

KOBAY TECHNOLOGY BHD.

Registration No. 199401022600 (308279-A)

(Incorporated in Malaysia)

**DIRECTORS' REPORT AND
AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2023**

Registration No. 199401022600 (308279-A)

KOBAY TECHNOLOGY BHD.
(Incorporated in Malaysia)

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

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KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are mainly involved in manufacturing, property development, pharmaceutical and healthcare, asset management, investment holding and others. Further details of the subsidiaries are set out in Note 9 to the financial statements.

There had been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	<u>25,589,953</u>	<u>44,395,838</u>
Attributable to:		
Owners of the parent	26,507,794	44,395,838
Non-controlling interests	<u>(917,841)</u>	<u>0</u>
	<u>25,589,953</u>	<u>44,395,838</u>

DIVIDENDS

Dividends paid, declared or proposed by the Company since the end of the previous financial year were as follows:

	RM
In respect of financial year ended 30 June 2022:	
First and final single tier dividend of 3.0 sen per ordinary share, paid on 20 January 2023	<u>9,605,424</u>

DIVIDENDS (continued)

The Directors propose a first and final single tier dividend of 2.0 sen per ordinary share amounting to RM6,403,616 in respect of the financial year ended 30 June 2023, subject to the approval of shareholders at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 30 June 2024.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Dato' Seri Koay Hean Eng *

Koay Cheng Lye *

Khaw Eng Peng

Sharifah Faridah Binti Dato'

Syed Mahadzar Jamalulli

Koay Wooi Seong

Koay Zee Ee *

Lee Kooi Hoon

(Appointed on 8 September 2023)

(Appointed on 8 September 2023)

* These Directors of the Company are also the Directors of certain subsidiaries of the Company.

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DIRECTORS (continued)

The Directors who have held office during the financial year and up to the date of this report are as follows (continued):

Subsidiaries of Kobay Technology Bhd. (excluding those who are already the Directors of the Company)

Koay Wooi Tatt

Chan Mun Shee

Yee San Khien

Koay Wei Keong

Chong Huei Shin

Tee Yee May

Tan Kim Fah

Lim Beng Cheong

Chan Bee Luang

Poh Li Pheng

Dennycia Koay Zee Wei

(Resigned on 22 August 2022)

(Appointed on 22 August 2022)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2023 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	[----- Number of ordinary shares -----]			
	Balance as at			Balance as at
	<u>1.7.2022</u>	<u>Bought</u>	<u>Sold</u>	<u>30.6.2023</u>
<u>Shares in the Company</u>				
<u>Indirect interests</u>				
Dato' Seri Koay Hean Eng ^	109,048,940	0	0	109,048,940
Koay Cheng Lye #	115,448,940	6,400,000	0	121,848,940

^ Deemed interested by virtue of shareholdings in Kobay Holdings Sdn. Bhd.

Deemed interested by virtue of shareholdings in Kobay Holdings Sdn. Bhd. and Inna Capital Sdn. Bhd.

DIRECTORS' INTERESTS (continued)

By virtue of their interests in the ordinary shares of the Company, Dato' Seri Koay Hean Eng and Koay Cheng Lye are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received and receivable by the Directors as shown in 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, other than the following:

- (a) certain Directors who may be deemed to derive benefits by virtue of trade transactions entered into with companies in which certain Directors have substantial financial interests; and
- (b) certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

Directors' remuneration of the Group and of the Company for the financial year ended 30 June 2023 were as follows:

	Group RM	Company RM
Fees	30,000	30,000
Salaries and other emoluments	877,936	522,732
Defined contribution plan	34,691	20,617
	<u>942,627</u>	<u>573,349</u>

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for the Directors, officers and auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there were no known bad debts to be written off and that adequate provision have been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY
(continued)**

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
 - (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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AUDITORS

The auditors, BDO PLT (201906000013 (LLP0018825-LCA) & AF 0206), have expressed their willingness to continue in office.


AUDITORS' REMUNERATION

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 30 June 2023 amounted to RM50,000 and RM260,000 respectively.

Signed on behalf of the Board in accordance with a resolution of the Directors.



Dato' Seri Koay Hean Eng
Director



Koay Cheng Lye
Director

Penang
25 October 2023

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KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

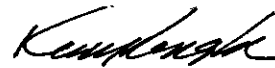
STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 17 to 117 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2023 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,



Dato' Seri Koay Hean Eng
Director



Koay Cheng Lye
Director

Penang
25 October 2023

STATUTORY DECLARATION

I, Dato' Seri Koay Hean Eng (I/C No.: 581127-07-5439), 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 17 to 117 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

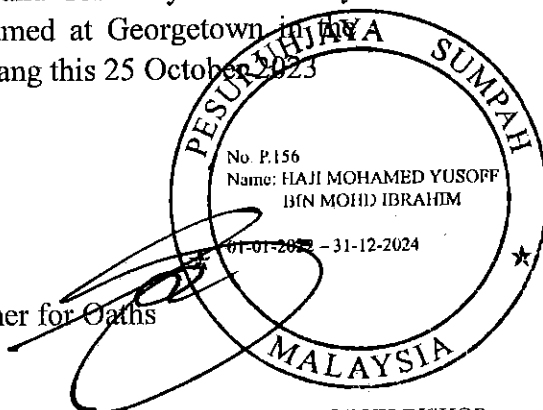
Subscribed and solemnly declared by
the abovenamed at Georgetown in the
State of Penang this 25 October 2023



Dato' Seri Koay Hean Eng

Before me,

Commissioner for Oaths



NO. 97 LEBUH BISHOP
10200 PULAU PINANG

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KOBAY TECHNOLOGY BHD.**

Registration No. 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 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 117.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') 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 ('ISAs'). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KOBAY TECHNOLOGY BHD. (continued)**
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Key Audit Matters

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

Key Audit Matters of the Group

1. Impairment assessment of the carrying amounts of trademark and goodwill on consolidation

As disclosed in Notes 7 and 8 to the financial statements, the net carrying amount of trademark and goodwill on consolidation of the Group amounted to RM18,297,000 and RM22,506,704 respectively as at 30 June 2023. Trademark and goodwill on consolidation are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill or intangible assets might be impaired.

We determined this to be a key audit matter as because it requires significant judgement by the management about the future results and key assumption applied to cash flows projection of cash generating unit ('CGU') in determining the recoverable amount. The key assumptions include forecast growth in future revenue and profit margins as well as determining an appropriate pre-tax discount rate and growth rates.

Audit response

Our audit procedures included the following:

- (a) assessed the cash flows projections against recent performance and compared the current period's actual results with previous forecasts to assess the historical accuracy of forecasts;
- (b) assessed the reasonableness of the key assumptions used by management in the cash flows projections;
- (c) assessed the reasonableness of the pre-tax discount rate used by management for each of the CGUs by comparing to market data, weighted average cost of capital of the Group and other relevant risk factors; and
- (d) performed sensitivity analysis to stress test the key assumptions used by management in the impairment assessment.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KOBAY TECHNOLOGY BHD. (continued)**

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Key Audit Matters (continued)

Key Audit Matters of the Group (continued)

2. Revenue and cost of sales recognition for property development activities

Revenue from property development activities during the financial year as disclosed in Note 23 to the financial statements amounted to RM34,792,510. Cost of sales from property development activities for the financial year as disclosed in Note 11 to the financial statements amounted to RM21,594,694.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the satisfaction of performance obligations as stated in the contracts with customers, transaction price allocations and costs in applying the input method to recognise revenue over time.

The Group identifies performance obligations that are distinct and material, which are judgmental in the context of contracts. Transaction prices are determined based on estimated profit margins prior to its allocation to the identified performance obligations.

The Group also estimates total contract costs in applying the input method to recognise revenue over time. In estimating the total costs to complete, the Group considers the completeness and accuracy of its costs estimation, including its obligations to contract variations, claims and cost contingencies.

Audit response

Our audit procedures included the following:

- (a) reviewed contracts with customers to identify distinct and material performance obligations, and compared our findings to the findings of the Group;
- (b) recomputed transaction prices based on historical profit margins of the Group, and compared these transaction prices allocated to profit margins of similar contracts subsequent to the end of reporting period;
- (c) assessed estimated total costs to complete through inquiries with operational and financial personnel of the Group;



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
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Key Audit Matters (continued)

Key Audit Matters of the Group (continued)

2. Revenue and cost of sales recognition for property development activities (continued)

Audit response (continued)

Our audit procedures included the following (continued):

- (d) inspected documentation to support cost estimates made including contract variations and cost contingencies;
- (e) compared contract budgets to actual outcomes to assess reliability of management budgeting process and controls; and
- (f) recomputed the results of the input method determined by management for revenue recognition based on verified actual costs incurred to-date and budgeted costs.

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 information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KOBAY TECHNOLOGY BHD. (continued)**

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Information Other than the Financial Statements and Auditors' Report Thereon (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company 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 of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs 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. (continued)**

Registration No. 199401022600 (308279-A)
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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) 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 internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KOBAY TECHNOLOGY BHD. (continued)**
Registration No. 199401022600 (308279-A)
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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

- (f) 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.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KOBAY TECHNOLOGY BHD. (continued)**
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Other Matters

- (a) The financial statements of the Group and of the Company for the financial year ended 30 June 2022 were audited by another firm of chartered accountants whose report dated 18 October 2022 expressed an unqualified opinion on those statements.
- (b) 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.

BDO PLT

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

Penang
25 October 2023

Tan Chee Hean
03661/04/2024 J
Chartered Accountant

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

		Group		Company	
		2023	2022	2023	2022
	NOTE	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	182,117,359	184,575,027	617,661	310,737
Investment properties	6	11,495,944	5,513,612	0	0
Intangible assets	7	19,941,802	20,136,725	0	0
Goodwill on consolidation	8	22,506,704	22,506,704	0	0
Investments in subsidiaries	9	0	0	296,814,518	250,561,017
Other investments	10	298,613	451,931	1,500	1,500
Inventories	11	52,647,060	38,496,059	0	0
Trade receivables	12	7,473,042	5,750,564	0	0
Deferred tax assets	13	0	142,000	0	0
		<u>296,480,524</u>	<u>277,572,622</u>	<u>297,433,679</u>	<u>250,873,254</u>
Current assets					
Inventories	11	143,344,215	117,127,769	0	0
Trade and other receivables	12	71,787,266	99,104,078	54,232,057	11,301,441
Derivative assets	14	5,100	716	0	0
Current tax assets		4,704,279	1,241,873	97,377	0
Short term funds	15	22,012,659	23,756,803	606,028	14,037,680
Cash and bank balances	16	25,569,921	49,903,209	1,289,812	17,005,276
		<u>267,423,440</u>	<u>291,134,448</u>	<u>56,225,274</u>	<u>42,344,397</u>
TOTAL ASSETS		<u>563,903,964</u>	<u>568,707,070</u>	<u>353,658,953</u>	<u>293,217,651</u>

KOBAY TECHNOLOGY BHD.
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023 (continued)

		Group		Company	
		2023	2022	2023	2022
	NOTE	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	17	210,917,984	210,917,984	210,917,984	210,917,984
Treasury shares	17(c)	(9,522,642)	(9,522,642)	(9,522,642)	(9,522,642)
Capital reserve		1,550,000	1,550,000	0	0
Retained earnings		177,232,482	160,330,112	104,669,492	69,879,078
		380,177,824	363,275,454	306,064,834	271,274,420
Non-controlling interests		13,858,245	14,834,284	0	0
TOTAL EQUITY		394,036,069	378,109,738	306,064,834	271,274,420
LIABILITIES					
Non-current liabilities					
Borrowings	18	37,838,063	36,492,759	3,580,177	4,677,584
Lease liabilities	19	3,582,822	2,267,585	273,350	0
Deferred tax liabilities	13	11,771,373	10,989,047	0	0
Government grants	20	171,750	495,523	0	0
		53,364,008	50,244,914	3,853,527	4,677,584
Current liabilities					
Borrowings	18	57,945,624	32,071,820	19,738,324	941,992
Lease liabilities	19	1,945,143	921,905	133,058	0
Trade and other payables	21	53,746,355	99,256,356	23,869,210	16,082,386
Contract liabilities	22	848,540	4,811,961	0	0
Government grants	20	156,213	0	0	0
Derivative liabilities	14	97,404	907,420	0	0
Current tax liabilities		1,764,608	2,382,956	0	241,269
		116,503,887	140,352,418	43,740,592	17,265,647
TOTAL LIABILITIES		169,867,895	190,597,332	47,594,119	21,943,231
TOTAL EQUITY AND LIABILITIES		563,903,964	568,707,070	353,658,953	293,217,651

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

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

		Group		Company	
	NOTE	2023	2022	2023	2022
		RM	RM	RM	RM
Revenue	23	313,693,513	354,178,481	50,617,778	14,836,024
Cost of sales		(232,563,163)	(237,137,475)	0	0
Gross profit		81,130,350	117,041,006	50,617,778	14,836,024
Other income		4,715,113	7,999,199	1,938,115	3,077,440
Selling and distribution expenses		(6,617,333)	(8,151,380)	0	0
Administrative and general expenses		(37,630,038)	(41,911,980)	(7,582,564)	(4,425,279)
Impairment loss on trade receivables	12(h)	(3,074)	(425,757)	0	0
Finance costs		(3,569,768)	(1,874,177)	(736,187)	(354,291)
Profit before tax		38,025,250	72,676,911	44,237,142	13,133,894
Taxation	26	(12,435,297)	(19,792,325)	158,696	(1,198,529)
Profit for the financial year		25,589,953	52,884,586	44,395,838	11,935,365
Total other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		<u>25,589,953</u>	<u>52,884,586</u>	<u>44,395,838</u>	<u>11,935,365</u>

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)**

		Group		Company	
		2023	2022	2023	2022
	NOTE	RM	RM	RM	RM
Profit for the financial year and total comprehensive income attributable to:					
Owners of the parent		26,507,794	51,371,109	44,395,838	11,935,365
Non-controlling interests		(917,841)	1,513,477	0	0
		<u>25,589,953</u>	<u>52,884,586</u>	<u>44,395,838</u>	<u>11,935,365</u>

Earnings per ordinary share attributable to owners of the parent:

Basic and diluted (Sen)	27	<u>8.28</u>	<u>16.46</u>
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The accompanying notes form an integral part of the financial statements.

