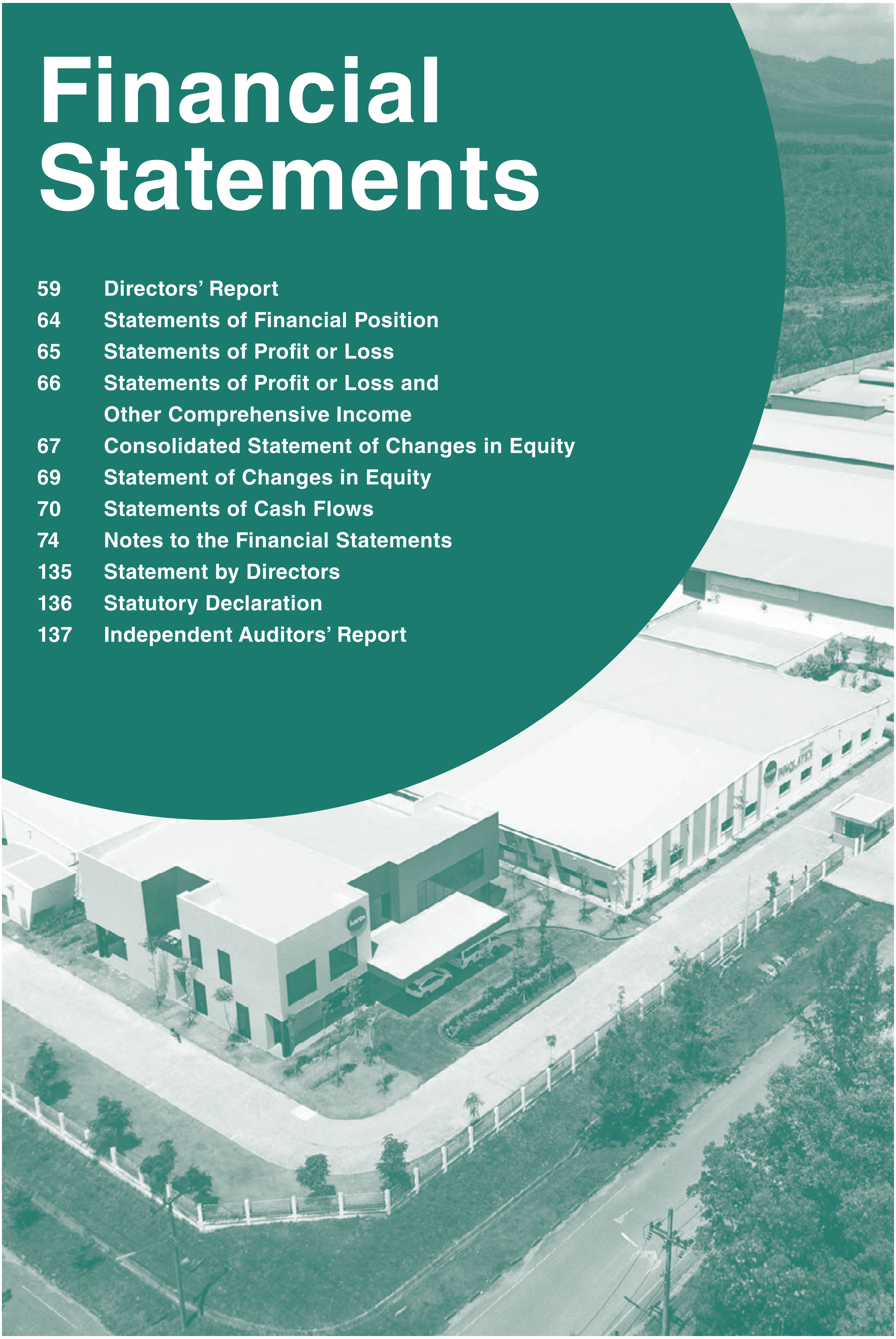
Financial Statements



Directors' Report

For the year ended 30 June 2021

The Directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company consists of investment holding. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(1,020)	9,960
Non-controlling interests	1,166	-
	146	9,960

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the statements of changes in equity.

DIVIDENDS

Since the end of the previous financial year, the Company declared a final dividend of 0.5 sen per ordinary share totalling RM5,011,875 in respect of the financial year ended 30 June 2020 on 9 October 2020 and paid on 21 December 2020.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Tun Dato' Seri Arshad Ayub
Dato' Dr. Ong Eng Long @ Ong Siew Chuan
Professor Dato' Dr. Adeeba binti Kamarulzaman
Dato' Edward Siew Mun Wai (appointed on 27 November 2020)
Mr Wong Yien Kim
Ms Lam Jiuan Jiuan
Ms Goh Yen Yen
Mr Goh Leng Kian
Mr Goh Miah Kiat
Mr Law Ngee Song (resigned on 27 November 2020)

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

Directors' Report
For the year ended 30 June 2021

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings and Members are as follows:

		Number of ordinary shares			
Name of Directors	**Interest**	**At 1 July 2020**	**Bought**	**Sold**	**At 30 June 2021**
Company					
Directors of the Company					
Tun Dato' Seri Arshad Ayub	Direct	15,100,000	310,000	-	15,410,000
	Deemed [(1)]	5,200,000	-	-	5,200,000
Dato' Dr. Ong Eng Long @ Ong Siew Chuan	Direct	860,000	-	-	860,000
Ms Lam Jiuan Jiuan	Direct	19,087,456	-	-	19,087,456
	Deemed [(2)]	64,312,456	-	-	64,312,456
	Deemed [(3)]	198,089,600	-	-	198,089,600
Ms Goh Yen Yen	Direct	72,062,456	-	-	72,062,456
Mr Goh Leng Kian	Direct	41,368,865	100,000	-	41,468,865
	Deemed [(4)]	184,250,000	-	-	184,250,000
	Deemed [(2)]	573,750	-	-	573,750
Mr Goh Miah Kiat	Direct	47,150,097	1,500,000	-	48,650,097
	Deemed [(4)]	184,250,000	-	-	184,250,000

[(1)] Deemed interested by virtue of his equity interest in Zalaraz Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
[(2)] Deemed interested by virtue of her/his equity interest held by her/his spouse pursuant to Section 59 (11)(c) of the Companies Act 2016.
[(3)] Deemed interested by virtue of her equity interest in AJNA Holdings Limited, Maharani Limited and Karex One Limited pursuant to Section 8 of the Companies Act 2016.
[(4)] Deemed interested by virtue of his equity interest in Karex One Limited pursuant to Section 8 of the Companies Act 2016.

By virtue of their substantial interests in the shares of the Company, Ms Lam Jiuan Jiuan, Ms Goh Yen Yen, Mr Goh Leng Kian and Mr Goh Miah Kiat are also deemed interested in the ordinary shares of the wholly-owned subsidiaries during the financial year to the extent that Karex Berhad has an interest.

None of the other Directors holding office at 30 June 2021 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' Report
For the year ended 30 June 2021

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) 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 certain Directors who have substantial financial interest in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 28 to the financial statements.

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 51,085,761 new ordinary shares at an issue price of RM0.8273 each pursuant to the acquisition of non-controlling interest. There were no other changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of premium paid for insurance effected for Directors and officers of the Group and of the Company was RM49,000 for a total sum insured of RM10 million.

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

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

The auditors' report on the audited financial statements of Company's subsidiaries did not contain any qualification or any adverse comments.

Directors' Report

For the year ended 30 June 2021

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors' Report
For the year ended 30 June 2021

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 20 to the financial statements.

