,772,872</u> |

The Group acquired the rights to use the leasehold land as its principal places of business for 26 to 60 years.

The leasehold land has been pledged as security for credit facilities granted to the Group.

7. Property development

Group

Land held for property development

| | 2021 RM | 2020 RM |
|---|-------------------|-------------------|
| Land held for property development | <u>43,598,015</u> | <u>40,133,840</u> |
| Represented by:- | | |
| - Land costs | 26,032,215 | 23,032,215 |
| - Development costs | 4,910,651 | 4,898,652 |
| - Incidental costs incurred for acquisition of land | 5,814,418 | 5,362,242 |
| - Advance payments to landowners ^(a) | 6,240,731 | 6,240,731 |
| - Incidental costs incurred for joint venture agreement | 600,000 | 600,000 |
| | <u>43,598,015</u> | <u>40,133,840</u> |

^(a) Being advance payments made pursuant to joint venture agreements entered into by subsidiaries with landowners to develop land owned by the latter

Certain land held for property development totalling RM18,137,104 (2020 : RM18,137,104) has been pledged as security for credit facilities granted to the Group.

Notes to the financial statements - 30 June 2021

7. Property development (cont'd)

Property development costs

| | 2021 RM | 2020 RM |
|--------------------------------------|--------------------|--------------------|
| Property development costs | <u>25,753,812</u> | <u>11,128,520</u> |
| Represented by:- | | |
| - Land costs | 3,121,610 | 3,121,610 |
| - Development costs | 29,496,199 | 10,187,716 |
| - Costs recognised in profit or loss | <u>(6,863,997)</u> | <u>(2,180,806)</u> |
| | <u>25,753,812</u> | <u>11,128,520</u> |

8. Intangible assets

Group

| | Goodwill RM | Intellectual property RM | Total RM |
|---|----------------|--------------------------------|---------------|
| Balance at 1 July 2019 / 30 June 2020 / 30 June 2021 | <u>29,571</u> | <u>69,171</u> | <u>98,742</u> |

9. Investments in subsidiaries

Company

| | 2021 RM | 2020 RM |
|---------------------------|--------------------|--------------------|
| Unquoted shares - at cost | 148,811,236 | 130,706,185 |
| Impairment losses | <u>(7,753,669)</u> | <u>(7,760,669)</u> |
| | <u>141,057,567</u> | <u>122,945,516</u> |

The details of the subsidiaries are as follows:-

| Name of subsidiary | Principal place of business/ Country of incorporation | Effective ownership interest | | Principal activity |
|---|---|---------------------------------|------|--------------------|
| | | 2021 | 2020 | |
| Gen Plus Technologies Sdn. Bhd. ^(a) | Malaysia | 51% | 0% | Inactive |
| Innospec Sdn. Bhd. | Malaysia | 100% | 100% | Inactive |
| Kewjaya Sdn. Bhd. | Malaysia | 100% | 100% | Money lending |
| Kobay Assets Sdn. Bhd. | Malaysia | 100% | 100% | Property letting |

Notes to the financial statements - 30 June 2021

9. Investments in subsidiaries (cont'd)

| Name of subsidiary | Principal place of business/ Country of incorporation | Effective ownership interest | | Principal activity |
|---|--|------------------------------|------|--|
| | | 2021 | 2020 | |
| Kobay G Sdn. Bhd. | Malaysia | 100% | 100% | Marketing and project management services for property developers |
| Kobay Industries Sdn. Bhd. | Malaysia | 100% | 100% | Investment holding and management services |
| Kobay Land Sdn. Bhd. | Malaysia | 100% | 100% | Property development |
| Kobay Project Venture Sdn. Bhd. | Malaysia | 100% | 100% | Property development |
| Kobay Resorts Sdn. Bhd. | Malaysia | 100% | 100% | Hotel operator and property management |
| Kobay SB Sdn. Bhd. | Malaysia | 100% | 100% | Property development |
| Kobay UA Sdn. Bhd. | Malaysia | 100% | n/a | Property letting |
| Kual Technologies Sdn. Bhd. (formerly known as Kobay Systems Sdn. Bhd.) | Malaysia | 100% | 100% | Inactive |
| LD Global Sdn. Bhd. | Malaysia | 100% | 100% | Property development |
| Lodge 18 Sdn. Bhd. | Malaysia | 100% | 100% | Hotel operation |
| Masset Capital Sdn. Bhd. ^(b) | Malaysia | 100% | 100% | Investment holding |
| Premierview Property Sdn. Bhd. | Malaysia | 100% | 100% | Property development |
| Ultimate Sanctuary Sdn. Bhd. | Malaysia | 100% | 100% | Property development |
| Wirama Progresif Sdn. Bhd. | Malaysia | 0% | 70% | Dissolved in March 2021 |
| <u>Subsidiaries of Kobay Industries Sdn. Bhd.</u> | | | | |
| Bend Weld Engineering Sdn. Bhd. | Malaysia | 100% | 100% | Manufacture of metal works and structures, modules and parts for oil & gas production and extraction equipment |
| Kobay Management Services Sdn. Bhd. (formerly known as Kobay Premier Sdn. Bhd.) | Malaysia | 100% | 100% | Inactive |

Notes to the financial statements - 30 June 2021

9. Investments in subsidiaries (cont'd)

| Name of subsidiary | Principal place of business/ Country of incorporation | Effective ownership interest | | Principal activity |
|--|--|------------------------------|------|--|
| | | 2021 | 2020 | |
| <u>Subsidiaries of Kobay Industries Sdn. Bhd. (cont'd)</u> | | | | |
| KT Microhandling Sdn. Bhd. | Malaysia | 100% | 100% | Manufacture of semiconductor assembly and testing equipment |
| Maker Technologies Sdn. Bhd. | Malaysia | 100% | 100% | Manufacture of precision moulds and parts |
| Micro Surface Treatment Sdn. Bhd. | Malaysia | 90% | 90% | Precision plating and surface treatment |
| Paradigm Aerospace Sdn. Bhd. | Malaysia | 100% | 100% | Manufacture of components and sub-assemblies for aerospace parts |
| Paradigm Metal Industries Sdn. Bhd. | Malaysia | 100% | 100% | Manufacture of precision metal stamping, sheet metal and die casting parts |
| Paradigm Precision Components Sdn. Bhd. | Malaysia | 100% | 100% | Manufacture of precision machined components |
| Polytool Technologies Sdn. Bhd. | Malaysia | 100% | 100% | Manufacture of industrial equipment, machinery parts and tooling, encapsulation moulds, trim and form dies and progressive tooling for lead frames |
| Super Tropica Development Sdn. Bhd. | Malaysia | 100% | 100% | Property development |