Registration No. 199401022600 (308279-A)

KOBAY TECHNOLOGY BHD.
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

Group	NOTE	Non-distributable					Distributable		Total attributable to owners of the parent	Non-controlling interests	Total equity
		Share capital	Treasury shares	Capital reserve	Retained earnings	RM	RM	RM			
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance as at 1 July 2021		102,103,907	(9,522,642)	1,550,000	115,288,181	209,419,446	605,625	210,025,071			
Profit for the financial year		0	0	0	51,371,109	51,371,109	1,513,477	52,884,586			
Other comprehensive income, net of tax		0	0	0	0	0	0	0			
Total comprehensive income		0	0	0	51,371,109	51,371,109	1,513,477	52,884,586			
Transactions with owners											
Acquisition of subsidiaries	9(g)	0	0	0	0	0	10,151,220	10,151,220			
Issuance of ordinary shares pursuant to private placement											
Share issue transaction costs	17	110,445,000	0	0	0	110,445,000	0	110,445,000			
Issuance of shares to non-controlling interests	17	(1,630,923)	0	0	0	(1,630,923)	0	(1,630,923)			
Changes in ownership interest in a subsidiary	9(e)	0	0	0	0	0	2,940,000	2,940,000			
Dividend paid	28	0	0	0	74,438	74,438	48,962	123,400			
Dividends paid to non-controlling interests		0	0	0	(6,403,616)	(6,403,616)	0	(6,403,616)			
Total transactions with owners		108,814,077	0	0	(6,329,178)	102,484,899	12,715,182	115,200,081			
Balance as at 30 June 2022		210,917,984	(9,522,642)	1,550,000	160,330,112	363,275,454	14,834,284	378,109,738			

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KOBAY TECHNOLOGY BHD.
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)**

Group	NOTE	Share capital RM	Treasury shares RM	Capital reserve RM	Non-distributable		Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
					distributable	Distributable				
Balance as at 1 July 2022		210,917,984	(9,522,642)	1,550,000	160,330,112	363,275,454	14,834,284	378,109,738		
Profit for the financial year		0	0	0	26,507,794	26,507,794	(917,841)	25,589,953		
Other comprehensive income, net of tax		0	0	0	0	0	0	0		
Total comprehensive income		0	0	0	26,507,794	26,507,794	(917,841)	25,589,953		
Transactions with owners										
Dividend paid	28	0	0	0	(9,605,424)	(9,605,424)	0	(9,605,424)		
Dividends paid to non-controlling interests		0	0	0	0	0	(1,288,970)	(1,288,970)		
Issuance of shares to non-controlling interests		0	0	0	0	0	1,225,000	1,225,000		
Changes in ownership interest in a subsidiary	9(f)	0	0	0	0	0	5,772	5,772		
Total transactions with owners		0	0	0	(9,605,424)	(9,605,424)	(58,198)	(9,663,622)		
Balance as at 30 June 2023		210,917,984	(9,522,642)	1,550,000	177,232,482	380,177,824	13,858,245	394,036,069		

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)**

Company	NOTE	Share capital RM	Treasury shares RM	<u>Distributable</u> Retained earnings RM	Total equity RM
Balance as at 1 July 2021		102,103,907	(9,522,642)	64,347,329	156,928,594
Profit for the financial year		0	0	11,935,365	11,935,365
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	11,935,365	11,935,365
Transactions with owners					
Issuance of ordinary shares pursuant to private placement	17	110,445,000	0	0	110,445,000
Share issue transaction costs	17	(1,630,923)	0	0	(1,630,923)
Dividend paid	28	0	0	(6,403,616)	(6,403,616)
Total transactions with owners		108,814,077	0	(6,403,616)	102,410,461
Balance as at 30 June 2022		210,917,984	(9,522,642)	69,879,078	271,274,420
Balance as at 1 July 2022		210,917,984	(9,522,642)	69,879,078	271,274,420
Profit for the financial year		0	0	44,395,838	44,395,838
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	44,395,838	44,395,838
Transaction with owners					
Dividend paid	28	0	0	(9,605,424)	(9,605,424)
Total transactions with owners		0	0	(9,605,424)	(9,605,424)
Balance as at 30 June 2023		210,917,984	(9,522,642)	104,669,492	306,064,834

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

KOBAY TECHNOLOGY BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

		Group		Company	
	NOTE	2023	2022	2023	2022
		RM	RM	RM	RM
CASH FLOWS FROM					
OPERATING ACTIVITIES					
Profit before tax		38,025,250	72,676,911	44,237,142	13,133,894
Adjustments for:					
Amortisation of:					
- intangible assets	7	194,923	178,680	0	0
- government grants	20	(167,560)	(263,438)	0	0
Depreciation of:					
- property, plant and equipment	5	12,677,999	11,223,673	113,318	100,673
- investment properties	6	313,929	32,450	0	0
Dividend income	23	0	0	(50,617,778)	(14,836,024)
Fair value (gain)/loss on:					
- derivatives	14(d)	(814,400)	828,749	0	0
- other investment		111,478	1,023,820	0	0
- contingent consideration	21(e)	2,394,551	(2,008,790)	2,394,551	(2,008,790)
Gain on disposal of:					
- property, plant and equipment		(327,379)	(163,080)	0	0
- other investments		(960)	0	0	0
- subsidiary	9(f)	(11,007)	0	(4,949)	0
Gain on lease modification		(5,885)	(109)	0	0
Gain on lease termination		(50,417)	0	0	0
Inventories written down	11(e)	531,225	1,608	0	0
Impairment loss on:					
- investments in subsidiaries	9	0	0	2,391,448	0
- trade receivables	12(h)	3,074	425,757	0	0
Loss on change in ownership interest in subsidiaries		0	0	0	289,866
Reversal of impairment loss on investments in subsidiaries	9	0	0	0	(465,400)
Written off of property, plant and equipment		13,277	8,419	6	0
Operating profit/(loss) before changes in working capital carried forward		52,888,098	83,964,650	(1,486,262)	(3,785,781)

KOBAY TECHNOLOGY BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)

		Group		Company	
		2023	2022	2023	2022
NOTE		RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
(continued)					
Operating profit/(loss) before changes in working capital brought forward		52,888,098	83,964,650	(1,486,262)	(3,785,781)
Interest income		(1,368,022)	(685,829)	(1,932,981)	(603,250)
Interest expense		3,569,768	1,874,177	736,187	354,291
Lease concession		0	(2,400)	0	0
Unrealised gain in foreign exchange		(60,168)	(498,867)	0	0
Operating profit/(loss) before changes in working capital		55,029,676	84,651,731	(2,683,056)	(4,034,740)
Changes in working capital:					
Inventories		(43,807,244)	(54,093,409)	0	0
Trade and other receivables		26,097,693	(28,274,268)	(7,898)	14,858
Trade and other payables		(38,318,087)	33,350,998	(12,033)	(190,827)
Contract liabilities		277,200	4,741,173	0	0
Cash (used in)/generated from operations		(720,762)	40,376,225	(2,702,987)	(4,210,709)
Tax paid		(15,697,020)	(18,370,232)	(179,950)	(692,779)
Tax refunded		105,295	560,779	0	0
Net cash (used in)/from operating activities		(16,312,487)	22,566,772	(2,882,937)	(4,903,488)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of:					
- property, plant and equipment	5(h)	(17,702,163)	(109,147,265)	(3,034)	(46,974)
- investment properties	6	0	(707,867)	0	0
- other investments		0	(575,485)	0	0
Acquisition of subsidiaries, net of cash acquired		0	(11,506,796)	0	(18,013,925)
Contingent consideration paid	21(e)	(9,575,694)	(6,383,796)	(9,575,694)	(6,383,796)
Dividend received	23	0	0	50,617,778	14,836,024
Interest received		1,368,022	685,829	1,932,981	603,250
Net cash (used in)/from investing activities carried forward		(25,909,835)	(127,635,380)	42,972,031	(9,005,421)

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)

NOTE	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES (continued)				
Net cash used in investing activities brought forward	(25,909,835)	(127,635,380)	42,972,031	(9,005,421)
Net advance to subsidiaries	0	0	(72,639,635)	(10,170,950)
Proceeds from disposal of:				
- property, plant and equipment	3,692,445	214,599	0	0
- other investments	42,800	1,400,828	0	0
- subsidiary	9(f) 4,900	0	5,000	0
- shares to non-controlling interest	0	123,400	0	123,400
Subscription for shares in subsidiaries	0	0	(3,948,083)	(62,638,000)
Net cash used in investing activities	(22,169,690)	(125,896,553)	(33,610,687)	(81,690,971)
CASH FLOWS FROM FINANCING ACTIVITIES				
Change in deposit pledged as security	(92,729)	(343,775)	0	8,000
Dividends paid to:				
- owners of the Company	28 (9,605,424)	(6,403,616)	(9,605,424)	(6,403,616)
- non-controlling interest	(1,288,970)	(425,000)	0	0
Drawdowns of:				
- term loans	8,474,651	17,451,429	0	0
- revolving credit	15,050,769	16,702,151	8,802,794	0
Interest paid	(3,443,394)	(1,754,235)	(734,536)	(354,291)
Proceeds from the issuance of shares pursuant to private placement	0	110,445,000	0	110,445,000
Share issue transaction costs	0	(1,630,923)	0	(1,630,923)
Issuance of shares to non-controlling interest	1,225,000	2,940,000	0	0
Repayment of:				
- term loans	(6,096,177)	(5,504,586)	(1,060,528)	(1,060,850)
- revolving credit	(617,554)	0	0	0
- lease liabilities	(1,256,418)	(1,152,320)	(12,457)	0
Net cash from/(used in) financing activities	2,349,754	130,324,125	(2,610,151)	101,003,320

KOBAY TECHNOLOGY BHD.
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)

		Group		Company	
		2023	2022	2023	2022
	NOTE	RM	RM	RM	RM
Net (decrease)/increase in cash and cash equivalents		(36,132,423)	26,994,344	(39,103,775)	14,408,861
Effects of exchange rate changes on cash and cash equivalents		5,603	56,871	0	0
Cash and cash equivalents at beginning of the financial year		70,063,958	43,012,743	31,042,956	16,634,095
Cash and cash equivalents at end of the financial year	16(e)	<u>33,937,138</u>	<u>70,063,958</u>	<u>(8,060,819)</u>	<u>31,042,956</u>

KOBAY TECHNOLOGY BHD.

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (continued)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities (Note 19)		Borrowings (Note 18)	
	Group RM	Company RM	Group RM	Company RM
At 1 July 2021	0	0	38,041,189	6,680,426
Cash flows	(1,152,320)	0	28,648,994	(1,060,850)
Non-cash flows:				
- acquisition of subsidiary	4,236,798	0	1,686,881	0
- unwinding of interest	111,007	0	0	0
- lease concession	(2,400)	0	0	0
- effects of lease termination	(3,595)	0	0	0
- effects of exchange rate changes	0	0	187,515	0
At 30 June 2022	<u>3,189,490</u>	<u>0</u>	<u>68,564,579</u>	<u>5,619,576</u>
At 1 July 2022	3,189,490	0	68,564,579	5,619,576
Cash flows	(1,256,418)	(12,457)	16,811,689	7,742,266
Non-cash flows:				
- addition of lease liabilities	1,105,504	417,214	0	0
- effects of lease modification	65,373	0	0	0
- effects of lease termination	(1,942,979)	0	0	0
- transfer from contract liabilities	4,240,621	0	0	0
- unwinding of interest	126,374	1,651	0	0
- effects of exchange rate changes	0	0	450,760	0
At 30 June 2023	<u>5,527,965</u>	<u>406,408</u>	<u>85,827,028</u>	<u>13,361,842</u>

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

KOBAY TECHNOLOGY BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

1. CORPORATE INFORMATION

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

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

The consolidated financial statements for the financial year ended 30 June 2023 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 25 October 2023.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are mainly involved in manufacturing, property development, pharmaceutical and healthcare, asset management, investment holding and others. Further details of the subsidiaries are set out in Note 9 to the financial statements.

There had been no significant changes in the nature of the activities of the Company and its subsidiaries during the financial year.

3. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 34.1 to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

4. OPERATING SEGMENTS

Kobay Technology Bhd. has arrived at six (6) reportable segments that are organised and managed separately according to the products and services, which requires different business and marketing strategies. The reportable segments are summarised as follows:

- | | | |
|-------------------------------------|---|--|
| (i) Manufacturing | - | Manufacture of precision machined components, precision metal stamping, sheet metal parts, surface treatment, precision moulds and parts, tooling and form dies, semiconductor assembly and testing equipment, metal works and structures, modules and parts for oil and gas production and extraction equipment and components and sub-assemblies for aerospace parts |
| (ii) Property development | - | Property development and property management |
| (iii) Pharmaceutical and healthcare | - | Wholesale and retail sale of pharmaceutical and healthcare products |
| (iv) Asset management | - | Property letting, operation of dormitory and hotel operators |
| (v) Investment holding | - | Investment holding |
| (vi) Others | - | Money lending and management services |

The accounting policies of operating segments are the same as those described in the respective notes to the financial statements. The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring gain/(losses), such as bargain purchase gain and goodwill on consolidation written off. These policies have been applied consistently throughout the current and previous financial years.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements.

The inter-segment assets are adjusted against the segment assets to arrive at total assets reported in the statements of financial position.

The inter-segment liabilities are adjusted against the segment liabilities to arrive at total liabilities reported in the statements of financial position.