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

Goh Leng Kian
Director

Goh Miah Kiat
Director

Date: 11 October 2021

Statements of Financial Position

As at 30 June 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Assets					
Property, plant and equipment	3	254,812	218,872	-	-
Right-of-use assets	4	30,646	30,125	-	-
Investments in subsidiaries	5	-	-	321,836	283,675
Intangible assets	6	95,546	97,525	-	-
Deferred tax assets	7	1,335	1,725	-	-
Total non-current assets		382,339	348,247	321,836	283,675
Inventories	8	131,232	128,884	-	-
Trade and other receivables	9	104,618	95,377	55,218	59,122
Contract assets	10	-	316	-	-
Current tax assets		2,490	2,378	-	-
Cash and cash equivalents	11	54,129	46,341	23,665	10,763
		292,469	273,296	78,883	69,885
Assets classified as held for sale	12	-	281	-	-
Total current assets		292,469	273,577	78,883	69,885
Total assets		674,808	621,824	400,719	353,560
Equity					
Share capital	13	324,244	281,980	324,244	281,980
Reserves	13	141,512	198,169	75,264	70,316
Equity attributable to owners of the Company		465,756	480,149	399,508	352,296
Non-controlling interest		-	4,951	-	-
Total equity		465,756	485,100	399,508	352,296
Liabilities					
Loans and borrowings	14	29,466	4,946	-	-
Lease liabilities		19,010	17,579	-	-
Deferred tax liabilities	7	2,832	7,239	-	-
Total non-current liabilities		51,308	29,764	-	-
Loans and borrowings	14	63,652	26,696	1,000	857
Lease liabilities		3,744	3,296	-	-
Trade and other payables	15	89,448	76,305	129	323
Derivative financial liabilities	16	375	361	-	-
Current tax liabilities		525	302	82	84
Total current liabilities		157,744	106,960	1,211	1,264
Total liabilities		209,052	136,724	1,211	1,264
Total equity and liabilities		674,808	621,824	400,719	353,560

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

Statements of Profit or Loss

For the year ended 30 June 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	17	419,816	395,067	10,285	5,000
Cost of sales		(322,098)	(307,364)	-	-
Gross profit		97,718	87,703	10,285	5,000
Other income		4,561	3,710	3	337
Distribution expenses		(47,989)	(34,301)	-	-
Administrative expenses		(50,137)	(49,866)	(2,267)	(1,751)
Other expenses		(2,209)	(81)	(51)	(23)
Results from operating activities		1,944	7,165	7,970	3,563
Finance income		186	517	2,328	2,657
Finance costs	18	(2,664)	(2,490)	(20)	(51)
Net finance (costs)/income		(2,478)	(1,973)	2,308	2,606
(Loss)/Profit before tax		(534)	5,192	10,278	6,169
Tax credit/(expense)	19	680	(1,704)	(318)	(350)
Profit for the year	20	146	3,488	9,960	5,819
(Loss)/Profit attributable to:					
Owners of the Company		(1,020)	228	9,960	5,819
Non-controlling interest		1,166	3,260	-	-
Profit for the year		146	3,488	9,960	5,819
Basic and diluted (loss)/earnings per ordinary share (sen)	21	(0.10)	0.02		

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

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the year	146	3,488	9,960	5,819
Other comprehensive (expense)/ income, net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	(7,902)	4,040	-	-
Total comprehensive (expense)/ income for the year	(7,756)	7,528	9,960	5,819
Total comprehensive (expense)/ income attributable to:				
Owners of the Company	(8,599)	4,153	9,960	5,819
Non-controlling interest	843	3,375	-	-
Total comprehensive (expense)/ income for the year	(7,756)	7,528	9,960	5,819

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

		Attributable to owners of the Company							
		Non-distributable				Distributable			
	Note	**Share capital RM'000**	**Merger reserve RM'000**	**Translation reserve RM'000**	**Other reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
Group									
At 1 July 2019		281,980	63,511	14,024	718	130,799	491,032	1,576	492,608
Foreign currency translation differences for foreign operations/ **Total other comprehensive income for the year**		-	-	3,925	-	-	3,925	115	4,040
Profit for the year		-	-	-	-	228	228	3,260	3,488
Total comprehensive income for the year		-	-	3,925	-	228	4,153	3,375	7,528
Contributions by and distributions to owners of the Company									
Dividends to owners of the Company/ **Total transactions with owners of the Company**	22	-	-	-	-	(15,036)	(15,036)	-	(15,036)
At 30 June 2020		281,980	63,511	17,949	718	115,991	480,149	4,951	485,100

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Note	Share capital RM'000	Merger reserve RM'000	Translation reserve RM'000	Other reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
		← Attributable to owners of the Company →							
		← Non-distributable			→	Distributable			
Group									
At 1 July 2020		281,980	63,511	17,949	718	115,991	480,149	4,951	485,100
Foreign currency translation differences for foreign operations/ **Total other comprehensive expense for the year**		-	-	(7,579)	-	-	(7,579)	(323)	(7,902)
(Loss)/Profit for the year		-	-	-	-	(1,020)	(1,020)	1,166	146
Total comprehensive (expense)/income for the year		-	-	(7,579)	-	(1,020)	(8,599)	843	(7,756)
Contributions by and distributions to owners of the Company									
Dividends to owners of the Company/ **Total transactions with owners of the Company**	22	-	-	-	-	(5,012)	(5,012)	-	(5,012)
Share issuance pursuant to acquisition of non-controlling interest		42,264	-	-	-	-	42,264	-	42,264
Change in ownership interest in a subsidiary		-	-	-	-	(43,046)	(43,046)	(1,978)	(45,024)
Total changes in ownership interest in a subsidiary		42,264	-	-	-	(43,046)	(782)	(1,978)	(2,760)
Dividends to non-controlling interest		-	-	-	-	-	-	(3,816)	(3,816)
At 30 June 2021		324,244	63,511	10,370	718	66,913	465,756	-	465,756

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

Statement of Changes in Equity

For the year ended 30 June 2021

		Attributable to owners of the Company			
		Non-distributable		Distributable	
	Note	Share capital RM'000	Merger reserve RM'000	Retained earnings RM'000	Total equity RM'000
Company					
At 1 July 2019		281,980	63,511	16,022	361,513
Profit and total comprehensive income for the year		-	-	5,819	5,819
Contributions by and distributions to owners of the Company					
Dividends to owners of the Company/ **Total transactions with owners of the Company**	22	-	-	(15,036)	(15,036)
At 30 June 2020/1 July 2020		281,980	63,511	6,805	352,296
Profit and total comprehensive income for the year		-	-	9,960	9,960
Contributions by and distributions to owners of the Company					
Dividends to owners of the Company/ **Total transactions with owners of the Company**	22	-	-	(5,012)	(5,012)
Share issuance pursuant to the acquisition of non-controlling interest/**Total changes in ownership interest in a subsidiary**		42,264	-	-	42,264
At 30 June 2021		324,244	63,511	11,753	399,508

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

Statements of Cash Flows

For the year ended 30 June 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(534)	5,192	10,278	6,169
Adjustments for:					
Depreciation and amortisation:					
- Property, plant and equipment		18,588	16,699	-	-
- Right-of-use assets		4,151	3,924	-	-
- Intangible assets		257	202	-	-
Dividend income		-	-	(10,285)	(5,000)
Fair value loss on derivative instruments		375	361	-	-
Finance costs	18	2,664	2,490	20	51
Finance income		(186)	(517)	(2,328)	(2,657)
Impairment loss on:					
- Trade receivables		1,185	46	-	-
- Intangible assets		848	-	-	-
Inventories:					
- Allowance for slow moving		271	2,233	-	-
- Written off		355	106	-	-
- Written down to net realisable value		321	975	-	-
Written off for property, plant and equipment					
Gain on disposal:		334	81	-	-
- Property, plant and equipment		(131)	(23)	-	-
- Asset held for sale		(336)	-	-	-
Operating profit/(loss) before changes in working capital		28,162	31,769	(2,315)	(1,437)
Change in inventories		(3,296)	(12,570)	-	-
Change in trade and other receivables		(11,868)	(13,765)	8,007	(2,228)
Change in contract assets		316	184	-	-
Change in trade and other payables		6,115	17,398	(194)	139
Cash generated from/(used in) operations		19,429	23,016	5,498	(3,526)
Tax (paid)/refunded		(3,228)	5,007	(320)	(377)
Net cash from/(used in) operating activities		16,201	28,023	5,178	(3,903)