(a) Incorporated in January 2021

(b) Transferred from Kobay Industries Sdn. Bhd. in February 2021

Acquisition of subsidiary

In April 2021, the Company acquired the remaining 50% equity interest in a 50% owned joint venture, Kobay UA Sdn. Bhd., for cash consideration of RM750,000. The acquisition of Kobay UA Sdn. Bhd. was accounted for as an asset acquisition. The effects of the asset acquisition on the consolidated statement of cash flows are as follows:-

| | RM |
|---|------------------|
| Cash consideration paid | 750,000 |
| Cash and cash equivalents acquired | (1,159,890) |
| Acquisition of subsidiary, net of cash acquired | <u>(409,890)</u> |

Notes to the financial statements - 30 June 2021

10. Investment in joint venture

| | Group | | Company | |
|--|------------|----------------|------------|----------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Unquoted shares - at cost | 0 | 750,000 | 0 | 750,000 |
| Share of post-acquisition changes in net assets | 0 | 1,382 | 0 | 0 |
| | <u>0</u> | <u>751,382</u> | <u>0</u> | <u>750,000</u> |

The details of the joint venture are as follows:-

| Name of joint venture | Principal place of business/ Country of incorporation | Effective ownership interest | | Principal activity |
|-----------------------|---|---------------------------------|------|--------------------|
| | | 2021 | 2020 | |
| Kobay UA Sdn. Bhd. | Malaysia | n/a | 50% | Property letting |

In April 2021, the Company acquired the remaining 50% equity interest in Kobay UA Sdn. Bhd. for cash consideration of RM750,000. Upon the acquisition, Kobay UA Sdn. Bhd. became a wholly-owned subsidiary of the Company.

11. Other investments

| | Group | | Company | |
|-----------------------|------------------|--------------|--------------|--------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Fair value | | | | |
| Shares quoted outside | | | | |
| Malaysia | 2,092,094 | 0 | 0 | 0 |
| Others | 209,000 | 1,515 | 1,500 | 1,515 |
| | <u>2,301,094</u> | <u>1,515</u> | <u>1,500</u> | <u>1,515</u> |

The fair values of quoted investments were directly measured using their unadjusted closing prices in active markets (i.e. Level 1).

Notes to the financial statements - 30 June 2021

12. Receivables

| | Group | | Company | |
|----------------------------------|-------------------|-------------------|----------------|------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Trade receivables:- | | | | |
| - Related parties ^(a) | 135,750 | 142,764 | 0 | 0 |
| - Unrelated parties | 49,254,864 | 63,693,975 | 0 | 0 |
| | 49,390,614 | 63,836,739 | 0 | 0 |
| - Loss allowance | (862,933) | (270,994) | 0 | 0 |
| | 48,527,681 | 63,565,745 | 0 | 0 |
| Other receivables | 761,568 | 1,021,046 | 56,927 | 52,824 |
| Amounts due from subsidiaries | 0 | 0 | 3,124,720 | 8,255,254 |
| Loss allowance | 0 | 0 | (2,271,156) | (2,271,156) |
| | 0 | 0 | 853,564 | 5,984,098 |
| | <u>49,289,249</u> | <u>64,586,791</u> | <u>910,491</u> | <u>6,036,922</u> |
| Disclosed as:- | | | | |
| - Non-current assets | 4,344,615 | 2,871,700 | 0 | 0 |
| - Current assets | 44,944,634 | 61,715,091 | 910,491 | 6,036,922 |
| | <u>49,289,249</u> | <u>64,586,791</u> | <u>910,491</u> | <u>6,036,922</u> |

^(a) Being family members of certain directors

Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 30 June 2021, there were 2 (2020 : 1) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM15,434,442 (2020 : RM26,804,958). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

| | Group | |
|-----------|-------------------|-------------------|
| | 2021 RM | 2020 RM |
| Malaysia | 36,731,948 | 53,521,197 |
| Singapore | 4,712,547 | 3,690,258 |
| Others | 7,946,119 | 6,625,284 |
| | <u>49,390,614</u> | <u>63,836,739</u> |

Included in trade receivables are property loans totalling RM4,675,584 (2020 : RM3,016,260) granted to several customers and bearing interest ranging from 3.00% to 5.97% (2020 : 4.22% to 4.72%) per annum. The loans are effectively secured against the development units sold to the customers and repayable over 4 to 20 years as follows:-

| | Group | |
|---------------|------------------|------------------|
| | 2021 RM | 2020 RM |
| Within 1 year | 330,969 | 144,560 |
| 1 to 5 years | 1,257,879 | 598,505 |
| After 5 years | 3,086,736 | 2,273,195 |
| | <u>4,675,584</u> | <u>3,016,260</u> |

Notes to the financial statements - 30 June 2021

12. Receivables (cont'd)

Trade receivables (cont'd)

Except for the aforementioned property loans, the credit terms of trade receivables generally range from 30 to 90 days. The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:-

| | Group | |
|----------------------------|-------------------|-------------------|
| | 2021 RM | 2020 RM |
| Not past due | 40,542,289 | 46,506,231 |
| 1 to 30 days past due | 6,242,110 | 8,418,665 |
| 31 to 60 days past due | 627,805 | 3,470,620 |
| 61 to 90 days past due | 129,474 | 653,493 |
| More than 90 days past due | 1,848,936 | 4,787,730 |
| | <u>49,390,614</u> | <u>63,836,739</u> |

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. The changes in the loss allowance are as follows:-

| | Group | |
|--------------------|----------------|----------------|
| | 2021 RM | 2020 RM |
| Balance at 1 July | 270,994 | 270,994 |
| Impairment losses | 591,939 | 0 |
| Balance at 30 June | <u>862,933</u> | <u>270,994</u> |

The above loss allowance is in respect of individually assessed credit-impaired trade receivables. Based on the low historical observed default rates (adjusted for forward-looking estimates), the expected credit losses on trade receivables that are not credit-impaired are not considered to be material and hence, have not been recognised.

Notes to the financial statements - 30 June 2021

12. Receivables (cont'd)

Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest free and repayable on demand except for an amount of RM3,400,000 which bore interest at 4.52% per annum as at 30 June 2020.

The Company measures the loss allowance at an amount equal to lifetime expected credit losses. The gross carrying amounts and the related loss allowance changes are as follows:-

Company

| | Not credit- impaired RM | Credit- impaired RM | Total RM |
|----------------------------|-------------------------------|---------------------------|------------------|
| 2021 | | | |
| Gross carrying amount | 661,770 | 2,462,950 | 3,124,720 |
| Loss allowance:- | | | |
| - Balance at 1 July | 0 | 2,271,156 | 2,271,156 |
| - Movement during the year | 0 | 0 | 0 |
| - Balance at 30 June | 0 | 2,271,156 | 2,271,156 |
| | <u>661,770</u> | <u>191,794</u> | <u>853,564</u> |
| 2020 | | | |
| Gross carrying amount | 5,800,212 | 2,455,042 | 8,255,254 |
| Loss allowance:- | | | |
| - Balance at 1 July | 0 | 2,267,247 | 2,267,247 |
| - Impairment losses | 0 | 3,909 | 3,909 |
| - Balance at 30 June | 0 | 2,271,156 | 2,271,156 |
| | <u>5,800,212</u> | <u>183,886</u> | <u>5,984,098</u> |

The Company determines that an amount due from subsidiary is credit-impaired when the subsidiary is in negative equity position.