The Group has changed the composition of its reportable segments during the financial year. Consequently, the comparatives have been restated to conform with current year's presentation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

4. OPERATING SEGMENTS (continued)

	Business segments							Consolidation adjustments and elimination		Group RM
	Manufacturing RM	Property development RM	Pharmaceutical and healthcare RM	Asset management RM	Investment holding RM	Others RM		RM	RM	
2023										
Segment assets	249,754,459	187,417,501	37,346,808	81,479,106	417,006,499	10,316,025	(419,416,434)		563,903,964	
Included in the measure of segment assets are:										
- Additions to non-current assets	38,015,903	388,277	431,802	3,611,381	420,248	570,882	(24,630,826)		18,807,667	
Segment liabilities	90,321,324	74,861,410	8,636,671	37,749,511	47,711,805	1,152,700	(90,565,526)		169,867,895	
Revenue from external customers	194,918,684	34,792,510	78,317,236	5,277,564	175	387,344	0		313,693,513	
Inter-segment revenue	30,614,592	2,374,853	14,707,400	5,042,315	97,764,649	7,684,400	(158,188,209)		0	
Total revenue	225,533,276	37,167,363	93,024,636	10,319,879	97,764,824	8,071,744	(158,188,209)		313,693,513	
Interest income	788,620	205,503	74,212	31,728	1,940,666	10,444	(1,683,151)		1,368,022	
Finance costs	(1,757,708)	(2,087,863)	(74,914)	(971,754)	(736,187)	(8,866)	2,067,524		(3,569,768)	
Net finance (costs)/income	(969,088)	(1,882,360)	(702)	(940,026)	1,204,479	1,578	384,373		(2,201,746)	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

4. OPERATING SEGMENTS (continued)

Business segments (continued)

	Manufactu- ring RM	Property development RM	Pharmaceu- tical and healthcare RM	Asset management RM	Investment holding RM	Others RM	Consolidation adjustments and elimination RM	Group RM
2023								
Segment profit before tax	19,914,615	10,451,719	10,905,335	2,191,222	90,912,214	336,594	(96,686,449)	38,025,250
Tax expense	6,566,251	2,601,308	2,636,095	841,374	(158,949)	(4,000)	(46,782)	12,435,297
Other material non-cash items:								
- depreciation on property, plant and equipment	12,086,003	165,491	1,197,925	268,920	128,681	98,274	(1,267,295)	12,677,999
- depreciation on investment properties	185,203	0	0	2,048,629	0	0	(1,919,903)	313,929
- fair value loss on contingent consideration	0	0	0	0	2,394,551	0	0	2,394,551
- inventories written down	531,225	0	0	0	0	0	0	531,225
- fair value gain on derivatives	(814,400)	0	0	0	0	0	0	(814,400)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

4. OPERATING SEGMENTS (continued)

Business segments (continued)

	Manufactu- ring RM	Property development RM	Pharmaceu- tical and healthcare RM	Asset management RM	Investment holding RM	Others RM	Consolidation adjustments and elimination RM	Group RM
2022 (restated) *								
Segment assets	258,814,360	132,404,192	35,216,947	69,208,282	357,029,527	7,563,631	(291,529,869)	568,707,070
Included in the measure of segment assets are:								
- Additions to non-current assets	57,215,387	13,275	9,314,427	47,711,623	57,244	193,487	(4,650,311)	109,855,132
Segment liabilities	93,772,718	44,984,926	11,246,150	28,292,121	22,053,726	449,680	(10,201,989)	190,597,332
Revenue from external customers	241,374,496	24,661,945	86,226,176	1,893,739	22,125	0	0	354,178,481
Inter-segment revenue	59,790,631	7,199,023	17,312,583	1,368,579	28,198,289	5,949,500	(119,818,605)	0
Total revenue	301,165,127	31,860,968	103,538,759	3,262,318	28,220,414	5,949,500	(119,818,605)	354,178,481
Interest income	179,081	93,944	13,415	7,427	277,750	257,122	(142,910)	685,829
Finance costs	(1,066,690)	(285,133)	(187,857)	(47,799)	(354,291)	(75,317)	142,910	(1,874,177)
Net finance (costs)/income	(887,609)	(191,189)	(174,442)	(40,372)	(76,541)	181,805	0	(1,188,348)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

4. OPERATING SEGMENTS (continued)

Business segments (continued)

	Manufactu- ring RM	Property development RM	Pharmaceu- tical and healthcare RM	Asset management RM	Investment holding RM	Others RM	Consolidation adjustments and elimination RM	Group RM
2022 (restated) *								
Segment profit before tax	60,719,618	8,611,962	10,705,244	(73,917)	25,135,332	242,725	(32,664,053)	72,676,911
Tax expense	14,351,140	2,158,564	2,586,317	0	334,814	1,217,729	(856,239)	19,792,325
Other material non-cash items:								
- depreciation on property, plant and equipment	7,854,138	166,611	1,340,250	1,769,187	116,470	9,467	(32,450)	11,223,673
- depreciation on investment properties	0	0	0	0	32,450	0	0	32,450
- fair value gain on contingent consideration	0	0	0	0	(2,008,790)	0	0	(2,008,790)
- impairment loss on trade receivables	425,757	0	0	0	0	0	0	425,757
- fair value loss on derivatives	828,749	0	0	0	0	0	0	828,749

* The Group has re-aligned its internal composition of its operating segments which resulted in change in reportable segments. Accordingly, the Group has restated the previously reported segment information for the year ended 30 June 2022.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

4. OPERATING SEGMENTS (continued)

(a) Geographical information

The manufacturing facilities and sales offices of the Group are mainly based in Malaysia.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location from where the customers are originated.

Majority of the segment assets and liabilities of the Group are derived from Malaysia. Hence, no additional disclosure is made on geographical breakdown/details of the segment assets and liabilities of the Group.

Revenue information based on the geographical location of customers are presented in Note 23 to the financial statements.

(b) Major customers

During the financial year, there is no single external customer that the revenue generated from exceeded 10% of the Group's revenue.

In the previous financial year, there was revenue from one (1) major customer in the manufacturing segment amounted to RM80,114,290 which is more than 10% of the Group's revenue.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings RM	Buildings improvement and renovation RM	Factory machinery, moulds and equipment RM	Furniture, fittings, office equipment and computer software RM	Motor vehicles RM	Capital work-in- progress RM	Leasehold land RM	Buildings RM	Motor vehicles RM	Total RM
At cost											
Balance as at 1 July 2022	4,161,603	51,154,023	11,588,426	108,655,663	14,733,811	1,744,999	51,964,325	47,100,387	4,842,145	350,990	296,296,372
Additions	0	19,090	1,580,456	6,372,938	4,506,165	399,528	4,730,877	0	875,504	323,109	18,807,667
Disposals	0	0	(269,519)	(2,929,253)	(892,125)	(431,569)	(223,324)	0	0	(350,990)	(5,096,780)
Written off	0	0	(6,730)	(422,240)	(352,338)	0	0	0	0	0	(781,308)
Lease modification	0	0	0	0	0	0	0	0	71,258	0	71,258
Lease termination	0	0	0	0	0	0	0	0	(2,821,597)	0	(2,821,597)
Reclassification	0	13,952,051	0	22,707,401	0	0	(33,075,310)	(3,584,142)	0	0	0
Transfer to investment properties (Note 6)	0	(8,407,548)	0	0	0	0	0	(3,530,000)	0	0	(11,937,548)
Transfer from inventories (Note 11)	0	0	0	0	0	0	0	0	2,908,572	0	2,908,572
Balance as at 30 June 2023	4,161,603	56,717,616	12,892,633	134,384,509	17,995,513	1,712,958	23,396,568	39,986,245	5,875,882	323,109	297,446,636
Accumulated depreciation											
Balance as at 1 July 2022	0	12,680,207	6,552,599	73,771,486	9,388,345	973,922	0	5,579,558	1,754,630	245,693	110,946,440
Current charge	0	1,572,954	713,205	5,999,982	1,473,174	128,113	0	1,679,266	993,570	117,735	12,677,999
Disposals	0	0	(32,696)	(1,131,812)	(118,975)	(144,040)	0	0	0	(304,191)	(1,731,714)
Written off	0	0	(3,300)	(415,967)	(348,764)	0	0	0	0	0	(768,031)
Lease termination	0	0	0	0	0	0	0	0	(929,035)	0	(929,035)
Reclassification	0	127,888	0	0	0	0	0	(127,888)	0	0	0
Transfer to investment properties (Note 6)	0	(4,010,559)	0	0	0	0	0	(1,630,728)	0	0	(5,641,287)
Balance as at 30 June 2023	0	10,370,490	7,229,808	78,223,689	10,393,780	957,995	0	5,500,208	1,819,165	59,237	114,554,372
Accumulated impairment losses											
Balance as at 1 July 2022/30 June 2023	0	0	0	512,516	100,837	34,332	127,220	0	0	0	774,905
Carrying amount											
Balance as at 30 June 2023	4,161,603	46,347,126	5,662,825	55,648,304	7,500,896	720,631	23,269,348	34,486,037	4,056,717	263,872	182,117,359

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

[----- Right-of-use assets -----]											
Group	Freehold land RM	Buildings RM	Buildings improvement and renovation RM	Factory machinery, moulds and equipment RM	Furniture, fittings, office equipment and computer software RM	Motor vehicles RM	Capital work-in- progress RM	Leasehold land RM	Buildings RM	Motor vehicles RM	Total RM
At cost											
Balance as at 1 July 2021	4,161,603	44,121,021	10,258,754	91,926,526	11,195,121	1,846,999	127,220	16,765,641	0	0	180,402,885
Additions	0	4,433,002	946,886	18,593,664	2,483,366	518,496	51,837,105	30,334,746	0	0	109,147,265
Disposals	0	0	0	(1,853,877)	(27,540)	(813,359)	0	0	0	0	(2,694,776)
Written off	0	0	0	(10,650)	(85,429)	0	0	0	0	0	(96,079)
Lease termination	0	0	0	0	0	0	0	0	(43,571)	0	(43,571)
Acquisition of subsidiaries	0	2,600,000	382,786	0	1,168,293	192,863	0	0	4,885,716	350,990	9,580,648
Balance as at 30 June 2022	4,161,603	51,154,023	11,588,426	108,655,663	14,733,811	1,744,999	51,964,325	47,100,387	4,842,145	350,990	296,296,372
Accumulated depreciation											
Balance as at 1 July 2021	0	11,037,530	5,635,943	70,686,498	7,861,659	1,465,458	0	3,992,769	0	0	100,679,857
Current charge	0	1,550,677	857,672	4,923,034	1,172,125	132,708	0	1,586,789	936,320	64,348	11,223,673
Disposals	0	0	0	(1,831,656)	(15,744)	(795,857)	0	0	0	0	(2,643,257)
Written off	0	0	0	(6,390)	(81,270)	0	0	0	0	0	(87,660)
Lease termination	0	0	0	0	0	0	0	0	(40,085)	0	(40,085)
Acquisition of subsidiaries	0	92,000	58,984	0	451,575	171,613	0	0	858,395	181,345	1,813,912
Balance as at 30 June 2022	0	12,680,207	6,552,599	73,771,486	9,388,345	973,922	0	5,579,558	1,754,630	245,693	110,946,440
Accumulated impairment losses											
Balance as at 1 July 2021/30 June 2022	0	0	0	512,516	100,837	34,332	127,220	0	0	0	774,905
Carrying amount											
Balance as at 30 June 2022	4,161,603	38,473,816	5,035,827	34,371,661	5,244,629	736,745	51,837,105	41,520,829	3,087,515	105,297	184,575,027

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Renova- tion RM	Furniture, fittings, and office equipment RM	Motor vehicles RM	Right-of-use assets	Total RM
				Building RM	
At cost					
Balance as at 1 July 2022	427,084	933,698	1,800	0	1,362,582
Additions	0	3,034	0	417,214	420,248
Written off	0	(14,984)	0	0	(14,984)
Balance as at 30 June 2023	427,084	921,748	1,800	417,214	1,767,846
Accumulated depreciation					
Balance as at 1 July 2022	281,724	768,322	1,799	0	1,051,845
Current charge	38,334	63,395	0	11,589	113,318
Written off	0	(14,978)	0	0	(14,978)
Balance as at 30 June 2023	320,058	816,739	1,799	11,589	1,150,185
Carrying amount					
Balance as at 30 June 2023	107,026	105,009	1	405,625	617,661
At cost					
Balance as at 1 July 2021	427,084	886,724	1,800	0	1,315,608
Additions	0	46,974	0	0	46,974
Balance as at 30 June 2022	427,084	933,698	1,800	0	1,362,582
Accumulated depreciation					
Balance as at 1 July 2021	243,389	705,984	1,799	0	951,172
Current charge	38,335	62,338	0	0	100,673
Balance as at 30 June 2022	281,724	768,322	1,799	0	1,051,845
Carrying amount					
Balance as at 30 June 2022	145,360	165,376	1	0	310,737

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) All items of property, plant and equipment (excluding right-of-use assets) are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. After initial recognition, property, plant and equipment (excluding right-of-use assets) are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

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

Freehold land has unlimited useful life and is not depreciated. Capital work-in-progress represents building and machinery in progress and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

- (b) As at the end of the reporting period, the carrying amount of property, plant and equipment charged to licensed banks for credit facilities granted to the Group as disclosed in Note 18 to the financial statements are as follows:

	Group	
	2023	2022
	RM	RM
Leasehold land	34,486,037	41,520,829
Buildings	29,498,224	27,687,148
Factory machinery, moulds and equipment	7,116,145	6,362,203
	<u>71,100,406</u>	<u>75,570,180</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- (c) The Group and the Company leases a number of properties and motor vehicles in the location which it operates. The lease of properties and motor vehicles comprise only fixed payments over the lease terms.

The right-of-use assets under property, plant and equipment are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Leasehold land	26 - 60 years
Buildings	2 - 3 years
Motor vehicles	5 years

- (d) The Group has certain leases of building, hostel, machinery and office equipment with lease term of twelve (12) months or less and low-value leases of office equipment of RM20,000 and below. The Group applies the "short-term lease" and "lease of low-value assets" exemption for these leases.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(e) The following are the amounts recognised in profit or loss:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Included in cost of sales:				
Depreciation charge of right-of-use assets	121,190	0	0	0
Expense relating to lease of short-term leases	550,236	215,708	0	0
Expense relating to lease of low-value assets	249,503	3,105	0	0
Included in administrative expenses:				
Depreciation charge of right-of-use assets	2,669,381	2,587,457	11,589	0
Expense relating to lease of short-term leases	713,654	665,264	137,033	149,490
Expense relating to lease of low-value assets	12,046	23,909	0	0
Included in other income:				
Gain on lease modification	(5,885)	(109)	0	0
Gain on lease termination	(50,417)	0	0	0
Included in finance costs:				
Interest expense on lease liabilities	126,374	111,007	1,651	0
	<u>4,386,082</u>	<u>3,606,341</u>	<u>150,273</u>	<u>149,490</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(f) The following are total cash outflows for leases as a lessee:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Included in net cash (used in)/ from operating activities:				
Payment relating to short-term leases	1,263,890	880,972	137,033	149,490
Payment relating to low-value assets	261,549	27,014	0	0
Included in net cash from/ (used in) financing activities:				
Repayment of lease liabilities	1,256,418	1,152,320	12,457	0
Total cash outflows for leases	2,781,857	2,060,306	149,490	149,490

(g) The Group has several lease contracts that include extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

There are no potential future lease payments that are not included in the lease term.

(h) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Purchase of property, plant and equipment	18,807,667	109,147,265	420,248	46,974
Financed by lease liabilities	(1,105,504)	0	(417,214)	0
Cash payment to purchase property, plant and equipment	17,702,163	109,147,265	3,034	46,974

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- (i) During the current financial year, the Group completed its development of properties and leased the buildings back for three (3) years. The Group has fixed lease payments to its lessors over the lease terms. This sale-and-leaseback transaction is for hotel operation.

The Group as lessor

The Group has entered into a non-cancellable lease agreement on a property for term of three (3) years and renewable at the end of the lease period subject to an increase clause.