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

Statements of Cash Flows
For the year ended 30 June 2021

		Group		Company	
		2021	**2020**	**2021**	**2020**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows from investing activities					
Acquisition of:					
- property, plant and equipment	23	(56,313)	(24,186)	-	-
- intangible assets	6	(48)	(26)	-	-
Proceeds from disposal of:					
- Property, plant and equipment		380	1,182	-	-
- Asset held for sale		617	-	-	-
Dividend received		-	-	10,285	5,000
Interest received		186	517	2,328	2,657
Net cash (used in)/from investing activities		**(55,178)**	**(22,513)**	**12,613**	**7,657**
Cash flows from financing activities					
Interest paid		(2,664)	(2,490)	(20)	(51)
Change in pledged deposits		(67)	68	-	-
Dividends paid to owners of the Company	22	(5,012)	(15,036)	(5,012)	(15,036)
Dividend paid to the non-controlling interest of a subsidiary		(3,816)	-	-	-
Repayments of:					
- hire purchase liabilities		(173)	(377)	-	-
- lease liabilities		(3,151)	(3,033)	-	-
- term loans		(6,053)	(4,122)	(857)	(1,128)
- trust receipt		(805)	-	-	-
- revolving credits		-	(1,428)	-	-
- foreign currency trade loan		-	(352)	-	-
Drawdown of:					
- bankers' acceptances		26,388	2,144	-	-
- export financing		8,555	1,600	-	-
- term loans		31,599	-	-	-
- trust receipt		-	330	-	-
- revolving credits		1,965	-	1,000	-
Net cash from/(used in) financing activities		46,766	(22,696)	(4,889)	(16,215)
Effect of exchange rate fluctuations on cash held		(68)	(40)	-	-
Net increase/(decrease) in cash and cash equivalents		7,721	(17,226)	12,902	(12,461)
Cash and cash equivalents at 1 July		45,017	62,243	10,763	23,224
Cash and cash equivalents at 30 June	11	52,738	45,017	23,665	10,763

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

Statements of Cash Flows

For the year ended 30 June 2021

Cash outflows for leases as a lessee

		Group	
	Note	2021 RM'000	2020 RM'000
Included in net cash from operating activities			
Payment relating to short-term leases	20	1,850	2,118
Payment relating to leases of low-value assets	20	14	71
Included in net cash from financing activities			
Payment of lease liabilities		3,385	3,033
Interest paid in relation to lease liabilities	18	1,010	1,007
Total cash outflows for leases		6,259	6,229

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

Statements of Cash Flows

For the year ended 30 June 2021

Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1 July 2019 RM'000	Net changes from financing cash flows RM'000	Acquisition of new leases RM'000	Acquisition of new hire purchase liabilities (Note 23) RM'000	At 30 June 2020/ 1 July 2020 RM'000	Net changes from financing cash flows RM'000	Acquisition of new leases RM'000	Remeasurement of lease liabilities RM'000	Derecognition of leases RM'000	Foreign exchange movement RM'000	At 30 June 2021 RM'000
Group											
Trust receipt	475	330	-	-	805	(805)	-	-	-	-	-
Bankers' acceptances	13,530	2,144	-	-	15,674	26,388	-	-	-	-	42,062
Hire purchase liabilities	807	(377)	-	179	609	(173)	-	-	-	-	436
Term loans	15,752	(4,122)	-	-	11,630	25,546	-	-	-	-	37,176
Export financing	789	1,600	-	-	2,389	8,555	-	-	-	-	10,944
Revolving credits	1,963	(1,428)	-	-	535	1,965	-	-	-	-	2,500
Foreign currency trade loan	352	(352)	-	-	-	-	-	-	-	-	-
Lease liabilities	23,400	(3,033)	508	-	20,875	(3,151)	4,460	419	(111)	262	22,754
Total liabilities from financing activities	57,068	(5,238)	508	179	52,517	58,325	4,460	419	(111)	262	115,872

	At 1 July 2019 RM'000	Net changes from financing cash flows RM'000	At 30 June 2020/ 1 July 2020 RM'000	Net changes from financing cash flows RM'000	At 30 June 2021 RM'000
Company					
Term loans	1,985	(1,128)	857	(857)	-
Revolving credit	-	-	-	1,000	1,000
Total liabilities from financing activities	1,985	(1,128)	857	143	1,000

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

Notes to the Financial Statements

Karex Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Lot 594, Persiaran Raja Lumu
Pandamaran Industrial Estate
42000 Port Klang
Selangor Darul Ehsan
Malaysia

Registered office
10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 30 June 2021 do not include other entities.

The principal activity of the Company consists of investment holding. The principal activities of the subsidiaries are disclosed in Note 5.

These financial statements were authorised for issue by the Board of Directors on 11 October 2021.

1. BASIS OF PREPARATION

(a) Statement of compliance

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 and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

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

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

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018– 2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018 – 2020)*

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

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

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

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

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments in the respective financial year when the above accounting standards, interpretations and amendments become effective, if applicable.

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company upon their first adoption.

(b) Basis of measurement

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

1. BASIS OF PREPARATION (CONTINUED)

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 4 - extension options and incremental borrowing rate in relation to leases
- Note 6 - intangible assets
- Note 8 - measurement of allowance for slow-moving inventories
- Note 25.4 - measurement of expected credit loss ("ECL")

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Restructuring among common shareholders

During a restructuring where the combining entities are controlled by the same parties both before and after the combination, book value accounting is applied. The assets and liabilities acquired are recognised in the consolidated financial statements at their respective carrying amounts without restatement. The difference between the cost of acquisition and the nominal value of the shares acquired together with any other reserves of the combining entities are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within group equity.

(v) Loss of control

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

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

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

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

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

(c) Financial instruments

(i) Recognition and initial measurement

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

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

(a) Amortised cost

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

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

(b) Fair value through profit or loss

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

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

All financial assets, except for those measured at fair value through profit or loss are subject to impairment assessment (see Note 2(k)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial liabilities

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

(a) Fair value through profit or loss

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

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

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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

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

(b) Amortised cost

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

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

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Financial guarantee contracts

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

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(v) Derecognition

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

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

(vi) Offsetting

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The estimated useful lives for the current and comparative periods are as follows:

Buildings	20 - 50 years
Plant and machinery	10 - 20 years
Motor vehicles	5 - 10 years
Electrical installation, renovation, equipment, furniture and fittings	3 - 10 years

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases

(i) Definition of a lease

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

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

As a lessee

(i) Recognition and initial measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

As a lessee (continued)

(i) Recognition and initial measurement (continued)

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

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

(ii) Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint venture.

(ii) Brands

Brands that are acquired by the Group, which have indefinite useful lives, are measured at cost less any accumulated impairment losses.

(iii) Patents and trademarks

Patents and trademarks acquired by the Group, which have finite useful lives are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iv) Other intangible assets

Other intangible assets acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets with indefinite useful lives are measured at cost less any accumulated impairment losses.

(v) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(vi) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

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

The estimated useful lives for the current and comparative periods are as follows:

- Patents and trademarks 10 - 15 years

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

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

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

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

(h) Non-current asset held for sale or distribution to owners

Non-current assets that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

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

Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

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

(i) Contract asset

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

(j) Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment

(i) Financial assets

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

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

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

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

The Group and the Company estimate the expected credit losses on trade receivables using a simplified approach.