Notes to the financial statements - 30 June 2021

13. Deferred tax assets and deferred tax liabilities

Group

| | 2021 RM | 2020 RM |
|---|--------------------|--------------------|
| Balance at 1 July | (4,369,000) | (4,417,000) |
| Deferred tax income/(expense) relating to origination and reversal of temporary differences | 367,000 | (128,000) |
| Deferred tax liabilities (under)/over provided in prior year | (253,000) | 176,000 |
| Balance at 30 June | <u>(4,255,000)</u> | <u>(4,369,000)</u> |
| Disclosed as:- | | |
| - Deferred tax assets | 516,000 | 0 |
| - Deferred tax liabilities | <u>(4,771,000)</u> | <u>(4,369,000)</u> |
| | <u>(4,255,000)</u> | <u>(4,369,000)</u> |
| In respect of:- | | |
| - (Taxable)/Deductible temporary differences of:- | | |
| - Property, plant and equipment | (5,768,000) | (4,699,000) |
| - Right-of-use assets | 84,000 | 0 |
| - Financial instruments | 230,000 | 330,000 |
| - Unused capital allowances | 710,000 | 0 |
| - Unused tax losses | 489,000 | 0 |
| | <u>(4,255,000)</u> | <u>(4,369,000)</u> |

Notes to the financial statements - 30 June 2021

13. Deferred tax assets and deferred tax liabilities (cont'd)

Save as disclosed above, as at 30 June 2021, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group and the Company to the extent of RM147,000 and RM27,000 (2020 : RM1,004,000 and RM26,000) respectively. No further deferred tax assets have been recognised for the following excess of deductible temporary differences, unused capital allowances and tax losses over taxable temporary differences:-

| | Group | | Company | |
|---------------------------------------|-------------------|-------------------|------------------|------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Deductible temporary differences of:- | | | | |
| - Property development costs | 1,856,000 | 1,915,000 | 0 | 0 |
| - Right-of-use assets | 0 | 364,000 | 0 | 0 |
| Unused capital allowances | 1,447,000 | 4,910,000 | 0 | 246,000 |
| Unused tax losses:- | | | | |
| - Expiring in year of assessment 2025 | 22,772,000 | 22,981,000 | 1,323,000 | 1,323,000 |
| - Expiring in year of assessment 2026 | 735,000 | 735,000 | 0 | 0 |
| - Expiring in year of assessment 2027 | 2,029,000 | 2,095,000 | 0 | 0 |
| - Expiring in year of assessment 2028 | 121,000 | 0 | 0 | 0 |
| Taxable temporary differences of:- | | | | |
| - Property, plant and equipment | (614,000) | (4,148,000) | (112,000) | (107,000) |
| - Financial instruments | 0 | (37,000) | 0 | 0 |
| | <u>28,346,000</u> | <u>28,815,000</u> | <u>1,211,000</u> | <u>1,462,000</u> |

The deductible temporary differences and unused capital allowances have no expiry date.

14. Inventories

| Group | 2021 RM | 2020 RM |
|-----------------------------|-------------------|-------------------|
| Completed development units | 7,603,996 | 12,611,052 |
| Raw materials | 4,406,192 | 3,232,385 |
| Work-in-progress | 9,588,345 | 8,106,367 |
| Finished goods | 2,204,669 | 3,229,113 |
| | <u>23,803,202</u> | <u>27,178,917</u> |

Notes to the financial statements - 30 June 2021

15. Derivatives

| Group | 2021 RM | 2020 RM |
|--|-----------------|-----------------|
| Forward exchange contracts - at fair value | | |
| - Current assets | 18,990 | 0 |
| - Current liabilities | (96,945) | (70,971) |
| | <u>(77,955)</u> | <u>(70,971)</u> |

Forward exchange contracts are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 30 June 2021, the Group had contracts with financial institutions due within 1 year to deal with the following currencies at contractual forward rates:-

| | 2021 | | 2020 | |
|--------------|-------------------|------------------|-------------|--------------|
| | To buy | To sell | To buy | To sell |
| Contract I | RM20,199,537 | USD4,885,816 | RM7,238,562 | USD1,705,116 |
| Contract II | RM291,000 | GBP50,000 | 0 | 0 |
| Contract III | <u>USD200,000</u> | <u>RM832,760</u> | <u>0</u> | <u>0</u> |

The fair values of forward exchange contracts were quoted by the financial institutions, which normally measured the fair values using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

16. Prepayments

| | Group | | Company | |
|--|-------------------|------------------|------------------|---------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Deposit for acquisition of subsidiaries (Note (i)) | 4,766,568 | 0 | 4,766,568 | 0 |
| Deposit for acquisition of land and building (Note (ii)) | 3,308,800 | 0 | 0 | 0 |
| Others | <u>5,106,382</u> | <u>4,335,100</u> | <u>14,858</u> | <u>11,317</u> |
| | <u>13,181,750</u> | <u>4,335,100</u> | <u>4,781,426</u> | <u>11,317</u> |

- (i) In order to diversify the Group's principal activities to include the sale and/or manufacturing of pharmaceutical and healthcare products, the Company entered into a share sale agreement on 28 May 2021 to acquire 70% equity interest in Avelon Healthcare Sdn. Bhd., Galaxis Healthcare Sdn. Bhd., Avelon Arise Sdn. Bhd., Galaxis Pharma Sdn. Bhd. and Arise Healthcare Sdn. Bhd. for a total cash consideration of RM47,665,677. The acquisition was completed on 5 August 2021.
- (ii) On 20 May 2021, Kobay UA Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire a land and building for a cash consideration of RM33,088,000. The acquisition has yet to be completed as at the date of this report.

Notes to the financial statements - 30 June 2021

17. Cash and cash equivalents

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Highly liquid investments in money market funds | 18,719,286 | 1,836,218 | 6,810,955 | 977,627 |
| Term deposits | 3,302,279 | 4,235,731 | 8,000 | 8,000 |
| Cash and bank balances | 27,243,537 | 42,747,059 | 12,823,220 | 20,991,567 |
| | <u>49,265,102</u> | <u>48,819,008</u> | <u>19,642,175</u> | <u>21,977,194</u> |

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

Certain term deposits of the Group and the Company totalling RM3,252,279 and RM8,000 (2020 : RM3,266,824 and RM8,000) respectively have been pledged as security for credit facilities granted to the Group and the Company. Accordingly, these term deposits are not freely available for use.

The effective interest rates of term deposits as at 30 June 2021 ranged from 1.50% to 1.85% (2020 : 1.40% to 3.35%) per annum.