The Group has aggregate future minimum lease receivable as at the end of each reporting period as follows:

	2023	2022
	RM	RM
Less than one (1) year	1,834,874	1,853,374
One (1) to two (2) years	1,515,311	1,818,374
Two (2) to three (3) years	0	1,515,311
	<u>3,350,185</u>	<u>5,187,059</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

6. INVESTMENT PROPERTIES

Group	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
2023				
At cost				
Balance as at 1 July 2022	2,356,000	0	3,223,857	5,579,857
Transfer from property, plant and equipment (Note 5)	0	3,530,000	8,407,548	11,937,548
Balance as at 30 June 2023	<u>2,356,000</u>	<u>3,530,000</u>	<u>11,631,405</u>	<u>17,517,405</u>
Accumulated depreciation				
Balance as at 1 July 2022	0	0	66,245	66,245
Current charge	0	65,063	248,866	313,929
Transfer from property, plant and equipment (Note 5)	0	1,630,728	4,010,559	5,641,287
Balance as at 30 June 2023	<u>0</u>	<u>1,695,791</u>	<u>4,325,670</u>	<u>6,021,461</u>
Carrying amount				
Balance as at 30 June 2023	<u>2,356,000</u>	<u>1,834,209</u>	<u>7,305,735</u>	<u>11,495,944</u>
2022				
At cost				
Balance as at 1 July 2021	2,356,000	0	2,515,990	4,871,990
Additions	0	0	707,867	707,867
Balance as at 30 June 2022	<u>2,356,000</u>	<u>0</u>	<u>3,223,857</u>	<u>5,579,857</u>
Accumulated depreciation				
Balance as at 1 July 2021	0	0	33,795	33,795
Current charge	0	0	32,450	32,450
Balance as at 30 June 2022	<u>0</u>	<u>0</u>	<u>66,245</u>	<u>66,245</u>
Carrying amount				
Balance as at 30 June 2022	<u>2,356,000</u>	<u>0</u>	<u>3,157,612</u>	<u>5,513,612</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

6. INVESTMENT PROPERTIES (continued)

- (a) Investment properties are held to earn rental yields or, for capital appreciation or the both and are not occupied by Group.

Investment properties are initially measured at cost, including transaction costs. After initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the investment properties to their residual value on a straight line basis over the estimated useful life. The principal depreciation periods for the investment properties are as follows:

Leasehold land	60 years
Buildings	50 years

Freehold land has unlimited useful life and is not depreciated.

At the end of each reporting period, the carrying amount of investment properties are assessed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

- (b) The fair value of investment properties for disclosure purpose, which are at Level 3 fair value are estimated at approximately RM12,920,000 (2022: RM6,600,000). The fair value was recommended by Directors as at the end of the reporting period based on indicative market value of similar properties in the vicinity on a price per square foot basis. It has been derived from observable recent transacted prices of similar properties. The estimated fair value would increase if the historical sales transaction prices were higher and vice versa.
- (c) Investment properties with a carrying amount of RM11,495,944 (2022: RM5,513,612) have been charged to bank for credit facilities granted to the Group as disclosed in Note 18 to the financial statements.
- (d) Rental income generated from rental of investment properties of the Group during the financial year amounted to RM1,983,880 (2022: RM75,386).
- (e) Direct operating expenses from investment properties which generated rental income to the Group during the financial year amounted to RM103,059 (2022: RM3,591).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

7. INTANGIBLE ASSETS

	Trademark RM	Customer relationships RM	Intellectual property RM	Total RM
Group				
2023				
Cost				
Balance as at 1 July 2022/ 30 June 2023	18,297,000	1,949,234	69,171	20,315,405
Accumulated amortisation				
Balance as at 1 July 2022	0	178,680	0	178,680
Amortisation	0	194,923	0	194,923
Balance as at 30 June 2023	0	373,603	0	373,603
Carrying amount				
Balance as at 30 June 2023	18,297,000	1,575,631	69,171	19,941,802
2022				
Cost				
Balance as at 1 July 2021	0	0	69,171	69,171
Acquisition of subsidiaries	18,297,000	1,949,234	0	20,246,234
Balance as at 30 June 2022	18,297,000	1,949,234	69,171	20,315,405
Accumulated amortisation				
Balance as at 1 July 2021	0	0	0	0
Amortisation	0	178,680	0	178,680
Balance as at 30 June 2022	0	178,680	0	178,680
Carrying amount				
Balance as at 30 June 2022	18,297,000	1,770,554	69,171	20,136,725

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

7. INTANGIBLE ASSETS (continued)

(a) Trademark and intellectual property

Trademark acquired in a business combination and intellectual property with an indefinite useful life are stated at cost less accumulated impairment losses, if any.

Trademark represents the "Park@City" which resulting from the acquisition of Avelon Healthcare Sdn. Bhd.. The trademark is with indefinite useful life because this brand has been established in the market for a number of years and there is no foreseeable end to its useful life. Trademark with indefinite useful life is allocated to cash generating units ("CGUs") of Avelon Healthcare Sdn. Bhd..

Intellectual property represents patents for operational use.

(b) Customer relationships

Customer relationships acquired in a business combination are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Customer relationships represent the relationships established with its customers through continuous contracts which give rise to contractual rights.

(c) Amortisation is calculated to write off the cost of the assets to its residual value on a straight line basis over its estimated useful lives. The principal amortisation period is as follows:

Customer relationships	10 years
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The residual values, useful lives and amortisation methods are reviewed at the end of each reporting period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

7. INTANGIBLE ASSETS (continued)

(d) Impairment test for trademark with indefinite useful live

Trademark is tested for impairment by comparing the carrying amount with the recoverable amount of the CGU. The recoverable amount of CGU is determined based on value-in-use calculations using cash flows projections from the financial budgets and forecasts approved by management covering a period of five (5) years. Cash flows beyond the five (5)-year period are extrapolated assuming zero growth rates.

Key assumptions used in the value-in-use calculations are as follows:

- (i) budgeted profit margins are projected based on the historical profit margin achieved;
- (ii) the anticipated annual revenue growth rate are determined based on the industry trends and past performance of the CGU; and
- (iii) the pre-tax discount rates which are the weighted average cost of capital adjusted for specific risks relating to relevant segments. The average discount rates used is 12.00% (2022: 22.37%).

Based on the annual impairment testing undertaken by the Group, no impairment loss was required for the carrying amount of trademark assessed as at 30 June 2023 as its recoverable amount was in excess of its carrying amount. Management believes that there is no reasonably possible change in the key assumptions on which management has based its determination of the CGU's recoverable amount, which would cause the CGU's carrying amount to materially exceed its recoverable amount.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

8. GOODWILL ON CONSOLIDATION

	Group	
	2023	2022
	RM	RM
At cost		
Balance as at 1 July	22,506,704	29,571
Acquisition of subsidiaries	0	22,477,133
Balance as at 30 June	<u>22,506,704</u>	<u>22,506,704</u>

(a) Goodwill is initially measured at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

(b) Goodwill is attributable to the following subsidiaries, each representing a separate cash-generating unit ("CGUs"):

	2023	2022
	RM	RM
Arise Healthcare Sdn. Bhd. ^	150,260	150,260
Avelon Arise Sdn. Bhd. ^	1,414,313	1,414,313
Avelon Healthcare Sdn. Bhd. ^	17,733,713	17,733,713
Galaxis Healthcare Sdn. Bhd. ^	2,709,954	2,709,954
Galaxis Pharma Sdn. Bhd. ^	468,893	468,893
Others	29,571	29,571
	<u>22,506,704</u>	<u>22,506,704</u>

^ Collectively referred to as "Avelon"

The goodwill arising from the acquisition of Avelon is mainly attributable to the competency and experience workforce, the business credibility and promising growth prospects to supplement the Group's existing business and strengthen its operational sustainability.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

8. GOODWILL ON CONSOLIDATION (continued)

(c) Impairment test for goodwill with indefinite useful live

Goodwill is tested for impairment by comparing the carrying amounts with the recoverable amounts of the CGUs. The recoverable amounts of CGUs is determined based on value-in-use calculations using cash flows projections from the financial budgets and forecasts approved by management covering a period of five (5) years. Cash flows beyond the five (5)-year period are extrapolated assuming zero growth rates.

Key assumptions used in the value-in-use calculations are as follows:

- (i) budgeted profit margins are projected based on the historical profit margin achieved;
- (ii) the anticipated annual revenue growth rate are determined based on the industry trends and past performance of the CGU; and
- (iii) the pre-tax discount rates which are the weighted average cost of capital adjusted for specific risks relating to relevant segments. The average discount rates used is 12.00% (2022: 22.37%).

Based on the annual impairment testing undertaken by the Group, no impairment loss was required for the carrying amount of goodwill assessed as at 30 June 2023 as its recoverable amount was in excess of its carrying amount. Management believes that there is no reasonably possible change in the key assumptions on which management has based its determination of the CGU's recoverable amount, which would cause the CGU's carrying amount to materially exceed its recoverable amount.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2023	2022
	RM	RM
At cost		
Unquoted shares, at cost		
- ordinary shares	122,989,237	122,989,288
- redeemable preference shares	183,504,998	134,859,998
Less: Impairment losses	(9,679,717)	(7,288,269)
	<u>296,814,518</u>	<u>250,561,017</u>

Movement in accumulated impairment losses:

	Company	
	2023	2022
	RM	RM
Balance as at 1 July	7,288,269	7,753,669
Impairment losses charged during the year	2,391,448	0
Reversal of impairment loss	0	(465,400)
Balance as at 30 June	<u>9,679,717</u>	<u>7,288,269</u>

- (a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

All components of non-controlling interests shall be initially measured at fair value on the acquisition date, unless another measurement basis is required by MFRS. The choice of the measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of the non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

- (b) Management has assessed whether there are any indicators of impairment during the financial year. Management has performed impairment assessments and the recoverable amounts are determined based on the value-in-use Cash Generating Units ('CGUs') or the fair value less cost to sell of the underlying CGU. During the financial year, an impairment loss of RM2,391,448 was recognised as the recoverable amounts are lower than the carrying amounts of the CGUs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2023	2022	
Arise Healthcare Sdn. Bhd.	Malaysia	70%	70%	Retail sale of pharmaceutical, medicine and healthcare products
Avelon Arise Sdn. Bhd.	Malaysia	70%	70%	Retail sale of pharmaceutical, medicine and healthcare products
Avelon Healthcare Sdn. Bhd.	Malaysia	70%	70%	Sale of healthcare products
Galaxis Healthcare Sdn. Bhd.	Malaysia	70%	70%	Sale of healthcare products
Galaxis Pharma Sdn. Bhd.	Malaysia	70%	70%	Retail sale of pharmaceutical, medicine and healthcare products
Gen Plus Technologies Sdn. Bhd. *	Malaysia	0%	51%	Inactive

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2023	2022	
Innospec Sdn. Bhd.	Malaysia	100%	100%	Electronic manufacturing services, product development and manufacturing services for PCB assembly, cable assembly, electromechanical assembly, and test
Kewjaya Sdn. Bhd.	Malaysia	100%	100%	Money lending
Kobay Assets Sdn. Bhd.	Malaysia	100%	100%	Property letting
Kobay G Sdn. Bhd.	Malaysia	100%	100%	Marketing and project management services for property developers
Kobay Industries Sdn. Bhd.	Malaysia	100%	100%	Investment holding
Kobay Land Sdn Bhd	Malaysia	100%	100%	Property development
Kobay Management Services Sdn. Bhd.	Malaysia	100%	100%	Management services

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2023	2022	
Kobay Project Venture Sdn. Bhd.	Malaysia	100%	100%	Property development
Lavanya Resorts Sdn. Bhd. (F.K.A. 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%	100%	Property letting
Kual Technologies Sdn. Bhd.	Malaysia	51%	51%	Manufacture of aluminium extrusion, formation, surface treatment for parts manufactured to all industries
LD Global Sdn. Bhd.	Malaysia	100%	100%	Property development
Lodge 18 Sdn. Bhd.	Malaysia	100%	100%	Operation of dormitory
Masset Capital Sdn. Bhd.	Malaysia	100%	100%	Investment holding
Premierview Property Sdn. Bhd.	Malaysia	100%	100%	Property development
Ultimate Sanctuary Sdn. Bhd.	Malaysia	100%	100%	Property development

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2023	2022	
<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
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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
	2023	2022		
<u>Subsidiaries of Kobay Industries Sdn. Bhd. (continued)</u>				
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

* Subsidiary not audited by BDO PLT or BDO member firm.

(d) Changes in investments in subsidiaries during the financial year are as follows:

- (i) The Company had subscribed for an additional 1,275,000 redeemable convertible non-cumulative preference shares and 19,500,000 redeemable non-convertible cumulative preference shares in Kual Technologies Sdn. Bhd. for a total consideration of RM20,775,000 which RM17,775,000 was satisfied by way of capitalisation of amount owing by Kual Technologies Sdn. Bhd. and RM3,000,000 was satisfied by cash.
- (ii) The Company had subscribed for an additional 11,750,000 redeemable convertible non-cumulative preference shares in Kobay Project Venture Sdn. Bhd. for a total consideration of RM11,750,000 which RM11,701,917 was satisfied by way of capitalisation of amount owing by Kobay Project Venture Sdn. Bhd. and RM48,083 was satisfied by cash.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(d) Changes in investments in subsidiaries during the financial year were as follows (continued):

- (iii) The Company had subscribed for an additional 1,700,000 redeemable convertible non-cumulative preference shares in Kewjaya Sdn. Bhd. for a total consideration of RM1,700,000 which RM1,700,000 was satisfied by way of capitalisation of amount owing by Kewjaya Sdn. Bhd..
- (iv) The Company had subscribed for an additional 2,000,000 redeemable convertible non-cumulative preference shares in Kobay SB Sdn. Bhd. for a total consideration of RM2,000,000 which RM1,100,000 was satisfied by way of capitalisation of amount owing by Kobay SB Sdn. Bhd. and RM900,000 was satisfied by cash.
- (v) The Company had subscribed for an additional 4,000,000 redeemable convertible non-cumulative preference shares in LD Global Sdn. Bhd. for a total consideration of RM4,000,000 which RM4,000,000 was satisfied by way of capitalisation of amount owing by LD Global Sdn. Bhd..
- (vi) The Company had subscribed for an additional 6,420,000 redeemable convertible non-cumulative preference shares in Innospec Sdn. Bhd. for a total consideration of RM6,420,000 which RM6,420,000 was satisfied by way of capitalisation of amount owing by Innospec Sdn. Bhd..
- (vii) The Company had subscribed for an additional 2,000,000 redeemable convertible non-cumulative preference shares in Lavanya Resorts Sdn. Bhd. for a total consideration of RM2,000,000 which RM2,000,000 was satisfied by way of capitalisation of amount owing by Lavanya Resorts Sdn. Bhd..

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(e) Changes in investments in subsidiaries in the previous financial year are as follows:

- (i) The Company had subscribed for an additional 370,000 ordinary shares, 3,060,000 redeemable convertible non-cumulative preference shares and 11,000,000 redeemable non-convertible cumulative preference shares in Kual Technologies Sdn. Bhd. for a total consideration of RM14,438,000 which was satisfied by cash. Subsequently in November 2021, the Company has disposed of 490,000 ordinary shares, represents 49% equity interest in Kual Technologies Sdn. Bhd. for a cash consideration of RM123,400.