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

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

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

(ii) Other assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(ii) Other assets (continued)

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

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

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

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

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

(l) Equity instruments

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

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax

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

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

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

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

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

(n) Borrowing costs

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue and other income

(i) Revenue

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

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

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iv) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Defined benefit plans

The Group provides for post employment retirement benefits, payable to employees under the labour laws applicable in Thailand in respect of its subsidiaries incorporated in Thailand.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

Actuarial gains and losses arising from defined benefit plans will be recognised as income or expense in the statement of other comprehensive income and all expenses related to defined benefit plans will be recognised as income and expense in profit or loss.

As the amount involved is not material to the Group. Accordingly, no further disclosure as required by the standard is made.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Earnings per ordinary share

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

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Operating segments

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

(s) Fair value measurements

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

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

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Equipment, furniture and fittings RM'000	Electrical installation and renovation RM'000	Motor vehicles RM'000	Construction -in-progress RM'000	Total RM'000
Group							
At cost							
At 1 July 2019	93,788	173,908	24,313	31,707	5,487	18,972	348,175
Additions (see Note 23)	1,138	7,824	1,778	1,693	336	10,314	23,083
Disposals	(13)	(900)	(5)	(214)	(51)	(169)	(1,352)
Written off	-	(119)	(5)	-	-	-	(124)
Transfers	105	9,388	162	2,413	-	(12,068)	-
Translation differences	1,119	2,026	152	558	37	154	4,046
At 30 June 2020/1 July 2020	96,137	192,127	26,395	36,157	5,809	17,203	373,828
Additions (see Note 23)	603	7,927	3,759	4,953	257	43,354	60,853
Disposals	-	(387)	(65)	-	(457)	(72)	(981)
Written off	-	(1,797)	-	-	-	(33)	(1,830)
Transfers	1,493	9,558	567	3,059	-	(14,677)	-
Translation differences	(2,794)	(4,272)	(263)	(1,163)	(89)	(1,052)	(9,633)
At 30 June 2021	95,439	203,156	30,393	43,006	5,520	44,723	422,237
Accumulated depreciation							
At 1 July 2019	14,844	89,984	14,798	13,799	3,592	-	137,017
Depreciation charge	2,132	9,618	2,480	1,940	529	-	16,699
Disposals	(1)	(113)	(5)	(28)	(46)	-	(193)
Written off	-	(41)	(2)	-	-	-	(43)
Translation differences	215	1,910	102	(782)	31	-	1,476
At 30 June 2020/1 July 2020	17,190	101,358	17,373	14,929	4,106	-	154,956
Depreciation charge	2,375	10,710	2,702	2,254	547	-	18,588
Disposals	-	(213)	(61)	-	(458)	-	(732)
Written off	-	(1,496)	-	-	-	-	(1,496)
Translation differences	(647)	(2,764)	(187)	(222)	(71)	-	(3,891)
At 30 June 2021	18,918	107,595	19,827	16,961	4,124	-	167,425
Carrying amounts							
At 1 July 2019	78,944	83,924	9,515	17,908	1,895	18,972	211,158
At 30 June 2020/1 July 2020	78,947	90,769	9,022	21,228	1,703	17,203	218,872
At 30 June 2021	76,521	95,561	10,566	26,045	1,396	44,723	254,812

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings

Included in the carrying amounts of land and buildings are:

	Group 2021 RM'000	Group 2020 RM'000
Land	19,951	19,899
Buildings	56,570	59,048
	76,521	78,947

3.1 Security

The land and buildings and plant and machinery of the Group with a carrying amount of RM66,900,000 (2020: RM48,884,000) are charged to licensed banks as security for banking facilities granted as disclosed in Note 14.

3.2 Leased motor vehicles

The carrying amount of motor vehicles of the Group acquired under hire purchase agreements is RM611,000 (2020: RM935,000).

3.3 Construction-in-progress

Construction-in-progress consists of assets relating to condom production facilities, glove manufacturing facilities and other machineries which are in process of being built and assembled and are not ready for intended use.

4. RIGHT-OF-USE ASSETS

	Land RM'000	Buildings RM'000	Plant and equipment RM'000	Total RM'000
Group				
At 1 July 2019	16,497	17,055	137	33,689
Additions	-	514	-	514
Depreciation	(463)	(3,411)	(50)	(3,924)
Transfer to assets held for sale	(281)	-	-	(281)
Translation differences	202	(75)	-	127
At 30 June 2020/1 July 2020	15,955	14,083	87	30,125
Additions	4,772	-	-	4,772
Remeasurement	443	11	-	454
Derecognition	-	(188)	-	(188)
Depreciation	(558)	(3,543)	(50)	(4,151)
Translation differences	(490)	124	-	(366)
At 30 June 2021	20,122	10,487	37	30,646

The Group leases a number of land, hostels, factory buildings and equipment that run between 1 year and 99 years, with an option to renew the lease after that date.

4. RIGHT-OF-USE ASSETS (CONTINUED)

4.1 Extension options

Some leases of buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	Lease liabilities recognised (discounted)		Potential future lease payments not included in lease liabilities (discounted)		Historical rate of exercise of extension options	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 %	2020 %
Group						
Buildings	4,077	5,210	12,185	13,427	86	90

4.2 Significant judgements and assumptions in relation to lease

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

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

4.3 Security

At 30 June 2021, the land with a carrying amount of RM12,233,000 (2020: RM6,587,000) is charged to banks as security for banking facilities granted to the Company as disclosed in Note 14.

5. INVESTMENTS IN SUBSIDIARIES

	Company 2021 RM'000	Company 2020 RM'000
Cost of investment	**321,836**	283,675

Details of the subsidiaries are as follows:

Name of entity	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2021 %	Effective ownership interest and voting interest 2020 %
Direct subsidiaries				
Karex Industries Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Hevea Medical Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Innolatex Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Innolatex (Thailand) Limited*	Manufacture and sale of condoms, rubber products, personal lubricants and others	Thailand	100	100
Karex Global Limited*	Investment holding	Hong Kong	100	100
Medical-Latex (Dua) Sdn. Bhd.	Manufacture and sale of condoms, rubber products, personal lubricants and others	Malaysia	100	100
Karex Holdings Sdn. Bhd.	Investment holding	Malaysia	100	100
Karex International Sdn. Bhd.	Investment holding	Malaysia	100	100
Karex Marketing Sdn. Bhd.	Manufacturing and sale of hand sanitizers, trading products and others	Malaysia	100	100
Karex Polymers Limited*	Manufacturing of pre-vulcanised latex	Thailand	100	100
Subsidiary of Karex Holdings Sdn. Bhd.				
Pasante Healthcare Limited*	Wholesalers of healthcare products	United Kingdom	100	100
Subsidiary of Karex Industries Sdn. Bhd.				
Uro Technology Sdn. Bhd.	Manufacturing and sale of urinary urethral products	Malaysia	100	100
Subsidiary of Karex Global Limited				
Global Protection Corporation*	Distribution, packaging and marketing of condoms and related products	United States of America	100	70
Subsidiary of Global Protection Corporation				
Global Protection Corp UK Limited*	Dormant	United Kingdom	100	100

* Not audited by KPMG PLT

5. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

5.1 Non-controlling interests in subsidiaries

During the financial year, the Group has acquired the remaining 30% of the subsidiary. In prior year, the Group's subsidiaries that have material non-controlling interests ("NCI") were as follows:

	Global Protection Corporation 2020
NCI percentage of ownership interest and voting interest	30%
	RM'000
Carrying amount of NCI	4,951
Profit allocated to NCI	3,260
Total comprehensive income allocated to NCI	3,375
Summarised financial information before intra-group elimination	
As at 30 June	
Non-current assets	2,541
Current assets	37,517
Non-current liabilities	(3,240)
Current liabilities	(20,314)
Net assets	16,504
Year ended 30 June	
Revenue	86,445
Profit for the year	10,867
Total comprehensive income	11,250
Cash flows from operating activities	5,640
Cash flows used in investing activities	(48)
Cash flows used in financing activities	(1,499)
Net increase in cash and cash equivalents	4,093

6. INTANGIBLE ASSETS

	Goodwill RM'000	Brands RM'000	Patents and trademarks RM'000	Other intangible assets RM'000	Total RM'000
Group					
At cost					
At 1 July 2019	27,230	61,389	2,640	5,947	97,206
Addition	-	-	26	-	26
Effect of movements in exchange rates	-	984	181	-	1,165
At 30 June 2020/1 July 2020	27,230	62,373	2,847	5,947	98,397
Addition	-	-	48	-	48
Effect of movements in exchange rates	-	(976)	33	-	(943)
At 30 June 2021	27,230	61,397	2,928	5,947	97,502
Accumulated amortisation					
At 1 July 2019	-	-	644	-	644
Amortisation charge	-	-	202	-	202
Effect of movements in exchange rates	-	-	26	-	26
At 30 June 2020/1 July 2020	-	-	872	-	872
Amortisation charge	-	-	257	-	257
Effect of movements in exchange rates	-	-	(21)	-	(21)
At 30 June 2021	-	-	1,108	-	1,108
Accumulated impairment loss					
Impairment loss/At 30 June 2021	-	848	-	-	848
Carrying amounts					
At 1 July 2019	27,230	61,389	1,996	5,947	96,562
At 30 June 2020/1 July 2020	27,230	62,373	1,975	5,947	97,525
At 30 June 2021	27,230	60,549	1,820	5,947	95,546

Other intangible assets

Other intangible assets comprise of patents, distribution rights, websites, quality certifications and others that are related to fitted condom and former production.

Amortisation

The brands and the other intangible assets are of such nature that they will continue to remain relevant to the Group in terms of access to market, brand loyalty from customers, innovative business platform and restriction of new entrant. The management expects the brands and the other intangible assets to generate net cash inflows indefinitely into the future. As a result, no amortisation is provided against the carrying value of the brands and the other intangible assets as the management believes that the lives of such assets are indefinite at this point.

The amortisation of patents and trademarks which have finite useful life are recognised and charged to the administration expenses.

6. INTANGIBLE ASSETS (CONTINUED)

Impairment testing for cash-generating units ("CGU") containing intangible assets

For the purpose of impairment testing, brands and other intangible assets with indefinite useful lives are allocated to the Group's manufacturing and distribution units which represent the lowest level within the Group at which the intangible assets are monitored for internal management purpose.

The aggregate carrying amount of the intangible assets allocated to each unit are as follows

	Goodwill		Brands		Other intangible assets	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Pasante Healthcare Limited ("Pasante")	27,230	27,230	-	-	-	-
"ONE" brand manufacturing and distribution	-	-	26,449	27,425	-	-
"Trustex" brand manufacturing and distribution	-	-	34,100	34,100	-	-
"NüVo" brand manufacturing and distribution	-	-	-	848	-	-
Other intangible assets related to fitted condom	-	-	-	-	5,589	5,589
Other intangible assets related to former production	-	-	-	-	358	358
	27,230	27,230	60,549	62,373	5,947	5,947

Goodwill

Goodwill was generated upon acquisition of Pasante. The recoverable amount for goodwill were based on its value in use, determined by discounting the future cash flows to be generated from the CGU and were based on the following key assumptions:

i) Cash flows were projected based on 10-year plan and an estimated terminal value.

ii) Revenue were projected based on growth rate of 4.00% - 8.00% on historical sales performance.

iii) Profit margins were based on the historical performance of the distribution units and remain constant throughout the projected period.

iv) A pre-tax discount rate of 11.8% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry's weighted average cost of capital.

6. INTANGIBLE ASSETS (CONTINUED)

Brands

The recoverable amount for Brands were based on their value in use, determined by discounting the future cash flows to be generated from the CGU and were based on the following key assumptions:

i) Cash flows were projected based on 10-year plan and an estimated terminal value.

ii) Revenue of condoms manufacturing and distribution units were projected based on adult population that uses condom of the target territories. Revenue of gloves manufacturing and distribution unit was projected based on management estimation on production output and industry trend.

iii) Profit margins were based on the historical performance of the manufacturing and distribution units for condoms and management expectations for market development on gloves business which remain constant throughout the projected period.

iv) Pre-tax discount rates of 11.7% to 12.0% were applied in determining the recoverable amount of the units. The discount rates were estimated based on the industry's weighted average cost of capital.

Other intangible assets related to fitted condoms

The recoverable amount for the other intangible assets were based on its value in use, determined by discounting the future cash flows to be generated from the CGU and were based on the following key assumptions:

i) Cash flows were projected based on 10-year plan and an estimated terminal value.

ii) Revenue was projected based on adult population that uses condom of the target territories.

iii) Profit margin was based on the historical performance of the manufacturing and distribution units and remain constant throughout the projected period.

iv) A pre-tax discount rate of 11.9% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry's weighted average cost of capital.

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

Based on the management assessment, no impairment is required as the recoverable amount was higher than carrying amount of the above intangible assets, except for the brand "NuVo".

6. INTANGIBLE ASSETS (CONTINUED)

Other intangible assets related to fitted condoms (continued)

The following table shows the reduction of recoverable amount with the changes in the key assumptions which are particularly sensitive:

	1 percentage point change in revenue growth		1 percentage point change in gross profit margin		1 percentage point change in discount rate	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Pasante	10,764	5,992	6,078	2,660	8,219	5,339
"ONE" brand manufacturing and distribution	8,975	2,025	4,910	6,008	13,835	13,479
"Trustex" brand manufacturing and distribution	6,651	2,526	4,199	1,129	11,863	5,378
"NüVo" brand manufacturing and distribution	140	153	98	117	221	283
Other intangible assets related to fitted condom	1,403	1,185	481	329	904	883

Based on the overall assessment, the brand "NuVo" is unable to pass the challenge of sensitivity test and thus the carrying amount of the brand has been fully impaired.

Notes to the Financial Statements

7. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group						
Property, plant and equipment	-	-	(11,923)	(11,336)	(11,923)	(11,336)
Unutilised business losses	2,287	3,093	-	-	2,287	3,093
Unutilised reinvestment allowances	1,227	-	-	-	1,227	-
Unutilised capital allowances	4,048	3,059	-	-	4,048	3,059
Inventories	1,438	1,361	-	-	1,438	1,361
Trade receivables	2,171	985	-	-	2,171	985
Assets and liabilities not currently deductible/ taxable for tax purposes	12,162	5,378	(13,672)	(8,588)	(1,510)	(3,210)
Others	920	558	(155)	(24)	765	534
Tax assets/(liabilities)	24,253	14,434	(25,750)	(19,948)	(1,497)	(5,514)
Set off of tax	(22,918)	(12,709)	22,918	12,709	-	-
Net tax assets/(liabilities)	1,335	1,725	(2,832)	(7,239)	(1,497)	(5,514)

Movement in temporary differences during the year

	At 1 July 2020 RM'000	Recognised in profit or loss (Note 19) RM'000	At 30 June 2021 RM'000
Group			
Property, plant and equipment	(11,336)	(587)	(11,923)
Unutilised business losses	3,093	(806)	2,287
Unutilised reinvestment allowances	-	1,227	1,227
Unutilised capital allowance	3,059	989	4,048
Inventories	1,361	77	1,438
Trade receivables	985	1,186	2,171
Assets and liabilities not currently deductible/taxable for tax purpose	(3,210)	1,700	(1,510)
Others	534	231	765
	(5,514)	4,017	(1,497)