For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits as follows:-

| | Group | | Company | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Cash and cash equivalents | 49,265,102 | 48,819,008 | 19,642,175 | 21,977,194 |
| Bank overdrafts | (3,000,080) | 0 | (3,000,080) | 0 |
| Term deposits pledged as security | (3,252,279) | (3,266,824) | (8,000) | (8,000) |
| | <u>43,012,743</u> | <u>45,552,184</u> | <u>16,634,095</u> | <u>21,969,194</u> |

18. Contract liabilities from property development

| Group | 2021 RM | 2020 RM |
|------------------------------------|---------------|------------------|
| Balance at 1 July | 2,097,150 | (7,677,655) |
| Revenue recognised during the year | (7,702,911) | (6,244,708) |
| Progress billings during the year | 5,676,549 | 16,019,513 |
| Balance at 30 June | <u>70,788</u> | <u>2,097,150</u> |

As disclosed in Note 2.19, the Group generally satisfies its performance obligations over time during the development period. Any excess of revenue recognised over progress billings is presented as contract asset, whereas any deficit is presented as contract liability.

Notes to the financial statements - 30 June 2021

18. Contract liabilities from property development (cont'd)

Remaining performance obligations

As at 30 June 2021, the aggregate transaction price allocated to the remaining performance obligations amounted to approximately RM40,917,000 (2020 : RM41,810,000) and the Group expects to recognise this revenue when the project is completed over the next 1 (2020 : 2) year.

19. Payables

| | Group | | Company | |
|----------------------------------|-------------------|-------------------|----------------|------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Trade payables:- | | | | |
| - Related party ^(a) | 906,585 | 614,623 | 0 | 0 |
| - Unrelated parties | 19,714,917 | 16,329,015 | 0 | 0 |
| | 20,621,502 | 16,943,638 | 0 | 0 |
| Other payables:- | | | | |
| - Related parties ^(a) | 20,316 | 16,368 | 0 | 0 |
| - Unrelated parties | 14,706,895 | 17,701,346 | 412,976 | 422,695 |
| | 14,727,211 | 17,717,714 | 412,976 | 422,695 |
| Amounts due to subsidiaries | 0 | 0 | 0 | 1,900,000 |
| | <u>35,348,713</u> | <u>34,661,352</u> | <u>412,976</u> | <u>2,322,695</u> |

^(a) Being companies in which certain directors have substantial financial interests

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Trade and other payables

The credit terms of trade and other payables range from 30 to 90 days.

Amounts due to subsidiaries

The amounts due to subsidiaries were unsecured, interest free and repayable on demand.

Notes to the financial statements - 30 June 2021

20. Loans and borrowings

| | Group | | Company | |
|---------------------------|-------------------|-------------------|------------------|------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Secured | | | | |
| Bank overdrafts | 3,000,080 | 0 | 3,000,080 | 0 |
| Revolving credits | 3,977,954 | 12,102,564 | 0 | 0 |
| Term loans | 28,592,235 | 26,369,301 | 6,680,426 | 7,791,119 |
| Unsecured | | | | |
| Banker acceptance | 481,000 | 0 | 0 | 0 |
| Revolving credits | 4,990,000 | 3,784,000 | 0 | 0 |
| | <u>41,041,269</u> | <u>42,255,865</u> | <u>9,680,506</u> | <u>7,791,119</u> |
| Disclosed as:- | | | | |
| - Current liabilities | 16,076,767 | 19,546,472 | 3,906,527 | 850,783 |
| - Non-current liabilities | 24,964,502 | 22,709,393 | 5,773,979 | 6,940,336 |
| | <u>41,041,269</u> | <u>42,255,865</u> | <u>9,680,506</u> | <u>7,791,119</u> |

Secured loans and borrowings are secured against certain property, plant and equipment (Note 4), right-of-use assets (Note 6), land held for property development (Note 7) and term deposits (Note 17).

The effective interest rates of loans and borrowings as at 30 June 2021 ranged from 2.50% to 5.42% (2020 : 2.50% to 5.67%) per annum.

Except for term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Term loans are repayable over 5 to 20 years. The repayment analysis is as follows:-

| | Group | | Company | |
|---|-------------------|-------------------|------------------|------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Gross loan instalments:- | | | | |
| - Within 1 year | 4,578,983 | 4,621,741 | 1,111,392 | 1,111,392 |
| - 1 to 5 years | 18,481,185 | 16,425,278 | 4,445,568 | 4,445,568 |
| - After 5 years | 9,917,989 | 9,692,930 | 1,994,186 | 3,540,220 |
| Total contractual undiscounted cash flows | 32,978,157 | 30,739,949 | 7,551,146 | 9,097,180 |
| Future finance charges | (4,385,922) | (4,370,648) | (870,720) | (1,306,061) |
| Present value of term loans | <u>28,592,235</u> | <u>26,369,301</u> | <u>6,680,426</u> | <u>7,791,119</u> |

The fair values of term loans were measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured were considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of term loans.

Notes to the financial statements - 30 June 2021

21. Deferred income on government grants

| Group | 2021 RM | 2020 RM |
|--------------------|----------------|----------------|
| Balance at 1 July | 862,430 | 1,298,519 |
| Grants received | 317,078 | 0 |
| Amortisation | (420,547) | (436,089) |
| Balance at 30 June | <u>758,961</u> | <u>862,430</u> |

22. Share capital

| | No. of ordinary shares with no par value | RM |
|---------------------------------------|---|--------------------|
| Issued and fully paid | | |
| Balance at 1 July 2019 / 30 June 2020 | 102,093,601 | 102,103,907 |
| Bonus issue | <u>204,187,202</u> | <u>0</u> |
| Balance at 30 June 2021 | <u>306,280,803</u> | <u>102,103,907</u> |

During the financial year, the Company issued 204,187,202 new ordinary shares by way of bonus issue on the basis of 2 new ordinary shares for every 1 existing ordinary share held in the Company.

Treasury shares

The shareholders of the Company, by a resolution passed at the extraordinary general meeting held on 3 July 2002, approved the Company's plan to purchase its own shares. The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows:-

| | No. of ordinary shares | Cost RM |
|---------------------------------------|---------------------------|------------------|
| Balance at 1 July 2019 / 30 June 2020 | 0 | 0 |
| Shares purchased | 2,000,000 | 9,522,642 |
| Bonus issue | <u>4,000,000</u> | <u>0</u> |
| Balance at 30 June 2021 | <u>6,000,000</u> | <u>9,522,642</u> |
| Average unit cost for the year (RM) | | <u>4.76</u> |

The number of outstanding shares in issue after excluding the treasury shares is as follows:-

| | No. of ordinary shares |
|---------------------------------------|---------------------------|
| Balance at 1 July 2019 / 30 June 2020 | 102,093,601 |
| Shares purchased | (2,000,000) |
| Bonus issue | <u>200,187,202</u> |
| Balance at 30 June 2021 | <u>300,280,803</u> |