The effects of the change in ownership interest on the equity attributable to owners of the Company are as follows:

	RM
Amounts by which non-controlling interests are adjusted	(48,962)
Cash consideration received	123,400
Increase in equity attributable to owners of the Company	<u>74,438</u>

- (ii) The Company had subscribed for an additional 1,200,000 redeemable convertible non-cumulative preference shares in Kewjaya Sdn. Bhd. for a total consideration of RM1,200,000 which was satisfied by cash.
- (iii) The Company had subscribed for an additional 21,000,000 redeemable convertible non-cumulative preference shares in Innospec Sdn. Bhd. for a total consideration of RM21,000,000 which was satisfied by cash.
- (iv) The Company had subscribed for an additional 26,000,000 redeemable convertible non-cumulative preference shares in Kobay UA Sdn. Bhd. for a total consideration of RM26,000,000 which was satisfied by cash.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(f) Disposal of a subsidiary

On 9 January 2023, the Company had disposed of 51 ordinary shares, representing 51% equity interest in Gen Plus Technologies Sdn. Bhd. ("GPTSB") for a cash consideration of RM5,000. Pursuant to the disposal, GPTSB ceased to be subsidiary of the Company.

The financial effects of the disposal at the date of disposal are as follows:

	Group RM	Company RM
Investment in a subsidiary	0	51
Cash and bank balances	100	0
Trade and other payables	(11,879)	0
Carrying amount of net (liabilities)/assets disposed off	(11,779)	51
Non-controlling interests	5,772	0
Gain on disposal of subsidiary	11,007	4,949
Proceeds from disposal	5,000	5,000
Less: Cash and bank balances of a subsidiary disposed off	(100)	0
Net cash inflows from disposal of a subsidiary	<u>4,900</u>	<u>5,000</u>

(g) Acquisition of subsidiaries

(i) Acquisition of Avelon

In the previous financial year, the Company had completed the acquisition of 1,890,140 ordinary shares in Avelon Healthcare Sdn. Bhd., Galaxis Healthcare Sdn. Bhd., Avelon Arise Sdn. Bhd., Galaxis Pharma Sdn. Bhd. and Arise Healthcare Sdn. Bhd. (collectively known as Avelon), representing approximately 70% equity interest in Avelon for a purchase consideration of RM47,665,677 payable as follows:

- (i) Cash consideration of RM22,130,493 payable upon execution of the agreement.
- (ii) Contingent consideration of RM25,535,184 payable upon meeting an earnings target.

The acquisition was completed on 5 August 2021 and gave rise to goodwill totalling RM22,477,133.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(g) Acquisition of subsidiaries (continued)

(i) Acquisition of Avelon (continued)

The amount recognised at the acquisition date for each major classes of assets acquired and liabilities assumed for were as follows:

	Avelon RM
Property, plant and equipment	3,569,770
Right-of-use assets	4,196,966
Trademark	18,297,000
Customer relationships	1,949,234
Inventories	14,617,729
Trade and other receivables	12,430,651
Current tax assets	64,625
Cash and bank balances	5,857,129
Trade and other payables	(14,906,666)
Borrowings	(1,686,881)
Lease liabilities	(4,236,798)
Current tax liabilities	(823,359)
Deferred tax liabilities	(5,491,997)
Net assets	33,837,403
Non-controlling interest	(10,151,220)
Share of net assets acquired	23,686,183
Fair value of cash consideration transferred	(22,130,493)
Fair value of contingent consideration (Note 21(e))	(24,032,823)
Goodwill	<u>(22,477,133)</u>

The amounts of revenue and profit for the financial period recognised since the acquisition date included in the statements of profit or loss and other comprehensive income were as follows:

	Avelon RM
Revenue	86,226,176
Profit for the financial period	<u>6,184,735</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(g) Acquisition of subsidiaries (continued)

(i) Acquisition of Avelon (continued)

Had the acquisition date been 1 July 2021, management estimates that the revenue and profit of the Group for the financial year would have been RM370,528,394 and RM54,531,096 respectively.

The effects of the acquisition on the statements of cash flows were as follows:

	Group RM	Company RM
Total cash consideration	22,130,493	22,130,493
Prepayment in previous year	(4,766,568)	(4,766,568)
Cash and bank balances acquired	(5,857,129)	0
Acquisition of subsidiaries, net of cash acquired	<u>11,506,796</u>	<u>17,363,925</u>

(ii) Kobay Management Services Sdn. Bhd.

In the previous financial year, the Company had completed the acquisition of 650,000 ordinary shares in Kobay Management Services Sdn. Bhd. ("KMS"), representing 100% equity interest in KMS from Kobay Industries Sdn. Bhd., a wholly-owned subsidiary of the Company for a cash consideration of RM650,000.

The effects of the acquisition on the statements of cash flows were as follows:

	Group RM	Company RM
Total cash consideration	<u>0</u>	<u>650,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(h) The subsidiaries of the Group that have material non-controlling interests ("NCI") are as follows:

	Kual Tech- nologies Sdn. Bhd.	Avelon Healthcare Sdn. Bhd.	Galaxis Healthcare Sdn. Bhd.	Avelon Arise Sdn. Bhd.	Galaxis Pharma Sdn. Bhd.	Arise Healthcare Sdn. Bhd.	Total
2023							
NCI percentage of ownership interest and voting interest	49%	30%	30%	30%	30%	30%	
Carrying amount of NCI (RM)	(100,223)	10,038,796	1,694,571	937,215	263,873	209,546	13,043,778
(Loss)/Profit allocated to NCI (RM)	(3,683,172)	1,743,417	431,079	182,513	1,888	77,433	(1,246,842)
Dividend paid to NCI (RM)	0	654,240	191,580	80,910	63,540	68,700	1,058,970
2022							
NCI percentage of ownership interest and voting interest	49%	30%	30%	30%	30%	30%	
Carrying amount of NCI (RM)	2,357,949	8,949,619	1,455,072	835,612	325,525	200,813	14,124,590
(Loss)/Profit allocated to NCI (RM)	(631,013)	1,087,642	288,191	208,874	124,262	146,452	1,224,408
Dividend paid to NCI (RM)	0	147,000	57,000	12,000	10,500	13,500	240,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(h) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

2023	Kual Tech- nologies Sdn. Bhd. RM	Avelon Healthcare Sdn. Bhd. RM	Galaxis Healthcare Sdn. Bhd. RM	Avelon Arise Sdn. Bhd. RM	Galaxis Pharma Sdn. Bhd. RM	Arise Healthcare Sdn. Bhd. RM
Assets and liabilities						
Non-current asset	34,569,698	3,507,149	428,688	154,605	169,165	285,187
Current assets	7,615,125	20,622,459	5,678,834	3,694,926	1,859,000	946,795
Non-current liabilities	(5,187,808)	(314,790)	(67,549)	(8,000)	(88,845)	(75,492)
Current liabilities	(6,701,551)	(5,363,552)	(483,216)	(717,480)	(1,059,743)	(458,004)
Net assets	30,295,464	18,451,266	5,556,757	3,124,051	879,577	698,486
Results						
Revenue	7,486,232	62,810,608	8,413,865	9,937,450	5,177,538	6,685,175
(Loss)/Profit for the financial year	(7,516,677)	5,959,531	1,436,931	608,377	6,292	258,109
Total comprehensive (loss)/income	(7,516,677)	5,959,531	1,436,931	608,377	6,292	258,109
Cash flows (used in)/from operating activities	(9,866,725)	2,223,646	(112,035)	1,521,638	1,171,723	371,491
Cash flows (used in)/from investing activities	(10,528,768)	134,086	(27,997)	22,570	1,478	1,558
Cash flows from/(used in) financing activities	20,202,622	(2,588,344)	(710,600)	(569,700)	(282,600)	(337,000)
Net (decrease)/increase in cash and cash equivalents	(192,871)	(230,612)	(850,632)	974,508	890,601	36,049

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

9. INVESTMENTS IN SUBSIDIARIES (continued)

(h) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows (continued):

2022	Kual Tech- nologies Sdn. Bhd. RM	Avelon Healthcare Sdn. Bhd. RM	Galaxis Healthcare Sdn. Bhd. RM	Avelon Arise Sdn. Bhd. RM	Galaxis Pharma Sdn. Bhd. RM	Arise Healthcare Sdn. Bhd. RM
Assets and liabilities						
Non-current asset	16,030,388	5,639,164	511,898	453,588	166,703	407,666
Current assets	5,107,844	19,378,007	6,858,773	3,033,540	1,440,756	1,134,323
Non-current liabilities	0	(1,877,065)	(129,970)	(80,798)	(87,846)	(179,906)
Current liabilities	(5,326,091)	(8,467,571)	(2,482,275)	(620,956)	(434,528)	(692,706)
Net assets	15,812,141	14,672,535	4,758,426	2,785,374	1,085,085	669,377
Results						
Revenue	7,884,008	112,264,069	14,241,523	11,215,330	8,951,020	10,196,942
(Loss)/Profit for the financial year	(1,545,246)	7,839,445	2,729,974	648,836	703,368	630,883
Total comprehensive (loss)/income	(1,545,246)	7,839,445	2,729,974	648,836	703,368	630,883
Cash flows (used in)/from operating activities	(536,981)	3,954,672	488,700	503,766	195,855	212,753
Cash flows used in investing activities	(14,550,281)	(810,065)	(244,848)	(3,655)	(4,954)	(5,463)
Cash flows from/(used in) financing activities	17,378,000	(2,881,089)	400	(340,000)	(141,102)	(306,999)
Net increase/(decrease) in cash and cash equivalents	2,290,738	263,518	244,252	160,111	49,799	(99,709)

The NCI of all other subsidiaries that are not wholly owned by the Group is deemed to be immaterial.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

10. OTHER INVESTMENTS

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Equity securities				
Shares quoted outside Malaysia	33,493	158,329	0	0
Shares quoted in Malaysia	32,000	72,000	0	0
Unquoted shares outside Malaysia	231,620	220,102	0	0
Unquoted shares inside Malaysia	1,500	1,500	1,500	1,500
	<u>298,613</u>	<u>451,931</u>	<u>1,500</u>	<u>1,500</u>

- (a) The equity securities are classified as financial assets at fair value through profit or loss pursuant to MFRS 9 *Financial Instruments*.
- (b) Fair value of quoted shares of the Group are determined by reference to the exchange quoted market prices at the close of the business on the reporting date. The fair value of quoted ordinary shares was categorised as Level 1 in the fair value hierarchy.
- (c) Fair value of unquoted shares of the Group are estimated based on Directors' estimation by reference to market evidence of transaction prices. The fair value of unquoted ordinary shares was categorised as Level 3 in the fair value hierarchy.
- (d) There were no transfer between levels in the fair value hierarchy during the financial year.
- (e) Sensitivity analysis for other investments is not disclosed as it is not material to the Group and the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

11. INVENTORIES

		Group	
		2023	2022
	Note	RM	RM
Non-current			
At costs:			
Land held for property development	(a)	52,647,060	38,496,059
Current			
At costs:			
Property development costs	(b)	94,556,712	64,642,630
Completed properties held for sale	(c)	5,096,962	5,096,962
Raw materials		9,986,521	10,871,160
Work-in-progress		10,795,447	16,936,114
Finished goods		22,525,356	19,482,395
		142,960,998	117,029,261
At net realisable value:			
Raw materials		118,485	85,433
Finished goods		264,732	13,075
		383,217	98,508
		143,344,215	117,127,769
Total		195,991,275	155,623,828

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

11. INVENTORIES (continued)

(a) Land held for property development

	Group	
	2023	2022
	RM	RM
Balance as at 1 July		
- Freehold land, at cost	28,750,161	28,043,017
- Development costs	9,745,898	9,314,268
	<u>38,496,059</u>	<u>37,357,285</u>
Add: Cost incurred during the financial year		
- Freehold land, at cost	12,351,907	707,144
- Development costs	1,799,094	431,630
	<u>14,151,001</u>	<u>1,138,774</u>
Balance as at 30 June 2023		
- Freehold land, at cost	41,102,068	28,750,161
- Development costs	11,544,992	9,745,898
	<u>52,647,060</u>	<u>38,496,059</u>

- (i) Land held for property development is stated at cost less impairment losses, if any. Such land is classified as non-current asset when no significant development work has been carried out or where development activities are not expected to be completed within the normal operating cycle.

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

- (ii) Land held for property development with carrying amount of RM18,385,945 (2022: RM18,353,931) have been charged to banks for credit facilities granted to the Group as disclosed in Note 18 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

11. INVENTORIES (continued)

(b) Property development costs

Group	Freehold land, at cost RM	Development costs RM	Total RM
Cumulative property development costs			
Balance as at 1 July 2022	3,075,323	82,046,710	85,122,033
Incurred during the financial year	0	54,417,348	54,417,348
Transfer to property, plant and equipment (Note 5)	0	(2,908,572)	(2,908,572)
Balance as at 30 June 2023	<u>3,075,323</u>	<u>133,555,486</u>	<u>136,630,809</u>
Cumulative costs recognised in the statement of profit or loss and other comprehensive income			
Balance as at 1 July 2022	(392,125)	(20,087,278)	(20,479,403)
Recognised during the financial year	(462,461)	(21,132,233)	(21,594,694)
Balance as at 30 June 2023	<u>(854,586)</u>	<u>(41,219,511)</u>	<u>(42,074,097)</u>
Property development costs as at 30 June 2023	<u>2,220,737</u>	<u>92,335,975</u>	<u>94,556,712</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

11. INVENTORIES (continued)

(b) Property development costs (continued)

Group	Freehold land, at cost RM	Development costs RM	Total RM
Cumulative property development costs			
Balance as at 1 July 2021	3,075,323	29,681,260	32,756,583
Incurred during the financial year	0	52,365,450	52,365,450
Balance as at 30 June 2022	<u>3,075,323</u>	<u>82,046,710</u>	<u>85,122,033</u>
Cumulative costs recognised in the statement of profit or loss and other comprehensive income			
Balance as at 1 July 2021	(93,378)	(6,461,000)	(6,554,378)
Recognised during the financial year	<u>(298,747)</u>	<u>(13,626,278)</u>	<u>(13,925,025)</u>
Balance as at 30 June 2022	<u>(392,125)</u>	<u>(20,087,278)</u>	<u>(20,479,403)</u>
Property development costs as at 30 June 2022	<u>2,683,198</u>	<u>61,959,432</u>	<u>64,642,630</u>

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. Cost of property development not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

- (c) Completed properties held for sale are stated at the lower of cost and net realisable value. Cost consists of cost associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable for developing the properties until completion.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

11. INVENTORIES (continued)

- (d) Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out formula. Cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress included the cost of raw materials, direct labour and other direct costs and an appropriate portion of production overheads based on normal operating capacity of the production facilities.
- (e) As at the end of each reporting period, the following are the amounts recognised in cost of sales:

	Group	
	2023	2022
	RM	RM
Cost of inventories	154,866,574	174,958,487
Inventories written down	531,225	1,608

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
<u>Non-current</u>				
Trade receivables				
Loan receivables	7,473,042	5,750,564	0	0
<u>Current</u>				
Trade receivables				
Third parties	52,232,179	84,420,651	0	0
Related parties	804,494	1,851,700	0	0
Loan receivables	836,811	524,383	0	0
Retention sums	2,579,458	236,047	0	0
	56,452,942	87,032,781	0	0
Less: Impairment losses				
- third parties	(1,020,770)	(1,017,696)	0	0
	55,432,172	86,015,085	0	0
Other receivables				
Third parties	1,586,448	336,503	0	0
Amounts owing by subsidiaries	0	0	56,438,388	13,515,670
Deposits	7,875,274	8,293,100	56,927	56,927
	9,461,722	8,629,603	56,495,315	13,572,597
Less: Impairment losses				
- amount owing by subsidiaries	0	0	(2,271,156)	(2,271,156)
	9,461,722	8,629,603	54,224,159	11,301,441
Current trade and other receivables (excluding prepayments)	64,893,894	94,644,688	54,224,159	11,301,441
Prepayments	6,893,372	4,459,390	7,898	0
	71,787,266	99,104,078	54,232,057	11,301,441
Total trade and other receivables	79,260,308	104,854,642	54,232,057	11,301,441

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

12. TRADE AND OTHER RECEIVABLES (continued)

- (a) Total trade and other receivables (excluding prepayments) are classified as financial assets measured at amortised cost.
- (b) Trade receivables (excluding loan receivables) are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 120 days (2022: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) Non-trade portion of amounts owing by subsidiaries are unsecured, interest-free and payable within the next twelve (12) months or upon demand in cash and cash equivalents, except for certain amounts totalling RM53,748,000 (2022: RM9,600,000) which bear interest ranging from 2.50% to 5.47% (2022: 2.50% to 4.85%) per annum.
- (d) Loan receivables are property loans totalling RM8,309,853 (2022: RM6,274,947) granted to several customers and bearing interest ranging from 4.00% to 7.22% (2022: 4.22% to 7.42%) per annum. The loans are effectively secured against the development units sold to the customers and repayable over 2 to 30 years as follows:

	Group	
	2023	2022
	RM	RM
Within one (1) year	836,811	524,383
One (1) to five (5) years	1,643,525	2,094,683
After five (5) years	5,829,517	3,655,881
	<u>8,309,853</u>	<u>6,274,947</u>

- (e) The currency exposure profile of trade and other receivables, net of prepayments is as follows:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Ringgit Malaysia	49,620,000	64,264,621	54,224,159	11,301,441
United States Dollar	22,153,243	34,931,139	0	0
Singapore Dollar	310,912	776,375	0	0
Euro Dollar	206,243	0	0	0
Pound Sterling	0	37,784	0	0
Japanese Yen	76,538	385,333	0	0
	<u>72,366,936</u>	<u>100,395,252</u>	<u>54,224,159</u>	<u>11,301,441</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

12. TRADE AND OTHER RECEIVABLES (continued)

(f) Recognition and measurement of impairment loss

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

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

The Group considers credit loss experience and observable data such as current conditions and forecast of future economic conditions by market segment of the Group to estimate the amount of expected credit loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information (producer price index, gross domestic product, inflation rate and unemployment rate) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Credit impaired refers to individually determined receivables who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period.

The Group considers trade receivables past due more than one hundred and eighty (180) days as deemed credit impaired and assess for their risk of loss individually.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

12. TRADE AND OTHER RECEIVABLES (continued)

(g) Lifetime expected loss provision for trade receivables of the Group as at 30 June 2023 and 30 June 2022 are as follows:

	Gross carrying amount RM	Impairment loss RM	Net carrying amount RM
Group			
2023			
Current	43,227,069	0	43,227,069
Past due:			
1 to 30 days	7,850,050	(9,047)	7,841,003
31 to 60 days	3,895,465	(3,802)	3,891,663
61 to 90 days	2,778,186	(86,151)	2,692,035
More than 90 days	6,175,214	(921,770)	5,253,444
Total	<u>63,925,984</u>	<u>(1,020,770)</u>	<u>62,905,214</u>
2022			
Current	62,034,570	(34,000)	62,000,570
Past due:			
1 to 30 days	12,342,970	(2,000)	12,340,970
31 to 60 days	5,758,740	(20,000)	5,738,740
61 to 90 days	5,397,588	(43,000)	5,354,588
More than 90 days	7,249,477	(918,696)	6,330,781
Total	<u>92,783,345</u>	<u>(1,017,696)</u>	<u>91,765,649</u>

During the financial year, the Group did not renegotiate the terms of any trade receivables.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

12. TRADE AND OTHER RECEIVABLES (continued)

(h) Movements in the impairment loss for trade receivables are as follows:

Group	Lifetime ECL - not credit - impaired RM	Lifetime ECL - credit - impaired RM	Total allowance RM
Balance as at 1 July 2022	99,000	918,696	1,017,696
Charge for the financial year	0	3,074	3,074
Balance as at 30 June 2023	<u>99,000</u>	<u>921,770</u>	<u>1,020,770</u>
Balance as at 1 July 2021	0	862,933	862,933
Charge for the financial year	99,000	326,757	425,757
Written off	0	(270,994)	(270,994)
Balance as at 30 June 2022	<u>99,000</u>	<u>918,696</u>	<u>1,017,696</u>

(i) Movements in the impairment loss for other receivables are as follows:

Company	Lifetime ECL - credit - impaired RM
Balance as at 1 July 2022/30 June 2023	<u>2,271,156</u>
Balance as at 1 July 2021/30 June 2022	<u>2,271,156</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

12. TRADE AND OTHER RECEIVABLES (continued)

- (j) Impairment for other receivables and amounts owing by subsidiaries are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk based on payment trends and operational performance of other receivables and subsidiaries.

The probability of non-payment by other receivables and amounts owing by subsidiaries is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the twelve (12) month or lifetime expected credit loss for other receivables and amounts owing by subsidiaries. The Group has identified the producer price index, gross domestic product, inflation rate and unemployment rate in Malaysia as the key macroeconomic factors of the forward-looking information.

Carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

Credit impaired refers to individually determined receivables who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period. The Group considers other receivables to be in default when there is no reasonable expectation of recovery.

- (k) Information on financial risk of trade and other receivables is disclosed in Note 32 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

13. DEFERRED TAX

(a) The deferred tax (assets) and liabilities are made up of the following:

	Group	
	2023	2022
	RM	RM
Balance as at 1 July	10,847,047	4,255,000
Recognised in profit or loss (Note 26)	924,326	1,100,050
Acquisition of subsidiaries	0	5,491,997
Balance as at 30 June	<u>11,771,373</u>	<u>10,847,047</u>
Presented after appropriate offsetting:		
Deferred tax assets	0	(142,000)
Deferred tax liabilities	<u>11,771,373</u>	<u>10,989,047</u>
	<u>11,771,373</u>	<u>10,847,047</u>

(b) The components and movement of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment RM	Intangible assets RM	Other temporary differences RM	Total RM
Balance as at 1 July 2022	6,338,634	4,816,213	0	11,154,847
Recognised in profit or loss	1,067,908	(46,782)	0	1,021,126
	<u>7,406,542</u>	<u>4,769,431</u>	<u>0</u>	<u>12,175,973</u>
Set off	(404,600)	0	0	(404,600)
Balance as at 30 June 2023	<u>7,001,942</u>	<u>4,769,431</u>	<u>0</u>	<u>11,771,373</u>
Balance as at 1 July 2021	4,255,000	0	0	4,255,000
Acquisition of subsidiary	64,986	4,859,096	567,915	5,491,997
Recognised in profit or loss	2,018,648	(42,883)	(567,915)	1,407,850
	<u>6,338,634</u>	<u>4,816,213</u>	<u>0</u>	<u>11,154,847</u>
Set off	(165,800)	0	0	(165,800)
Balance as at 30 June 2022	<u>6,172,834</u>	<u>4,816,213</u>	<u>0</u>	<u>10,989,047</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

13. DEFERRED TAX (continued)

- (b) The components and movement of deferred tax liabilities and assets during the financial year prior to offsetting are as follows (continued):

Deferred tax assets of the Group

	Unabsorbed capital allowances RM	Other temporary differences RM	Total RM
Balance as at 1 July 2022	(142,000)	(165,800)	(307,800)
Recognised in profit or loss	(84,900)	(11,900)	(96,800)
	(226,900)	(177,700)	(404,600)
Set off	226,900	177,700	404,600
Balance as at 30 June 2023	0	0	0
Balance as at 1 July 2021	0	0	0
Recognised in profit or loss	(142,000)	(165,800)	(307,800)
	(142,000)	(165,800)	(307,800)
Set off	0	165,800	165,800
Balance as at 30 June 2022	(142,000)	0	(142,000)

- (c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of the financial position are as follows:

	Group	
	2023 RM	2022 RM
Unabsorbed capital allowances	1,965,435	1,044,796
Unused tax losses		
- Expired by 30 June 2028	20,496,271	21,124,535
- Expired by 30 June 2029	616,759	618,346
- Expired by 30 June 2030	2,040,736	2,040,736
- Expired by 30 June 2031	2,178,419	2,171,359
- Expired by 30 June 2032	4,769,568	4,769,568
- Expired by 30 June 2033	10,981,892	0
	<u>43,049,080</u>	<u>31,769,340</u>

Deferred tax assets of certain subsidiaries had not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences can be utilised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

13. DEFERRED TAX (continued)

(c) (continued)

The amount and availability of these items to be carried forward up to the period as disclosed above are subject to the agreement of the local tax authority. Unutilised tax losses of the companies incorporated in Malaysia can be carried forward up to ten (10) consecutive years of assessment immediately following the year of assessment under the tax legislation of Inland Revenue Board.

14. DERIVATIVES

	Group	
	2023	2022
	RM	RM
Forward currency contract		
Fair value through profit or loss		
Derivative assets	5,100	716
Derivative liabilities	(97,404)	(907,420)
	<u>(92,304)</u>	<u>(906,704)</u>

- (a) The Group uses forward currency derivatives to manage some of the foreign transaction exposure. These derivatives are not designated as cash flow or fair value hedges and are entered into for period consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.
- (b) Derivative assets/(liabilities) of the Group are categorised as Level 1 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.
- (c) Fair value of a forward foreign currency contract is the amount that would be payable or receivable upon termination of the outstanding position arising and is determined by reference to the difference between contracted rate and the forward exchange rate as at the end of each reporting period applied to a contract of similar amount and maturity profile.
- (d) The fair value adjustments on derivative financial instruments are as follows:

	Group	
	2023	2022
	RM	RM
(Gain)/Loss on derivative financial instruments	<u>(814,400)</u>	<u>828,749</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

14. DERIVATIVES (continued)

- (e) The Group had contracts with financial institutions due within one (1) year to deal with the following currencies at contractual forward rates:

	2023		2022	
	To buy	To sell	To buy	To sell
Contract I	RM 11,046,365	USD 2,426,317	RM 37,688,190	USD 8,779,500
Contract II	<u>0</u>	<u>0</u>	<u>RM 45,235</u>	<u>GBP 7,950</u>

15. SHORT TERM FUNDS

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Financial assets at fair value through profit or loss				
Fixed income trust funds in Malaysia (Note 16)	<u>22,012,659</u>	<u>23,756,803</u>	<u>606,028</u>	<u>14,037,680</u>

All short term funds are denominated in RM.

- (a) Short term funds are mainly designated to manage free cash flows and optimise working capital so as to provide a steady stream of income returns. It is an integral part of the overall cash management.
- (b) Short term funds of the Group and of the Company are investments in money market fund on highly liquid investments, which are readily convertible to a known amounts of cash and be subject to an insignificant risk of changes in value.
- (c) Short term funds of the Group and the Company are stated at Level 1 fair value. There is no transfer between levels in the hierarchy during the financial year.
- (d) Information on financial risk of short term funds is disclosed in Note 32 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

16. CASH AND BANK BALANCES

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Cash and bank balances	21,731,138	46,307,155	1,289,812	17,005,276
Deposits with licensed banks	3,838,783	3,596,054	0	0
	<u>25,569,921</u>	<u>49,903,209</u>	<u>1,289,812</u>	<u>17,005,276</u>

(a) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Ringgit Malaysia	23,832,545	41,716,832	1,289,812	17,005,276
United States Dollar	1,658,501	8,038,755	0	0
Japanese Yen	74,731	132,954	0	0
Chinese Yuan	4,027	4,296	0	0
Pound Sterling	117	10,372	0	0
	<u>25,569,921</u>	<u>49,903,209</u>	<u>1,289,812</u>	<u>17,005,276</u>

(b) Included in the cash and bank balances of the Group is an amount of RM389,139 (2022: RM1,572,041) held under the Housing Development Account pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966, as amended by the Housing Developers (Housing Development Account) (Amendment) Regulations, 2015.

(c) The interest rate of deposits with licensed banks of the Group are 1.70% to 2.75% (2022: 1.50% to 1.85%) per annum.

(d) Included in the deposits with licensed banks is an amount of RM3,688,783 (2022: RM3,596,054) pledged as securities for bank guarantees granted to the Group as disclosed in Note 18 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

16. CASH AND BANK BALANCES (continued)

- (e) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Short term funds placed with financial institutions (Note 15)	22,012,659	23,756,803	606,028	14,037,680
Cash and bank balances	21,731,138	46,307,155	1,289,812	17,005,276
Deposits with licensed banks	3,838,783	3,596,054	0	0
	<u>47,582,580</u>	<u>73,660,012</u>	<u>1,895,840</u>	<u>31,042,956</u>
Less:				
Deposits pledged with licensed banks	(3,688,783)	(3,596,054)	0	0
Bank overdraft (Note 18)	(9,956,659)	0	(9,956,659)	0
	<u>33,937,138</u>	<u>70,063,958</u>	<u>(8,060,819)</u>	<u>31,042,956</u>

- (f) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

- (g) Information on financial risk of cash and bank balances is disclosed in Note 32 to the financial statements.

17. SHARE CAPITAL

	2023		2022	
	Number of shares	RM	Number of shares	RM
Group and Company				
Issued and fully paid with no par value				
Balance as at 1 July	326,180,803	210,917,984	306,280,803	102,103,907
Issuance of shares pursuant to private placement	0	0	19,900,000	110,445,000
Share issue transaction costs	0	0	0	(1,630,923)
Balance as at 30 June	<u>326,180,803</u>	<u>210,917,984</u>	<u>326,180,803</u>	<u>210,917,984</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

17. SHARE CAPITAL (continued)

- (a) In the previous financial year, the issued and paid-up share capital of the Company was increased from 306,280,803 to 326,180,803 by way of issuance of 19,900,000 new ordinary shares for cash pursuant to a private placement undertaken by the Company at an issue price of RM5.55 per share.

Newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

- (b) Owners of the parent (except treasury shares) are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

- (c) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the extraordinary general meeting held on 3 July 2002, approved for the Company to repurchase 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:

	2023		2022	
	Number of shares	RM	Number of shares	RM
Group and Company				
Balance as at 1 July/30 June	<u>6,000,000</u>	<u>9,522,642</u>	<u>6,000,000</u>	<u>9,522,642</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

17. SHARE CAPITAL (continued)

(c) Treasury shares (continued)

- (i) When the Company repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statements of financial position.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sale consideration and the carrying amount is shown as a movement in equity.

- (ii) As at 30 June 2023, the number of ordinary shares net of treasury shares is 320,180,803 (2022: 320,180,803).
- (iii) None of the treasury shares held were resold or cancelled during the financial year. Treasury shares have no rights to voting, dividends or participation in other distribution.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

18. BORROWINGS

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
<u>Non-current liability</u>				
Secured				
Term loans	37,838,063	36,492,759	3,580,177	4,677,584
<u>Current liabilities</u>				
Secured				
Revolving credits	41,213,770	26,338,620	8,802,794	0
Bank overdrafts	9,956,659	0	9,956,659	0
Term loans	6,775,195	5,733,200	978,871	941,992
	<u>57,945,624</u>	<u>32,071,820</u>	<u>19,738,324</u>	<u>941,992</u>
<u>Total borrowings</u>				
Revolving credits	41,213,770	26,338,620	8,802,794	0
Bank overdrafts	9,956,659	0	9,956,659	0
Term loans	44,613,258	42,225,959	4,559,048	5,619,576
	<u>95,783,687</u>	<u>68,564,579</u>	<u>23,318,501</u>	<u>5,619,576</u>

(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) The currency exposure profile of borrowings are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Ringgit Malaysia	86,872,712	61,725,959	23,318,501	5,619,576
United States Dollar	8,910,975	6,838,620	0	0
	<u>95,783,687</u>	<u>68,564,579</u>	<u>23,318,501</u>	<u>5,619,576</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

18. BORROWINGS (continued)

- (c) The borrowings of the Group and the Company are secured over by:
- (i) a legal charged over property, plant and equipment, investment properties, inventories and cash and bank balances as disclosed in Note 5, Note 6, Note 11 and Note 16 to the financial statements; and
 - (ii) a corporate guarantee by the Company.
- (d) The carrying amounts of the current position of borrowings are reasonable approximation of the fair value due to insignificant impact of discounting.

The carrying amounts of the non-current position of borrowings are reasonable approximation of the fair values as they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Fair value of the borrowings of the Group and of the Company are categorised as Level 3 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

- (e) Information on financial risk of borrowings are disclosed in Note 32 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

19. LEASE LIABILITIES

Group	Balance as at 1.7.2022 RM	Additions RM	Lease payments RM	Lease modification RM	Lease termination RM	Interest expense RM	Transfer from contract liabilities (Note 22) RM	Balance as at 30.6.2023 RM
Lease liabilities								
Carrying amount								
Buildings	3,072,364	875,504	(1,088,874)	65,373	(1,942,979)	114,350	4,240,621	5,336,359
Motor vehicle	117,126	230,000	(167,544)	0	0	12,024	0	191,606
	<u>3,189,490</u>	<u>1,105,504</u>	<u>(1,256,418)</u>	<u>65,373</u>	<u>(1,942,979)</u>	<u>126,374</u>	<u>4,240,621</u>	<u>5,527,965</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

19. LEASE LIABILITIES (continued)

Company [2023 ONLY]

	Balance as at 1.7.2022 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 30.6.2023 RM
Carrying amount					
Building	<u>0</u>	<u>417,214</u>	<u>(12,457)</u>	<u>1,651</u>	<u>406,408</u>
					RM
Current liabilities					133,058
Non-current liabilities					<u>273,350</u>
					<u>406,408</u>
Lease liabilities owing to non-financial institutions					<u>406,408</u>

Information on financial risks of lease liabilities is disclosed in Note 32 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

20. GOVERNMENT GRANTS

	Group	
	2023	2022
	RM	RM
Balance as at 1 July	495,523	758,961
Amortisation	(167,560)	(263,438)
Balance as at 30 June	<u>327,963</u>	<u>495,523</u>
Current	156,213	0
Non-current	<u>171,750</u>	<u>495,523</u>
	<u>327,963</u>	<u>495,523</u>

- (a) 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 cost for which the grants are intended to compensate.

- (b) Grants related to assets are presented in the statements of financial position as deferred income which is amortised on a straight-line basis over the estimated useful lives of the assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Trade payables				
Third parties	24,281,475	48,324,473	0	0
Amount owing to related parties	630,719	1,092,875	0	0
	24,912,194	49,417,348	0	0
Other payables				
Third parties	4,674,275	15,837,289	158	9,649
Amounts owing to subsidiaries	0	0	15,200,000	220,000
Amounts owing to related parties	0	16,368	0	0
Contingent consideration	8,459,094	15,640,237	8,459,094	15,640,237
Accruals	11,588,984	17,524,688	209,958	212,500
Deposits received	4,111,808	820,426	0	0
	28,834,161	49,839,008	23,869,210	16,082,386
Total trade and other payables	53,746,355	99,256,356	23,869,210	16,082,386

(a) Trade and other payables are classified as financial liabilities measured at amortised cost.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group is 30 to 90 days (2022: 30 to 90 days). Included in trade payables of the Group is retention sum on contracts amounting to RM5,544,426 (2022: RM5,544,426).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

21. TRADE AND OTHER PAYABLES (continued)

(c) Non-trade portion of amounts owing to subsidiaries and amount owing to related parties represents advances which are unsecured, interest-free and payable within next twelve (12) months or upon demand in cash and cash equivalents.

(d) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Ringgit Malaysia	51,015,359	92,064,944	23,869,210	16,082,386
United States Dollar	1,749,906	5,372,636	0	0
Chinese Yuan	761,407	1,263,484	0	0
Singapore Dollars	212,813	548,198	0	0
Others	6,870	7,094	0	0
	<u>53,746,355</u>	<u>99,256,356</u>	<u>23,869,210</u>	<u>16,082,386</u>

(e) Contingent consideration

	Group and Company	
	2023	2022
	RM	RM
Balance as at 1 July	15,640,237	0
Fair value at acquisition date	0	24,032,823
Consideration paid	(9,575,694)	(6,383,796)
Fair value loss/(gain)	<u>2,394,551</u>	<u>(2,008,790)</u>
Balance as at 30 June	<u>8,459,094</u>	<u>15,640,237</u>

(f) Information on financial risk of trade and other payables is disclosed in Note 32 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

22. CONTRACT LIABILITIES

	Group	
	2023	2022
	RM	RM
Contract liabilities		
Balance as at 1 July	4,811,961	70,788
Revenue recognised during the year	(34,792,510)	(21,472,200)
Transfer to lease liabilities (Note 19)	(4,240,621)	0
Progress billing during the year	35,069,710	26,213,373
	<u>848,540</u>	<u>4,811,961</u>
Represented by:		
Contract liabilities		
Property development contracts	<u>848,540</u>	<u>4,811,961</u>

(a) Property development contracts

Property development contracts represent the timing differences in revenue recognition and the milestone billings. The milestone billings reflect physical completion of the contracts.

Contract liabilities are recognised in the statements of financial position as excess of progress billings to purchasers over the cumulative revenue recognised.

Contract liabilities are recognised as revenue when performance obligations are satisfied.

(b) Contract liabilities from property development contracts

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, are as follows:

	2023	2024	Total
	RM	RM	RM
30 June 2023	0	2,104,578	2,104,578
30 June 2022	<u>22,218,327</u>	<u>1,667,530</u>	<u>23,885,857</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

23. REVENUE

		Group		Company	
		2023	2022	2023	2022
	Note	RM	RM	RM	RM
Revenue from contracts with customers:					
Recognised at a point in time:					
Sales of goods	(a)	262,492,077	317,828,311	0	0
Services rendered	(a)	14,037,702	9,838,192	0	0
Sales of completed development units	(b)	0	3,189,745	0	0
Recognised over time:					
Property development	(c)	34,792,510	21,472,200	0	0
		<u>311,322,289</u>	<u>352,328,448</u>	<u>0</u>	<u>0</u>
Other revenue:					
Dividend income	(d)	0	0	50,617,778	14,836,024
Interest income from financing	(e)	387,344	0	0	0
Operating lease income	(f)	1,983,880	1,850,033	0	0
		<u>313,693,513</u>	<u>354,178,481</u>	<u>50,617,778</u>	<u>14,836,024</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

23. REVENUE (continued)

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated in the table below by primary geographical market.

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Malaysia	248,525,484	267,462,746	0	0
Singapore	26,765,381	31,960,466	0	0
United States of America	20,672,467	21,544,058	0	0
Others	15,358,957	31,361,178	0	0
	<u>311,322,289</u>	<u>352,328,448</u>	<u>0</u>	<u>0</u>

(a) Sale of goods and services rendered

Revenue from the sale of goods and services rendered is recognised at a point in time when the Group satisfies a performance obligation by transferring a promised goods or the services have been rendered to a customer. An asset is transferred as and when the customer obtains control of that asset, which coincides with the delivery of goods and services and acceptance by customers.

There is no significant financing component in the revenue arising from sale of goods and services rendered as the sales are made on the normal credit terms not exceeding twelve (12) months.

(b) Sale of completed development units

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Company will collect the considerations to which it would be entitled to in exchange for the assets sold.

There is no significant financing component in the revenue arising from sale of completed properties as the sales are made on the normal credit terms not exceeding twelve months.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

23. REVENUE (continued)

(c) Revenue from property development

Contracts with customers include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

Revenue from property development is measured at the fixed transaction price agreed under the agreement.

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that the Group would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time. Control of the asset is transferred over time if the performance of the Group 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.

If control of the asset transfers over time, revenue is recognised over the period of the contract using the input method by reference to the cost incurred relative to the total expected cost for satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Significant judgement is required in determining performance obligations, transaction price allocation and costs in applying the input method to recognise revenue over time.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

23. REVENUE (continued)

(c) Revenue from property development (continued)

The Group identifies performance obligations that are distinct and material, which is judgmental in the context of contract. Transaction prices were determined based on estimated margins prior to its allocation to the identified performance obligation. The Group also estimated total contract costs in applying the input method to recognise revenue over time.

There is no significant financing component in the revenue arising from property development as the contracts are made on the normal credit terms not exceeding twelve months.

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

(e) Interest income is recognised using the effective interest method.

(f) Operating lease income is accounted for on a straight-line basis over the lease term of an on-going lease.

24. DIRECTORS' REMUNERATION

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Directors of the Company				
Directors' fee	30,000	30,000	30,000	30,000
Salaries and other emoluments	877,936	854,424	522,732	513,194
Defined contribution plan	34,691	33,240	20,617	20,241
	942,627	917,664	573,349	563,435
Directors of the subsidiaries				
Directors' fee	0	275,000	0	0
Salaries and other emoluments	1,798,934	1,749,914	0	0
Defined contribution plan	231,362	229,197	0	0
	2,030,296	2,254,111	0	0
Total Directors' remuneration	2,972,923	3,171,775	573,349	563,435

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

25. EMPLOYEE BENEFITS

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Wages, salaries and bonuses	47,571,269	55,124,873	713,511	623,708
Directors' fee	30,000	305,000	30,000	30,000
Contributions to defined contribution plan	4,729,556	4,606,431	44,873	47,894
Social security contributions	644,940	555,189	3,643	2,990
Other benefits	2,321,210	3,408,078	16,076	39,566
	<u>55,296,975</u>	<u>63,999,571</u>	<u>808,103</u>	<u>744,158</u>

Included in the employee benefits of the Group and of the Company are Directors' remuneration amounting to RM2,972,923 and RM573,349 (2022: RM3,171,775 and RM563,435) respectively.

26. TAXATION

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Current taxation based on profit for the financial year	13,027,851	17,736,672	320,000	66,000
(Over)/Underprovision of tax in prior years	(1,516,880)	955,603	(478,696)	1,132,529
	<u>11,510,971</u>	<u>18,692,275</u>	<u>(158,696)</u>	<u>1,198,529</u>
Deferred tax (Note 13):				
- relating to origination and reversal of temporary differences	393,753	1,119,382	0	0
- under/(over)provision in prior years	530,573	(19,332)	0	0
	<u>12,435,297</u>	<u>19,792,325</u>	<u>(158,696)</u>	<u>1,198,529</u>

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated taxable profits for the fiscal year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

26. TAXATION (continued)

- (b) The numerical reconciliation between the taxation and the product of accounting profit multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Profit before tax	<u>38,025,250</u>	<u>72,676,911</u>	<u>44,237,142</u>	<u>13,133,894</u>
Tax at the applicable tax rate of 24% (2022: 24%)	9,126,100	17,442,500	10,616,900	3,152,100
Tax effects in respect of:				
Non-allowable expenses	3,913,296	3,629,164	1,900,100	573,200
Non-taxable income	(1,233,414)	(711,029)	(12,197,000)	(3,659,300)
Tax incentive	0	(1,417,541)	0	0
Tax exempt income under pioneer status	(1,091,478)	(1,068,683)	0	0
Different tax rate for the first RM600,000 of chargeable income	0	(182,400)	0	0
Deferred tax assets not recognised during the financial year	2,897,900	1,224,474	0	0
Utilisation of previously unrecognised capital allowances	(190,800)	(60,431)	0	0
(Over)/Underprovision of tax in prior years	(1,516,880)	955,603	(478,696)	1,132,529
Under/(Over)provision of deferred tax in prior years	<u>530,573</u>	<u>(19,332)</u>	<u>0</u>	<u>0</u>
Taxation for the financial year	<u>12,435,297</u>	<u>19,792,325</u>	<u>(158,696)</u>	<u>1,198,529</u>

- (c) The Group has been granted pioneer status for test head manipulator and docking system and related components which exempt 100% of its statutory income derived from those activities for a period of 5 years beginning on 6 September 2016 and expired on 5 September 2021 and subsequently extended to 5 September 2026.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

27. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2023	2022
	RM	RM
Profit attributable to owners of the parent	<u>26,507,794</u>	<u>51,371,109</u>
	Group	
	2023	2022
	Unit	Unit
Weighted average number of ordinary shares in issue	320,180,803	312,111,762
Basic earnings per ordinary share (sen)	<u>8.28</u>	<u>16.46</u>

(b) Diluted

Diluted earnings per share equals basic earnings per share because there are no potentially dilutive instruments in existence as at the end of each reporting period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

28. DIVIDENDS

	Group and Company			
	2023		2022	
	Dividend per share Sen	Amount of dividend RM	Dividend per share Sen	Amount of dividend RM
Dividends paid/declared:				
In respect of financial year ended 30 June 2022:				
Single tier first and final dividend	3.0	9,605,424	0	0
In respect of financial year ended 30 June 2021:				
Single tier first and final dividend	0	0	2.0	6,403,616
	<u>3.0</u>	<u>9,605,424</u>	<u>2.0</u>	<u>6,403,616</u>

The Directors propose a first and final single tier dividend of 2.0 sen per ordinary share amounting to RM6,403,616 in respect of the financial year ended 30 June 2023, subject to the approval of shareholders at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 30 June 2024.