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

Movement in temporary differences during the year (continued)

	At 1 July 2019 RM'000	Recognised in profit or loss (Note 19) RM'000	At 30 June 2020 RM'000
Group			
Property, plant and equipment	(10,745)	(591)	(11,336)
Unutilised business losses	1,637	1,456	3,093
Unutilised capital allowance	1,572	1,487	3,059
Inventories	689	672	1,361
Trade receivables	616	369	985
Assets and liabilities not currently deductible/taxable for tax purpose	-	(3,210)	(3,210)
Others	81	453	534
	(6,150)	636	(5,514)

The unutilised business losses and unutilised reinvestment allowances are available for offsetting against future taxable profits of the respective entities within the Group, subject to guidelines issued by the respective tax authority as follows:

	Group	
	2021 RM'000	2020 RM'000
Within 5 years of recognition	461	988
Within 7 years of recognition	3,053	2,028
Within 20 years of recognition	-	77
	3,514	3,093

Unutilised capital allowances do not expire under respective tax authority.

Notes to the Financial Statements

8. INVENTORIES

	Group	
	2021 RM'000	2020 RM'000
Raw materials	38,741	39,623
Work-in-progress	32,493	33,664
Finished goods	57,721	53,543
Chemicals and factory supplies	2,277	2,054
	131,232	128,884
Carrying amount:		
- At cost	121,209	122,698
- At net realisable value	10,023	6,186
	131,232	128,884
Recognised in profit or loss:		
- Inventories recognised as cost of sales	321,151	304,050
- Allowance for slow-moving	271	2,233
- Written off	355	106
- Written down to net realisable value	321	975

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade				
Trade receivables	92,015	83,214	-	-
Non-trade				
Other receivables	4,693	3,897	-	-
Deposits	831	936	-	-
Prepayments	7,079	7,330	154	-
Due from subsidiaries	-	-	55,064	59,122
	12,603	12,163	55,218	59,122
	104,618	95,377	55,218	59,122

The amounts due from subsidiaries are unsecured, subject to interest at 5% (2020: 5%) per annum and repayable upon demand.

Included in prepayments is advance payment made to suppliers amounting to RM812,000 (2020: RM1,638,000).

10. CONTRACT ASSETS

The contract assets primarily relate to the Group's rights to consideration for work completed on condoms but not yet billed at the reporting date. Typically, the amount will be billed upon delivery and payment is expected within 90 days.

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	35,622	40,253	6,549	5,999
Short-term deposits	18,507	6,088	17,116	4,764
Cash and cash equivalents in the statements of financial position	54,129	46,341	23,665	10,763
Less: Pledged deposits	(1,391)	(1,324)	-	-
Cash and cash equivalents in the statements of cash flows	52,738	45,017	23,665	10,763

Included in short-term deposits of the Group are RM1,391,000 (2020: RM1,324,000) pledged to bank as security for bank guarantee granted to the Group.

12. ASSETS CLASSIFIED AS HELD FOR SALE

In the prior year, a piece of land with a carrying amount of RM281,000 was classified as assets held for sale following the commitment of the Company to sell the assets. The disposal has been completed for a total consideration of RM617,000 during the year.

13. CAPITAL AND RESERVES

Share capital

	Group/Company		Group/Company Number of ordinary shares	
	2021 RM'000	2020 RM'000	2021 '000	2020 '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares:				
At 1 January	281,980	281,980	1,002,375	1,002,375
Issue of share	42,264	-	51,086	-
At 31 December	324,244	281,980	1,053,461	1,002,375

Reserves

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Distributable				
Retained earnings	66,913	115,991	11,753	6,805
Non-distributable				
Merger reserve	63,511	63,511	63,511	63,511
Translation reserve	10,370	17,949	-	-
Other reserve	718	718	-	-
	141,512	198,169	75,264	70,316

Ordinary shares

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

Merger reserve

The merger reserve comprises of the differences between the cost of acquisition and the nominal value of shares acquired together with any other reserves of the combining entities during the restructuring among common shareholders as stated in the accounting policy Note 2(a)(iv).

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other reserve

Based on Thailand Law, the other reserve comprises of reserve fund allocated at each distribution of dividend, being at least 5% of the profit until it reaches 10% of the registered capital of a foreign subsidiary, and claimable upon disposal or liquidation of the foreign subsidiary by the Group. The legal reserve is not available for dividend distribution.

14. LOANS AND BORROWINGS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current				
Term loans	29,233	4,540	-	-
Hire purchase liabilities	233	406	-	-
	29,466	4,946	-	-
Current				
Term loans	7,943	7,090	-	857
Bankers' acceptances	42,062	15,674	-	-
Export financing	10,944	2,389	-	-
Hire purchase liabilities	203	203	-	-
Revolving credits	2,500	535	1,000	-
Trust receipt	-	805	-	-
	63,652	26,696	1,000	857
	93,118	31,642	1,000	857

The loans and borrowings are secured by:

i) Fixed and floating charges over the Group's certain assets as disclosed in Note 3; and
ii) Corporate guarantee by the Company.

Significant covenants

The borrowings of a subsidiary of the Group, Karex Industries Sdn. Bhd. is subject to the following covenants:

a. Maintain gearing ratios of not more than 1.5 times, 2.0 times and 3.5 times as defined by the respective financial institutions.

b. Net tangible worth of the said subsidiary shall not be less than RM40,000,000.

c. The said subsidiary shall not without the banks' prior written consent, incur or assume additional indebtedness or guarantee any indebtedness (except in the ordinary course of business), alter the present ownership structure and extend loans and advances to the Directors of the Company and its related companies.

d. The said subsidiary shall not without the banks' prior written consent, declare and pay dividend exceeding 50% of the profit after tax of each financial year.

The said subsidiary has complied with the above loan covenants.

Notes to the Financial Statements

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade				
Trade payables	43,372	48,948	-	-
Non-trade				
Other payables and accrued expenses	46,076	27,357	129	323
	89,448	76,305	129	323

Included in other payables and accrued expenses of the Group are RM12,680,000 (2020: RM8,377,000) in respect of advances received from customers.

16. DERIVATIVE FINANCIAL LIABILITIES

	2021		2020	
Group	Nominal value RM'000	Financial liabilities RM'000	Nominal value RM'000	Financial liabilities RM'000
Derivatives at fair value through profit or loss				
- Forward exchange contracts	54,409	375	93,072	361

	2021	
Company	Nominal value RM'000	Financial liabilities RM'000
Derivatives at fair value through profit or loss		
- Forward exchange contracts	1,786	-

Forward exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currency of the Group. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

17. REVENUE

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contracts with customers	419,816	395,067	-	-
Other revenue				
- Dividend income	-	-	10,285	5,000
Total revenue	419,816	395,067	10,285	5,000

17.1 Disaggregation of revenue

	Reportable segments							
	Sexual wellness		Medical		Others		Total	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group								
Primary geographical markets								
Asia	96,716	78,484	15,393	13,618	-	-	112,109	92,102
Africa	74,329	99,098	-	27	-	-	74,329	99,125
Americas	162,021	130,064	1,111	1,239	-	-	163,132	131,303
Europe	49,917	54,101	12,059	10,985	8,270	7,451	70,246	72,537
	382,983	361,747	28,563	25,869	8,270	7,451	419,816	395,067
Major products and service lines								
Condoms	366,892	351,665	-	-	-	-	366,892	351,665
Personal lubricants	14,310	6,769	-	-	-	-	14,310	6,769
Probe covers	-	-	9,600	7,358	-	-	9,600	7,358
Catheters	-	-	16,815	15,579	-	-	16,815	15,579
Other	1,781	3,313	2,148	2,932	8,270	7,451	12,199	13,696
	382,983	361,747	28,563	25,869	8,270	7,451	419,816	395,067
Timing and recognition								
At a point in time	381,999	357,679	28,563	25,869	8,270	7,451	418,832	390,999
Over time	984	4,068	-	-	-	-	984	4,068
	382,983	361,747	28,563	25,869	8,270	7,451	419,816	395,067

17. REVENUE (CONTINUED)

17.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Condoms, personal lubricants, probe covers, catheters and other healthcare products	Revenue is recognised at a point in time when the control over a product or service is delivered and accepted by the customer	Credit period of up to 120 days from invoice date
Made-to order products	Revenue is recognised over time as costs are incurred. The work performed does not create an alternative use to the Group and the Group has rights to payment for work performed	Credit period of 90 days from invoice date/upon shipment of goods

The Group applies the practical expedient for exemption on disclosure of information on remaining performance obligation that have original expected durations of one year or less.