Notes to the financial statements - 30 June 2021

23. Non-controlling interests ("NCI")

| Group | Accumulated NCI | | Profit/(Loss) allocated to NCI | |
|-----------------------------------|-----------------|----------------|--------------------------------|----------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Wirama Progresif Sdn. Bhd. | 0 | 12,220 | 0 | 0 |
| Micro Surface Treatment Sdn. Bhd. | 606,476 | 555,594 | 173,382 | 175,129 |
| Gen Plus Technologies Sdn. Bhd. | (851) | 0 | (900) | 0 |
| | <u>605,625</u> | <u>567,814</u> | <u>172,482</u> | <u>175,129</u> |

The details of the subsidiaries that have NCI are as follows:-

| Name of subsidiary | Principal place of business/ Country of incorporation | Effective ownership interest held by NCI | | Principal activity |
|-----------------------------------|--|--|------|---|
| | | 2021 | 2020 | |
| Gen Plus Technologies Sdn. Bhd. | Malaysia | 49% | 0% | Inactive |
| Micro Surface Treatment Sdn. Bhd. | Malaysia | 10% | 10% | Precision plating and surface treatment |
| Wirama Progresif Sdn. Bhd. | Malaysia | 0% | 30% | Dissolved in March 2021 |

The summarised financial information about the assets, liabilities, profit or loss and cash flows of the above subsidiaries has not been disclosed as their NCI are not material to the Group.

24. Revenue

| | Group | | Company | |
|---|--------------------|--------------------|-------------------|-------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Revenue from contracts with customers:- | | | | |
| - Sale of goods | 132,261,364 | 177,975,544 | 0 | 0 |
| - Rendering of services | 8,942,793 | 7,087,124 | 2,962,776 | 2,540,773 |
| - Property development | 7,702,911 | 6,244,708 | 0 | 0 |
| - Sale of completed development units | 6,347,265 | 5,659,210 | 0 | 0 |
| | <u>155,254,333</u> | <u>196,966,586</u> | <u>2,962,776</u> | <u>2,540,773</u> |
| Other sources of revenue:- | | | | |
| - Dividend income | 0 | 54,070 | 32,572,171 | 15,447,697 |
| - Operating lease income | 1,736,475 | 503,779 | 0 | 0 |
| | <u>1,736,475</u> | <u>557,849</u> | <u>32,572,171</u> | <u>15,447,697</u> |
| | <u>156,990,808</u> | <u>197,524,435</u> | <u>35,534,947</u> | <u>17,988,470</u> |

Notes to the financial statements - 30 June 2021

24. Revenue (cont'd)

Disaggregation of revenue from contracts with customers

Group

| | Operating segments (Note 33) | | | Total RM |
|--|------------------------------|-------------------------------|-----------------------------------|--------------------|
| | Manufacturing RM | Property development RM | Other operating segments RM | |
| 2021 | | | | |
| Major products/services:- | | | | |
| - Precision tooling and equipment | 4,294,384 | 0 | 0 | 4,294,384 |
| - Precision components and mechatronic | 131,806,840 | 0 | 0 | 131,806,840 |
| - Metal fabrications | 4,094,658 | 0 | 0 | 4,094,658 |
| - Properties under development | 0 | 7,702,911 | 0 | 7,702,911 |
| - Completed development units | 0 | 6,347,265 | 0 | 6,347,265 |
| - Others | 614,489 | 0 | 393,786 | 1,008,275 |
| | <u>140,810,371</u> | <u>14,050,176</u> | <u>393,786</u> | <u>155,254,333</u> |
| Geographical areas:- | | | | |
| - Malaysia | 91,970,371 | 14,050,176 | 393,786 | 106,414,333 |
| - Singapore | 21,966,862 | 0 | 0 | 21,966,862 |
| - Others | 26,873,138 | 0 | 0 | 26,873,138 |
| | <u>140,810,371</u> | <u>14,050,176</u> | <u>393,786</u> | <u>155,254,333</u> |
| Timing of revenue recognition:- | | | | |
| - Over time | 8,555,191 | 7,702,911 | 387,602 | 16,645,704 |
| - At a point in time | 132,255,180 | 6,347,265 | 6,184 | 138,608,629 |
| | <u>140,810,371</u> | <u>14,050,176</u> | <u>393,786</u> | <u>155,254,333</u> |

Notes to the financial statements - 30 June 2021

24. Revenue (cont'd)

Disaggregation of revenue from contracts with customers (cont'd)

Group

| | Operating segments (Note 33) | | | Total RM |
|--|------------------------------|-------------------------------|-----------------------------------|--------------------|
| | Manufacturing RM | Property development RM | Other operating segments RM | |
| 2020 | | | | |
| Major products/services:- | | | | |
| - Precision tooling and equipment | 5,409,634 | 0 | 0 | 5,409,634 |
| - Precision components and mechatronic | 157,531,833 | 0 | 0 | 157,531,833 |
| - Metal fabrications | 20,820,194 | 0 | 0 | 20,820,194 |
| - Properties under development | 0 | 6,310,708 | 0 | 6,310,708 |
| - Completed development units | 0 | 5,659,210 | 0 | 5,659,210 |
| - Others | 9,722 | 0 | 1,225,285 | 1,235,007 |
| | <u>183,771,383</u> | <u>11,969,918</u> | <u>1,225,285</u> | <u>196,966,586</u> |
| Geographical areas:- | | | | |
| - Malaysia | 120,439,922 | 11,969,918 | 1,124,623 | 133,534,463 |
| - Singapore | 22,137,583 | 0 | 33,930 | 22,171,513 |
| - Others | 41,193,878 | 0 | 66,732 | 41,260,610 |
| | <u>183,771,383</u> | <u>11,969,918</u> | <u>1,225,285</u> | <u>196,966,586</u> |
| Timing of revenue recognition:- | | | | |
| - Over time | 6,140,325 | 6,310,708 | 880,799 | 13,331,832 |
| - At a point in time | 177,631,058 | 5,659,210 | 344,486 | 183,634,754 |
| | <u>183,771,383</u> | <u>11,969,918</u> | <u>1,225,285</u> | <u>196,966,586</u> |

Company

Information about disaggregation of revenue from contracts with customers has not been disclosed as the Company derives the revenue mainly from rendering management services to subsidiaries in Malaysia.