29. CAPITAL COMMITMENT

	Group	
	2023 RM	2022 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
- Contracted but not provided for	<u>673,899</u>	<u>5,272,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

30. CONTINGENT LIABILITIES

	Group and Company	
	2023	2022
	RM	RM
Corporate guarantee given to banks for credit facilities granted to subsidiaries - unsecured	<u>68,130,942</u>	<u>61,570,000</u>

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits would be required or the amount is not capable of reliable measurement.

The Directors are of the view that the chances of the financial institutes to call upon the corporate guarantee are remote. Accordingly, the fair values of the above corporate guarantees given to the subsidiaries for banking facilities are negligible.

Information on financial risk of contingent liabilities is disclosed in Note 32 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

31. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

The Company has controlling related party relationship with its direct and indirect subsidiaries. Related parties of the Group include:

- (i) Direct and indirect subsidiaries as disclosed in Note 9 to the financial statements;
- (ii) Key management personnel, which comprises persons (including the Directors of the Company) having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly;
- (iii) Companies in which certain Directors, or a family members of the Director have substantial financial interests; and
- (iv) Immediate family member of Directors of the Company and its subsidiaries.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

31. RELATED PARTY DISCLOSURES (continued)

- (b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Related parties:				
Sales of goods	272,333	814,943	0	0
Sale of development units	0	631,000	0	0
Purchase of goods	2,087,146	7,457,377	0	7,405
Services rendered	0	1,800	0	0
Rental expenses	328,588	515,568	149,490	149,490
Subsidiaries:				
Management fee charged	0	0	1,233,540	907,140
Dividend received	0	0	50,617,778	14,836,024
Interest received	0	0	1,683,150	142,910
Subscription of shares	0	0	48,645,000	62,638,000

The related party transactions described above were carried out on agreed contractual terms and conditions and in the ordinary course of business between the related parties of the Group and the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

31. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

The remuneration of Directors and other key management personnel during the financial year were as follows:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Short term employee benefits	2,706,870	2,909,338	552,732	543,194
Contributions to defined contribution plan	266,053	262,437	20,617	20,241
	<u>2,972,923</u>	<u>3,171,775</u>	<u>573,349</u>	<u>563,435</u>

Included in the compensation of key management personnel are Directors' remuneration of the Group and of the Company as disclosed in Note 24 to the financial statements.

32. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2023 and 30 June 2022.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(a) Capital management (continued)

The Group monitors capital utilisation on the basis of net debt-to-equity ratio, which is net debt divided by total capital. The Group includes within net debt, borrowings and lease liabilities less short-term funds and cash and bank balances. Capital represents equity attributable to the owners of the Group. The net debt-to-equity ratio as at 30 June 2023 and 30 June 2022 are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM	RM	RM	RM
Borrowings (Note 18)	95,783,687	68,564,579	23,318,501	5,619,576
Lease liabilities (Note 19)	5,527,965	3,189,490	406,408	0
Less:				
Short term funds (Note 15)	(22,012,659)	(23,756,803)	(606,028)	(14,037,680)
Cash and bank balances (Note 16)	<u>(25,569,921)</u>	<u>(49,903,209)</u>	<u>(1,289,812)</u>	<u>(17,005,276)</u>
Net debt/(cash)	<u>53,729,072</u>	<u>(1,905,943)</u>	<u>21,829,069</u>	<u>(25,423,380)</u>
Total equity	<u>394,036,069</u>	<u>378,109,738</u>	<u>306,064,834</u>	<u>271,274,420</u>
Capital gearing ratio	<u>14%</u>	<u>*</u>	<u>7%</u>	<u>*</u>

* No capital gearing ratio is presented as the Group and the Company are in net cash position.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity more than the twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 30 June 2023.

The Group and the Company is not subject to any other externally imposed capital requirements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors. Financial risk management is carried out through internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below:

(i) Credit risk

Cash deposits and receivables may give rise to credit risk, which requires the loss to be recognised if a counter party failed to perform as contracted. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

Primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit. The credit period granted by the Group ranged from one (1) month to four (4) months (2022: one (1) month to four (4) months). Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

Credit risk in the property development activity is negligible as sales are to purchasers who obtain financing from financial institutions. As such, majority of the credit risk has been effectively transferred to the financial institutions as provided for in the sales and purchase agreements. For those sales on cash basis, which only forms an insignificant portion of sales amount, credit risk is also negligible as titles will only be surrendered after full payments have been made. This is the normal industry practice currently.

In respect of the cash and bank balances placed with major financial institutions, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

The primary exposure of the Company is through the amount owing by subsidiaries.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Exposure to credit risk

At the end of the reporting period, the maximum exposures to credit risk of the Group and of the Company are represented by the carrying amounts of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of the reporting period are as follows:

	2023		2022	
	RM	% of total	RM	% of total
By countries				
Malaysia	49,523,404	79%	64,153,047	70%
China	4,185,892	7%	15,757,132	17%
United States of America	3,303,920	5%	3,244,616	4%
Singapore	3,076,904	5%	6,677,730	7%
United Kingdom	1,220,247	2%	799,515	1%
Others	1,594,847	2%	1,133,609	1%
	<u>62,905,214</u>	<u>100%</u>	<u>91,765,649</u>	<u>100%</u>

At the end of the reporting period, approximately:

- (a) During the financial year, there is no major customer with outstanding balance more than 10% of the total receivables of the Group.

In previous financial year, 43% of the trade receivables of the Group were due from two (2) major customers who are located in China and Malaysia.

- (b) 1% (2022: 2%) of the receivables of the Group were due from several related parties whilst approximate 99% (2022: 99%) of the receivables of the Company were balances with its subsidiaries.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(ii) Liquidity and cash flow risk

Liquidity and cash flow risks are the risks that the Group and the Company will not be able to meet their financial obligations when they fall due. The exposure of the Group and of the Company to liquidity risk arises principally from their various payables, borrowings and lease liabilities.

The Group and the Company actively manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing their liquidity risk management strategy, the Group and the Company measure and forecast their cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group and of the Company.

Owing to the nature of its businesses, the Group and the Company always maintain sufficient credit lines available to meet their liquidity requirements while ensuring an effective working capital management within the Group and the Company.

The table below summaries the maturity profile of the liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations:

	On demand or within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
Group				
2023				
Financial liabilities				
Trade and other payables	54,862,955	0	0	54,862,955
Lease liabilities	2,184,836	3,864,883	0	6,049,719
Borrowings	59,708,299	28,794,980	14,322,705	102,825,984
Financial guarantees*	68,130,942	0	0	68,130,942
Total undiscounted financial liabilities	<u>184,887,032</u>	<u>32,659,863</u>	<u>14,322,705</u>	<u>231,869,600</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(ii) Liquidity and cash flow risk (continued)

Group	On demand or within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
2022				
Financial liabilities				
Trade and other payables	102,767,507	0	0	102,767,507
Lease liabilities	1,011,140	2,389,700	0	3,400,840
Borrowings	33,431,338	26,226,381	15,354,473	75,012,192
Financial guarantees*	61,570,000	0	0	61,570,000
Total undiscounted financial liabilities	<u>198,779,985</u>	<u>28,616,081</u>	<u>15,354,473</u>	<u>242,750,539</u>
Company				
2023				
Financial liabilities				
Trade and other payables	24,985,810	0	0	24,985,810
Lease liabilities	149,490	286,523	0	436,013
Borrowings	19,928,493	3,705,672	53,400	23,687,565
Financial guarantees*	68,130,942	0	0	68,130,942
Total undiscounted financial liabilities	<u>113,194,735</u>	<u>3,992,195</u>	<u>53,400</u>	<u>117,240,330</u>
2022				
Financial liabilities				
Trade and other payables	19,593,537	0	0	19,593,537
Borrowings	1,124,700	4,468,204	687,957	6,280,861
Financial guarantees*	61,570,000	0	0	61,570,000
Total undiscounted financial liabilities	<u>82,288,237</u>	<u>4,468,204</u>	<u>687,957</u>	<u>87,444,398</u>

* This disclosure represents the maximum liquidity risk exposure.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The primary interest rate risk of the Group relates to interest-earning deposits and amounts owing by subsidiaries and interest-bearing borrowings.

As at the end of the reporting period, the Group and the Company do not engage any interest hedging instruments in respect of such interest rate fluctuations.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group and of the Company if interest rates at the end of each reporting period changed by ten (10) basis points with all other variables held constant:

	Group	
	2023	2022
	RM	RM
Profit after tax		
Increase by 0.1% (2022: 0.1%)	(72,796)	(52,109)
Decrease by 0.1% (2022: 0.1%)	<u>72,796</u>	<u>52,109</u>
	Company	
	2023	2022
	RM	RM
Profit after tax		
Increase by 0.1% (2022: 0.1%)	23,126	3,025
Decrease by 0.1% (2022: 0.1%)	<u>(23,126)</u>	<u>(3,025)</u>

No sensitivity analysis for fixed rate instruments was presented as the change in market interest rate at the end of the reporting period would not affect profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management (continued)

(iii) Interest rate risk (continued)

The following table sets out the carrying amounts, the weighted average effective interest rates ('WAEIR') as at the end of each reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

Group	Note	WAEIR %	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to three (3) years RM	Three (3) to four (4) years RM	Four (4) to five (5) years RM	Over five (5) years RM	Total RM
2023									
Floating rates									
Revolving credits	18	5.06	41,213,770	0	0	0	0	0	41,213,770
Bank overdrafts	18	5.85	9,956,659	0	0	0	0	0	9,956,659
Term loans	18	4.26	6,775,195	6,637,944	6,728,390	6,364,179	4,980,776	13,126,774	44,613,258
2022									
Floating rates									
Revolving credits	18	3.53	26,338,620	0	0	0	0	0	26,338,620
Term loans	18	4.47	5,733,200	5,638,903	5,586,340	5,672,350	5,335,082	14,260,084	42,225,959

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk management (continued)

(iii) Interest rate risk (continued)

The following table sets out the carrying amounts, the weighted average effective interest rates ('WAEIR') as at the end of each reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk (continued):

Company	Note	WAEIR %	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to three (3) years RM	Three (3) to four (4) years RM	Four (4) to five (5) years RM	Over five (5) years RM	Total RM
2023									
Floating rates									
Amount owing by subsidiaries	12	5.25	(53,748,000)	0	0	0	0	0	(53,748,000)
Revolving credits	18	5.18	8,802,794	0	0	0	0	0	8,802,794
Bank overdrafts	18	5.85	9,956,659	0	0	0	0	0	9,956,659
Term loans	18	4.62	978,871	1,025,064	1,073,438	1,038,215	334,079	109,381	4,559,048
2022									
Floating rates									
Amount owing by subsidiaries	12	3.88	(9,600,000)	0	0	0	0	0	(9,600,000)
Term loans	18	3.62	941,992	839,140	954,091	999,115	942,506	942,732	5,619,576

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. At the end of each reporting period, such foreign currency balances (in United States Dollar (USD), Japanese Yen (JPY), Chinese Yuan (CNY), and Pound Sterling) amounted to RM1,737,376 (2022: RM8,186,377) for the Group.

The Group is also exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of entities with the Group.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity analysis of the profit after tax of the Group to a reasonably possible change in the United States Dollar ('USD') exchange rates against the respective functional currencies of entities within the Group, with all other variables held constant:

	Group	
	2023	2022
	RM	RM
Profit after taxation		
USD/RM		
- strengthen 1% (2022: 1%)	99,947	233,766
- weaken 1% (2022: 1%)	(99,947)	(233,766)

Sensitivity analysis of other foreign currencies are not disclosed as they are not material to the Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

33. MATERIAL LITIGATION

- (a) Khor Khye Hing Constructions Sdn. Bhd. ('KKH') between LD Global Sdn. Bhd. ('LD Global')

The main contractor of Lavanya Langkawi Serviced Villa Project ("Project"), KKH has filed Statement of Case in the Arbitration against LD Global, a wholly-owned subsidiary of the Company for the dispute between KKH and LD Global emanated from a contract dated 7 July 2017 for the construction of the project.

KKH has claimed against LD Global for the alleged sum of RM2.3 million for the wrongful liquidated ascertained damages ("LAD") deduction, claim for additional variation orders and second moiety retention sum. LD Global has denied all the purported claims by KKH. LD Global has counterclaimed against KKH a sum of RM2.8 million which includes liquidated ascertained damages and costs of rectification of defects.

The hearing of the arbitration is scheduled on 13 December 2023 to 15 December 2023, 30 January 2024 to 1 February 2024.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claims is necessary.

- (b) Paradigm Metal Industries Sdn. Bhd. ('PMI') between Salutica Allied Solutions Sdn. Bhd. ('SAS')

On 11 August 2023, the supplier, SAS has filed Writ of Summons and Statement of Claim against PMI, a wholly-owned subsidiary of the Company. SAS is claiming against PMI for the sum of USD383,715 or equivalent to RM1.76 million for the supply of products (USD 323,883) and late payment interest (USD59,832).

PMI claimed that the delay in payment was due to operational related disputes that remain unresolved by SAS for which inclusive but not limited to wrongly built parts causing high rejection by end customer.

PMI had filed an application to stay the Penang High Court proceeding on the basis that under the contract between the parties, the dispute between the parties to be resolved by way of arbitration and not in court.

On 19 October 2023, the Court has allowed the Company's application to stay proceedings and refer the matter to arbitration.

The Directors are of the opinion, after taking appropriate legal advice, that no provision for the abovementioned claims is necessary.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

34.1 New MFRSs adopted during the current financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board (“MASB”) during the financial year:

Title	Effective Date
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment</i> - <i>Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

Adoption of the above Amendments to the Standards did not have any material effect on the financial performance or position of the Group and of the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

34.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</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 112 <i>International Tax Reform - Pillar Two Model Rules</i>	See MFRS 112 paragraph 98M
Amendments to MFRS 16 <i>Lease liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 107 and MFRS 7 <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 121 <i>Lack of Exchangeability</i>	1 January 2025
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.