The revenue from contracts with customers of the Group are not subject to variable element in the consideration, obligation for returns or refunds and warranty.

18. FINANCE COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	1,654	1,483	20	51
Interest expenses on lease liabilities	1,010	1,007	-	-
	2,664	2,490	20	51

19. TAX (CREDIT)/EXPENSE

Recognised in profit or loss

Major components of income tax (credit)/expense include:

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Current tax expense				
- Current year	3,822	2,481	314	349
- Prior years	(485)	(141)	4	1
	3,337	2,340	318	350
Deferred tax income				
- Origination and reversal of temporary differences	(3,814)	(822)	-	-
- Prior years	(203)	186	-	-
	(4,017)	(636)	-	-
	(680)	1,704	318	350
Reconciliation of tax expense				
(Loss)/Profit before tax	(534)	5,192	10,278	6,169
Income tax calculated using Malaysian tax rate of 24%	(128)	1,246	2,467	1,481
Non-deductible expenses	1,078	879	540	383
Non-taxable income	(196)	(603)	(2,693)	(1,515)
Effect of different tax rates in different jurisdictions	140	366	-	-
Tax incentives	(886)	(229)	-	-
	8	1,659	314	349
Prior years	(688)	45	4	1
Tax (credit)/expense	(680)	1,704	318	350

20. PROFIT FOR THE YEAR

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Profit for the year is arrived at after charging/ (crediting)					
Audit fees					
- KPMG PLT		292	292	85	85
- Overseas affiliate of KPMG PLT		106	108	-	-
- Other auditors		381	348	-	-
Non-audit fees					
- KPMG PLT		37	17	37	17
Depreciation and amortisation:					
- Property, plant and equipment		18,588	16,699	-	-
- Right-of-use assets		4,151	3,924	-	-
- Intangible assets		257	202	-	-
Expenses relating to short-term leases	a	1,850	2,118	-	-
Expenses relating to leases of low-value assets	a	14	71	-	-
Fair value loss on derivative instruments		375	361	-	-
Finance income		(186)	(517)	(2,328)	(2,657)
Net foreign exchange (gain)/loss		(3,094)	(2,393)	51	(315)
Impairment loss on:					
- Trade receivables		1,185	46	-	-
- Intangible assets		848	-	-	-
Inventories:					
- Allowance for slow moving		271	2,233	-	-
- Written off		355	106	-	-
- Written down to net realisable value		321	975	-	-
Personnel expenses (including key management personnel):					
- Contributions to state plans		4,981	4,544	-	-
- Wages, salaries and others		109,396	102,328	634	640
Written off for property, plant and equipment		334	81	-	-
Gain on disposal:					
- Property, plant and equipment		(131)	(23)	-	-
- Asset held for sale		(336)	-	-	-

Note a

The Group leases a number of hostels and equipment with contract terms of 1 to 4 years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

21. (LOSS)/EARNINGS PER ORDINARY SHARE

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/ earnings per ordinary share at 30 June 2021 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows

	Group	
	2021	**2020**
	RM'000	**RM'000**
(Loss)/Profit for the year attributable to owners of the Company	(1,020)	228
Weighted average number of ordinary shares		
Weighted average number of ordinary shares at 30 June ('000)	1,028,828	1,002,375
Basic (loss)/earnings per ordinary share (sen)	(0.10)	0.02

Diluted (loss)/earnings per ordinary share

The diluted (loss)/earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares outstanding.

22. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2021			
Final dividend 2020	0.5	5,012	21 December 2020
2020			
Final dividend 2019	1.0	10,024	23 December 2019
Interim dividend 2020	0.5	5,012	25 March 2020
		15,036	

23. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Acquisition of property, plant and equipment in statement of cash flows represents:

	Group	
	2021 RM'000	2020 RM'000
Current year additions	60,853	23,083
Add/(Less):		
- Amount financed by hire purchase liabilities	-	(179)
- Balances in respect of acquisition of property, plant and equipment included in other creditors:		
- at end of year	(5,372)	(832)
- at beginning of year	832	2,114
Cash outflows from acquisition of property, plant and equipment	56,313	24,186

24. OPERATING SEGMENTS

Group

The Group's main business activities comprise investment holding, manufacture and sale of sexual wellness, medical and other health related products. These activities are principally located in Malaysia, Thailand, United States of America and Europe. Inter-segment pricing is determined based on negotiated terms.

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

Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the CEO. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CEO. Hence, no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and intangible assets other than goodwill.

24. OPERATING SEGMENTS (CONTINUED)

Segment capital expenditure (continued)

	Sexual wellness RM'000	Medical RM'000	Others RM'000	Total RM'000
2021				
Segment profit	1,278	2,240	1,054	4,572
Included in the measure of segment profit are:	382,983	28,563	8,270	419,816
Revenue from external customers				
Inventories:				
- Allowance for slow moving	(201)	(70)	-	(271)
- Written off	(355)	-	-	(355)
- Written down to net realisable value	(321)	-	-	(321)
Depreciation and amortisation	(22,760)	(228)	(8)	(22,996)
Not included in the measure of segment profit but provided to CEO:				
Finance income	19	-	-	19
Finance costs	(2,610)	(32)	(2)	(2,644)
Segment assets	574,690	69,276	6,587	650,553
Not included in the measure of segment assets are:				
Additions to non-current assets other than financial instruments and deferred tax assets	22,366	38,487	-	60,853
2020				
Segment profit	6,494	1,344	760	8,598
Included in the measure of segment profit are:				
Revenue from external customers	361,747	25,869	7,451	395,067
Inventories:				
- Allowance for slow moving	(2,163)	(70)	-	(2,233)
- Written off	(106)	-	-	(106)
- Written down to net realisable value	(975)	-	-	(975)
Depreciation and amortisation	(20,589)	(228)	(8)	(20,825)
Not included in the measure of segment profit but provided to CEO:				
Finance income	48	-	-	48
Finance costs	(2,405)	(32)	(2)	(2,439)
Segment assets	576,561	29,650	4,549	610,760
Not included in the measure of segment assets are:				
Additions to non-current assets other than financial instruments and deferred tax assets	22,720	363	-	23,083

24. OPERATING SEGMENTS (CONTINUED)

Reconciliations of reportable segment revenues, profit or loss, assets and other material items:

	Group	
	2021 RM'000	2020 RM'000
Profit or loss		
Total profit for reportable segments	4,572	8,598
Finance costs	(2,644)	(2,439)
Finance income	19	48
Unallocated items:		
- Corporate expenses	(2,628)	(1,433)
- Finance income from deposits with licensed banks and other corporation	167	469
- Finance costs	(20)	(51)
Consolidated (loss)/profit before tax	(534)	5,192
Total assets		
Total assets for reportable segments	650,553	610,760
Other non-reportable segments	24,255	11,064
Consolidated total assets	674,808	621,824

Geographical segments

The sexual wellness and medical segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices in Malaysia, Thailand, United Kingdom and the United States of America.