25. Impairment losses on financial assets

| | Group | | Company | |
|---|----------------|------------|------------|--------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Trade receivables from contracts with customers | 591,939 | 0 | 0 | 0 |
| Amounts due from subsidiaries | 0 | 0 | 0 | 3,909 |
| | <u>591,939</u> | <u>0</u> | <u>0</u> | <u>3,909</u> |

Notes to the financial statements - 30 June 2021

26. Profit before tax

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Profit before tax is arrived at after charging:- | | | | |
| Auditors' remuneration:- | | | | |
| - Current year | 220,500 | 201,000 | 42,500 | 33,000 |
| - Prior year | 16,520 | (1,500) | 8,000 | 4,500 |
| Depreciation of investment properties | 33,795 | 7,357 | 0 | 0 |
| Depreciation of property, plant and equipment | 7,040,113 | 6,966,699 | 96,402 | 97,337 |
| Depreciation of right-of-use assets | 478,926 | 228,222 | 0 | 0 |
| Development costs written off | 0 | 1,693,356 | 0 | 0 |
| Employee benefits expense (Note 27) | 39,329,810 | 51,697,964 | 3,915,309 | 4,336,139 |
| Fee expense for financial instruments not measured at fair value through profit or loss | 124,648 | 262,202 | 5,497 | 8,238 |
| Impairment loss on investment property ^(a) | 0 | 63,100 | 0 | 0 |
| Interest expense for financial liabilities not measured at fair value through profit or loss | 1,106,683 | 1,016,215 | 47,031 | 119,305 |
| Inventories written down | 2,991 | 2,195,000 | 0 | 0 |
| Lease expense relating to:- | | | | |
| - Short-term leases | 592,895 | 541,575 | 149,490 | 149,490 |
| - Leases of low-value assets (other than short-term leases) | 11,649 | 13,100 | 0 | 0 |
| Loss on disposal of subsidiary | 0 | 0 | 0 | 4,854 |
| Loss on foreign exchange:- | | | | |
| - Realised | 286,216 | 0 | 0 | 0 |
| - Unrealised | 0 | 21,823 | 0 | 0 |
| Property, plant and equipment written off | 55,808 | 199,878 | 9 | 14 |
| and crediting:- | | | | |
| Amortisation of deferred income on government grants | 420,547 | 436,089 | 0 | 0 |
| Fair value gains on financial instruments mandatorily measured at fair value through profit or loss | 1,324,482 | 221,206 | 0 | 272,775 |

^(a) Included in administrative and general expenses

Notes to the financial statements - 30 June 2021

26. Profit before tax (cont'd)

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Gain on disposal of property, plant and equipment | 70,410 | 213,158 | 0 | 0 |
| Gain on disposal of subsidiary | 0 | 72 | 0 | 0 |
| Gain on dissolution of subsidiary | 0 | 87,170 | 22,501 | 0 |
| Gain on foreign exchange:- | | | | |
| - Realised | 0 | 90,247 | 0 | 0 |
| - Unrealised | 75,596 | 0 | 0 | 0 |
| Interest income for financial assets measured at amortised cost | 1,265,111 | 940,601 | 340,640 | 181,728 |
| Operating lease income | 1,875,618 | 525,521 | 0 | 0 |
| Waiver of debts | 0 | 15,351 | 0 | 0 |

27. Employee benefits expense (including directors' remuneration)

| | Group | | Company | |
|--|-------------|------------|------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Directors of the Company:- | | | | |
| - Fees | 22,500 | 22,500 | 22,500 | 22,500 |
| - Other short-term employee benefits | 823,385 | 1,195,107 | 786,942 | 1,158,664 |
| - Defined contribution plans | 32,543 | 80,696 | 31,103 | 79,256 |
| | 878,428 | 1,298,303 | 840,545 | 1,260,420 |
| Directors of subsidiaries:- | | | | |
| - Short-term employee benefits | 1,109,247 | 1,112,861 | 1,109,247 | 1,112,861 |
| - Defined contribution plans | 144,353 | 126,641 | 144,353 | 126,641 |
| | 1,253,600 | 1,239,502 | 1,253,600 | 1,239,502 |
| Other employees:- | | | | |
| - Short-term employee benefits | 35,154,198 | 46,142,733 | 1,623,035 | 1,644,836 |
| - Defined contribution plans | 3,351,159 | 3,768,887 | 198,129 | 191,381 |
| - Termination benefits | 140,727 | 2,619 | 0 | 0 |
| - Government grants under Wage Subsidy Programme | (1,448,302) | (754,080) | 0 | 0 |
| | 37,197,782 | 49,160,159 | 1,821,164 | 1,836,217 |
| | 39,329,810 | 51,697,964 | 3,915,309 | 4,336,139 |

Notes to the financial statements - 30 June 2021

28. Tax expense/(income)

| | Group | | Company | |
|---|------------------|-------------------|---------------|-----------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Tax based on results for the year:- | | | | |
| - Current tax | 9,273,666 | 9,902,083 | 40,000 | 31,000 |
| - Deferred tax | (367,000) | 128,000 | 0 | 0 |
| | <u>8,906,666</u> | <u>10,030,083</u> | <u>40,000</u> | <u>31,000</u> |
| Tax (over)/under provided in prior year:- | | | | |
| - Current tax | (710,082) | (199,818) | (7,801) | (77,630) |
| - Deferred tax | 253,000 | (176,000) | 0 | 0 |
| | <u>8,449,584</u> | <u>9,654,265</u> | <u>32,199</u> | <u>(46,630)</u> |

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

| | Group | | Company | |
|---|--------------|--------------|-------------|-------------|
| | 2021 % | 2020 % | 2021 % | 2020 % |
| Applicable tax rate | 24.00 | 24.00 | 24.00 | 24.00 |
| Non-deductible expenses | 5.94 | 5.04 | 2.36 | 6.03 |
| Non-taxable income | (3.18) | (0.89) | (26.03) | (29.22) |
| Tax incentives claimed | (1.25) | (0.88) | 0.00 | 0.00 |
| Effect of differential tax rates | 0.00 | 0.92 | 0.00 | 0.00 |
| (Decrease)/Increase in unrecognised deferred tax assets | (0.34) | 1.52 | (0.20) | (0.57) |
| Average effective tax rate | <u>25.17</u> | <u>29.71</u> | <u>0.13</u> | <u>0.24</u> |

29. Earnings per share

Group

The basic earnings per share is calculated by dividing the Group's profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:-

| | 2021 | 2020 (restated) |
|--|--------------------|--------------------|
| Profit for the financial year attributable to owners of the Company (RM) | <u>26,760,741</u> | <u>23,925,944</u> |
| Number of shares in issue as at 1 July | 102,093,601 | 102,093,601 |
| Effect of shares purchased | (306,736) | 0 |
| Effect of bonus issue | <u>203,573,730</u> | <u>204,187,202</u> |
| Weighted average number of shares in issue | <u>305,360,595</u> | <u>306,280,803</u> |
| Basic earnings per share (sen) | <u>8.76</u> | <u>7.81</u> |

Notes to the financial statements - 30 June 2021

29. Earnings per share (cont'd)

The calculation of earnings per share for the previous financial year has been adjusted retrospectively to reflect the changes in the number of shares as a result of the bonus issue during the current financial year.

The diluted earnings per share equals the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the financial year.

30. Dividend

Group and Company

| | 2021 RM | 2020 RM |
|---|------------------|------------------|
| Final single tier dividend of 3.0 sen per share in respect of the financial year ended 30 June 2019 | 0 | 3,062,808 |
| Final single tier dividend of 6.0 sen per share in respect of the financial year ended 30 June 2020 | <u>6,125,616</u> | <u>0</u> |
| | <u>6,125,616</u> | <u>3,062,808</u> |

A final single tier dividend of 2.0 sen per share in respect of the financial year ended 30 June 2021 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

31. Notes to statements of cash flows

Short-term loans and borrowings

| | Group | |
|----------------------------------|------------------|-------------------|
| | 2021 RM | 2020 RM |
| Balance at 1 July | 15,886,564 | 3,122,863 |
| Net cash flow changes | (6,497,021) | 12,690,555 |
| Currency translation differences | 59,720 | 49,829 |
| Other changes | (309) | 23,317 |
| Balance at 30 June | <u>9,448,954</u> | <u>15,886,564</u> |
| Represented by:- | | |
| - Revolving credits (Note 20) | 8,967,954 | 15,886,564 |
| - Banker acceptance (Note 20) | <u>481,000</u> | <u>0</u> |
| | <u>9,448,954</u> | <u>15,886,564</u> |

Term loans

| | Group | | Company | |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Balance at 1 July | 26,369,301 | 18,941,144 | 7,791,119 | 8,821,144 |
| Drawdowns | 5,489,584 | 9,971,200 | 0 | 0 |
| Repayments | <u>(3,266,650)</u> | <u>(2,543,043)</u> | <u>(1,110,693)</u> | <u>(1,030,025)</u> |
| Balance at 30 June (Note 20) | <u>28,592,235</u> | <u>26,369,301</u> | <u>6,680,426</u> | <u>7,791,119</u> |

Notes to the financial statements - 30 June 2021

32. Related party disclosures

Transactions with related parties during the financial year are as follows:-

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Key management personnel compensation:- | | | | |
| - Short-term employee benefits | 2,218,819 | 2,330,468 | 2,182,376 | 2,294,025 |
| - Defined contribution plans | 209,976 | 207,337 | 208,536 | 205,897 |
| | 2,428,795 | 2,537,805 | 2,390,912 | 2,499,922 |
| Acquisition of property, plant and equipment from subsidiary | 0 | 0 | 5,255 | 0 |
| Acquisition of subsidiary from subsidiary | 0 | 0 | 112,000 | 0 |
| Acquisition of subsidiary from other related party ^(a) | 750,000 | 0 | 750,000 | 0 |
| Capital distribution from subsidiary | 0 | 0 | 22,501 | 0 |
| Disposal of property, plant and equipment to director | 0 | 4,032 | 0 | 4,032 |
| Dividends received from subsidiaries | 0 | 0 | 32,572,171 | 15,393,627 |
| Interest charged to subsidiaries | 0 | 0 | 12,493 | 87,233 |
| Purchase of consumables from subsidiary | 0 | 0 | 800 | 0 |
| Purchase of goods from other related party ^(b) | 3,222,335 | 2,206,736 | 0 | 0 |
| Receiving of services from other related party ^(b) | 21,255 | 0 | 0 | 0 |
| Redemption of shares by subsidiaries | 0 | 0 | 1,320,000 | 0 |
| Rendering of services to subsidiaries | 0 | 0 | 2,962,776 | 2,540,773 |
| Rental charged by other related parties ^(b) | 390,333 | 247,698 | 149,490 | 149,490 |
| Subscription for shares in subsidiaries | 0 | 0 | 17,820,000 | 7,992,000 |
| Waiver of debts by director | 0 | 15,351 | 0 | 0 |

^(a) Being family member of certain directors

^(b) Being companies in which certain directors have substantial financial interests

Notes to the financial statements - 30 June 2021

33. Segment reporting

Group

Operating segments

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:-

- (i) Manufacturing
 - Manufacture of precision machined components, precision stamping, sheet metal parts, surface treatment, precision moulds, tooling and dies, semiconductor assembly and testing equipment, metal works and structures, modules and parts for oil and gas production and extraction equipment
- (ii) Property development
 - Property development and property management

Except as indicated above, no operating segments have been aggregated to form the above reportable segments. "Other operating segments" category consists of small operations related to money lending, property letting and hotel operation.

The accounting policies and measurement bases of the segment items reported are the same as those disclosed in Note 2. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with external parties.

Notes to the financial statements - 30 June 2021

33. Segment reporting (cont'd)

Operating segments (cont'd)

| | 2021 | Manufacturing RM | Property development RM | Other operating segments RM | Unallocated non-operating segments RM | Consolidation adjustments and eliminations RM | Total RM |
|---|------|---------------------|-------------------------------|-----------------------------------|--|--|-------------|
| Statement of financial position | | | | | | | |
| Segment assets | | 148,926,727 | 96,044,889 | 24,833,263 | 170,826,065 | (147,352,705) | 293,278,239 |
| Included in the measure of segment assets are:- | | | | | | | |
| - Additions to non-current assets | | 3,923,257 | 12,722 | 2,907,642 | 27,556 | (2,432,122) | 4,439,055 |
| Segment liabilities | | 58,924,908 | 15,099,635 | 4,043,437 | 10,206,956 | (5,021,768) | 83,253,168 |
| Statement of comprehensive income | | | | | | | |
| Segment profit | | 25,950,498 | 2,568,309 | 834,252 | 30,968,221 | (33,388,057) | 26,933,223 |
| Included in the measure of segment profit are:- | | | | | | | |
| - External revenue | | 140,810,371 | 14,050,176 | 2,124,077 | 6,184 | 0 | 156,990,808 |
| - Intersegment revenue | | 28,724,318 | 5,004,335 | 1,326,866 | 74,577,017 | (109,632,536) | 0 |
| - Interest income | | 404,815 | 251,157 | 246,974 | 374,658 | (12,493) | 1,265,111 |
| - Non-cash income | | 496,154 | 130,957 | 0 | 1,102,554 | 0 | 1,729,665 |
| - Interest expense | | 1,013,275 | 46,644 | 12,226 | 47,031 | (12,493) | 1,106,683 |
| - Depreciation | | 6,607,974 | 189,956 | 620,272 | 113,632 | 21,000 | 7,552,834 |
| - Other non-cash expenses | | 699,650 | 29,033 | 1 | 9 | 0 | 728,693 |
| - Share of joint venture's profit | | 0 | 0 | 0 | 0 | 3,218 | 3,218 |
| - Tax expense | | 7,173,985 | 845,134 | 396,980 | 33,585 | 0 | 8,449,684 |

Notes to the financial statements - 30 June 2021

33. Segment reporting (cont'd)

Operating segments (cont'd)

| 2020 | Manufacturing RM | Property development RM | Other operating segments RM | Unallocated non-operating segments RM | Consolidation adjustments and eliminations RM | Total RM |
|---|---------------------|-------------------------------|-----------------------------------|--|--|-------------|
| Statement of financial position | | | | | | |
| Segment assets | 156,826,731 | 89,018,822 | 18,975,461 | 156,489,497 | (135,261,273) | 286,049,238 |
| Included in the measure of segment assets are:- | | | | | | |
| - Additions to non-current assets | 21,418,152 | 292,902 | 49,771 | 131,803 | 237,546 | 22,130,174 |
| Segment liabilities | 61,846,022 | 25,131,877 | 1,815,509 | 10,282,793 | (11,901,740) | 87,174,461 |
| Statement of comprehensive income | | | | | | |
| Segment profit/(loss) | 26,879,054 | (292,622) | 325,039 | 13,430,575 | (16,240,973) | 24,101,073 |
| Included in the measure of segment profit are:- | | | | | | |
| - External revenue | 183,771,383 | 11,969,918 | 1,729,064 | 54,070 | 0 | 197,524,435 |
| - Intersegment revenue | 25,544,106 | 2,375,119 | 543,755 | 37,558,514 | (66,021,494) | 0 |
| - Interest income | 442,126 | 251,001 | 126,412 | 208,295 | (87,233) | 940,601 |
| - Non-cash income | 436,089 | 15,351 | 0 | 516,951 | (157,006) | 811,385 |
| - Interest expense | 922,976 | 61,167 | 0 | 119,305 | (87,233) | 1,016,215 |
| - Depreciation | 6,384,075 | 181,085 | 531,291 | 105,827 | 0 | 7,202,278 |
| - Other non-cash expenses | 2,548,281 | 1,693,356 | 2,477 | 14 | 0 | 4,244,128 |
| - Share of joint venture's profit | 0 | 0 | 0 | 0 | 5,071 | 5,071 |
| - Tax expense | 9,208,553 | 323,197 | 85,368 | 37,147 | 0 | 9,654,265 |

Notes to the financial statements - 30 June 2021

33. Segment reporting (cont'd)

Geographical information

The Group operates principally in Malaysia and generates revenue from the following geographical locations of customers:-

| | External revenue | |
|-----------|--------------------|--------------------|
| | 2021 | 2020 |
| | RM | RM |
| Malaysia | 107,676,089 | 134,092,312 |
| Singapore | 21,966,862 | 22,171,513 |
| Others | 27,347,857 | 41,260,610 |
| | <u>156,990,808</u> | <u>197,524,435</u> |

Major customers

For the financial year ended 30 June 2021, there was 1 (2020 : 1) major customer of the manufacturing segment that contributed 10% or more of the Group's total revenue and the total revenue generated from this major customer amounted to RM33,555,788 (2020 : RM26,804,958).

34. Contractual commitments

Group

| | 2021 | 2020 |
|--|-------------------|------------------|
| | RM | RM |
| Acquisition of property, plant and equipment | <u>40,367,000</u> | <u>3,548,000</u> |

35. Financial guarantee contracts

Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of RM62,219,000 (2020 : RM52,836,000). The total utilisation of these credit facilities as at 30 June 2021 amounted to RM43,950,000 (2020 : RM27,948,000). No maturity analysis is presented for the financial guarantee contracts as the entire amount could be called at any time in the event of default by the subsidiaries.

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.15. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

Notes to the financial statements - 30 June 2021

36. Financial risk management

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and other price risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit risk

The Group's exposure to credit risk arises mainly from receivables, derivative contracts and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 35.

The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 12. As the Group only deals with reputable financial institutions, the credit risk associated with derivative contracts and deposits placed with them is low.

Liquidity risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

Currency risk

The Group's exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currency transacted is US Dollar ("USD"), and the gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:-

| | Group Denominated in USD | |
|---------------------------|-----------------------------|-------------------|
| | 2021 RM | 2020 RM |
| Receivables | 18,049,417 | 15,516,240 |
| Cash and cash equivalents | 2,695,720 | 2,426,024 |
| Payables | (2,255,478) | (907,895) |
| Loans and borrowings | (6,467,954) | (5,386,564) |
| | <u>12,021,705</u> | <u>11,647,805</u> |

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36. Financial risk management (cont'd)

Currency risk (cont'd)

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

| | Group | |
|--|--|--|
| | Increase/ (Decrease) in profit 2021 RM | Increase/ (Decrease) in profit 2020 RM |
| Appreciation of USD against RM by 2% (2020 : 2%) | 185,844 | 161,367 |
| Depreciation of USD against RM by 2% (2020 : 2%) | <u>(185,844)</u> | <u>(161,367)</u> |

Interest rate risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely receivables, term deposits and loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments as follows:-

| | Group | | Company | |
|----------------------------------|-------------------|-------------------|------------------|------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Fixed rate instruments | | | | |
| Financial assets | 3,486,021 | 4,235,731 | 8,000 | 8,000 |
| Financial liabilities | 9,448,954 | 15,886,564 | 0 | 0 |
| Floating rate instruments | | | | |
| Financial assets | 4,503,187 | 3,016,260 | 0 | 3,400,000 |
| Financial liabilities | <u>31,592,315</u> | <u>26,369,301</u> | <u>9,680,506</u> | <u>7,791,119</u> |

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36. Financial risk management (cont'd)

Interest rate risk (cont'd)

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, any change in interest rates at the end of the reporting period would not affect its profit or loss (and equity). For floating rate financial instruments measured at amortised cost, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

| | Group | | Company | |
|---|--|--|--|--|
| | Increase/ (Decrease) in profit 2021 RM | Increase/ (Decrease) in profit 2020 RM | Increase/ (Decrease) in profit 2021 RM | Increase/ (Decrease) in profit 2020 RM |
| Increase in interest rates by 0* (2020 : 40) basis point(s) | 0 | (79,812) | 0 | (17,564) |
| Decrease in interest rates by 0* (2020 : 40) basis point(s) | 0 | 79,812 | 0 | 17,564 |

* Using standard deviation to measure interest rate volatility for the past 12 months, the Group and the Company did not foresee any reasonably possible change in interest rate at the end of the reporting period.

Other price risk

The Group's exposure to other price risk arises mainly from quoted investments.

The Group manages its investments on an individual basis by continuously evaluating the share price movements, investment returns and the general industrial conditions relevant to the investees.

The Group's quoted investments are listed on Hong Kong Exchanges and Clearing Limited and Nasdaq, Inc. Based on the assumption that the share prices of these investments moved in correlation with the relevant indices, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in the relevant indices that were reasonably possible at the end of the reporting period, with all other variables held constant:-

| | Group | |
|---------------------------------|--|--|
| | Increase/ (Decrease) in profit 2021 RM | Increase/ (Decrease) in profit 2020 RM |
| Increase in equity prices by 8% | 167,367 | 0 |
| Decrease in equity prices by 8% | (167,367) | 0 |

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37. Capital management

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total interest-bearing debts to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity as follows:-

| | Group | | Company | |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Total interest-bearing debts | 41,041,269 | 42,255,865 | 9,680,506 | 7,791,119 |
| Total equity | 210,025,071 | 198,874,777 | 156,928,594 | 142,263,921 |
| Total capital | <u>251,066,340</u> | <u>241,130,642</u> | <u>166,609,100</u> | <u>150,055,040</u> |
| Debt-to-equity ratio | <u>19.54%</u> | <u>21.25%</u> | <u>6.17%</u> | <u>5.48%</u> |

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.