In presenting information on the basis of geographical segments, segment revenue is based on geographical destination markets of the export for the financial years.

Geographical segment non-current assets information is neither included in the internal management reports nor provided regularly to the CEO. Hence, no disclosure is made on geographical segment non-current assets.

Geographical revenue

Geographical segment revenue is as disclosed in Note 17.1.

Major customers

There is no significant concentration of sales to a customer exceeding 10% of the Group's revenue for year 2021 and 2020.

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
Group			
2021			
Financial assets			
Trade and other receivables	97,539	97,539	-
Cash and cash equivalents	54,129	54,129	-
	151,668	151,668	-
Financial liabilities			
Trade and other payables	(76,768)	(76,768)	-
Loans and borrowings	(93,118)	(93,118)	-
Derivative financial liabilities	(375)	-	(375)
	(170,261)	(169,886)	(375)
2020			
Financial assets			
Trade and other receivables	88,047	88,047	-
Contract assets	316	316	-
Cash and cash equivalents	46,341	46,341	-
	134,704	134,704	-
Financial liabilities			
Trade and other payables	(67,928)	(67,928)	-
Loans and borrowings	(31,642)	(31,642)	-
Derivative financial liabilities	(361)	-	(361)
	(99,931)	(99,570)	(361)

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.1 Categories of financial instruments (continued)

	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
Company			
2021			
Financial assets			
Trade and other receivables	55,064	55,064	-
Cash and cash equivalents	23,665	23,665	-
	78,729	78,729	-
Financial liabilities			
Trade and other payables	(129)	(129)	-
Loans and borrowings	(1,000)	(1,000)	-
	(1,129)	(1,129)	-
2020			
Financial assets			
Trade and other receivables	59,122	59,122	-
Cash and cash equivalents	10,763	10,763	-
	69,885	69,885	-
Financial liabilities			
Trade and other payables	(323)	(323)	-
Loans and borrowings	(857)	(857)	-
	(1,180)	(1,180)	-

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net (losses)/gains on:				
Financial liabilities at amortised cost	(1,654)	(1,483)	(20)	(51)
Financial assets at amortised cost	1,930	2,864	2,277	2,972
Financial liabilities at fair value through profit or loss				
- Mandatorily required by MFRS 9	(375)	(361)	-	-
	(99)	1,020	2,257	2,921

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

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

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

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

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

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

There are no significant changes as compared to prior period.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, there were no significant concentrations of credit risk and the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables and contract assets, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group assessed the risk of loss of the customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. Invoices which are past due 365 days will be considered as credit impaired.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment loss (continued)

The following table provides information about the exposure to credit risk and expected credit losses ("ECLs") for trade receivables and contract assets as at the end of the reporting period which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Group			
2021			
Current (not past due)	56,820	-	56,820
1 - 30 days past due	18,478	-	18,478
31 - 60 days past due	5,960	-	5,960
61 - 90 days past due	3,077	-	3,077
More than 90 days past due	7,680	-	7,680
	92,015	-	92,015
Credit impaired			
Individually impaired	1,386	1,386	-
	93,401	1,386	92,015
Trade receivables	93,401	1,386	92,015
2020			
Current (not past due)	49,701	-	49,701
1 - 30 days past due	8,490	-	8,490
31 - 60 days past due	7,217	-	7,217
61 - 90 days past due	1,878	-	1,878
More than 90 days past due	16,244	-	16,244
	83,530	-	83,530
Credit impaired			
Individually impaired	201	201	-
	83,731	201	83,530
Trade receivables	83,415	201	83,214
Contract assets	316	-	316
	83,731	201	83,530

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment loss (continued)

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

	Group	
	2021 RM'000	2020 RM'000
Balance as at 1 July	201	591
Net remeasurement of loss allowance	1,185	46
Amounts written off	-	(436)
Balance as at 30 June	1,386	201

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company's exposure to credit risk arose from unsecured advances provided to its subsidiaries.

The Company monitors the financial positions of subsidiaries in assessing its credit risk.

Exposure to credit risk, credit quality and collateral

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

Recognition and measurement of impairment loss

Generally, the Company considers amounts due from subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when the subsidiaries' financial position deteriorates significantly. The Company considers amounts due from subsidiaries to be credit impaired when:

- The subsidiaries are unlikely to repay the amount to the Company in full; or
- The subsidiaries are continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for this amount individually using internal information available.

At the end of the reporting period, there is no indication that the financial positions of the subsidiaries have deteriorated significantly. There is no subsidiary which is unlikely to repay its amount to the Company in full and in deficit shareholders' fund.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.4 Credit risk (continued)

Cash and cash equivalents

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

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

The Group and the Company monitor the exposure to credit risk on individual basis.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position and the Group and the Company do not recognise any allowance for impairment losses.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to subsidiaries. The Company monitors on an ongoing basis the results of its subsidiaries and repayments made by its subsidiaries.

Exposure to credit risk, credit quality and collateral

The Company's maximum exposure to credit risk amounts to RM95,541,000 (2020: RM35,245,000) representing the outstanding banking facilities of its subsidiaries as at the end of the reporting period.

Recognition and measurement of impairment loss

The Company determines the probability of default for the guaranteed loans using internal information available by assessing individual subsidiary's financial position and likelihood to repay the loan.

As at the end of the reporting period, there was no indication that these subsidiaries would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Liquidity risk

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

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

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

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate/ coupon/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2021							
Non-derivative financial liabilities							
Trade and other payables	76,768	-	76,768	76,768	-	-	-
Term loans	37,176	2.03 - 5.30	39,852	8,441	5,687	18,283	7,441
Hire purchase liabilities	436	2.90 - 4.22	460	218	195	47	-
Bankers' acceptances	42,062	2.83 - 3.17	42,062	42,062	-	-	-
Export financing	10,944	1.18 - 1.68	10,958	10,958	-	-	-
Revolving credits	2,500	2.56 - 4.35	2,509	2,509	-	-	-
Lease liabilities	22,754	3.70 - 4.50	28,929	4,066	3,432	5,085	16,346
	192,640		201,538	145,022	9,314	23,415	23,787
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	375	-	54,784	54,784	-	-	-
- Inflow	-	-	(54,409)	(54,409)	-	-	-
	193,015		201,913	145,397	9,314	23,415	23,787

Notes to the Financial Statements

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate/ coupon/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2020							
Non-derivative financial liabilities							
Trade and other payables	67,928	-	67,928	67,928	-	-	-
Term loans	11,630	2.41 - 5.94	11,998	7,187	3,396	856	559
Hire purchase liabilities	609	2.90 - 4.39	651	226	328	97	-
Bankers' acceptances	15,674	3.00 - 4.25	15,674	15,674	-	-	-
Export financing	2,389	1.72 - 1.97	2,389	2,389	-	-	-
Revolving credits	535	4.35	535	535	-	-	-
Trust receipt	805	3.73	805	805	-	-	-
Lease liabilities	20,875	3.70 - 4.50	27,429	4,236	4,199	6,619	12,375
	120,445		127,409	98,980	7,923	7,572	12,934
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	361	-	93,433	93,433	-	-	-
- Inflow	-	-	(93,072)	(93,072)	-	-	-
	120,806		127,770	99,341	7,923	7,572	12,934

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate/ coupon/ Discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Company							
2021							
Non-derivative financial liabilities							
Trade and other payables	129	-	129	129	-	-	-
Revolving credit	1,000	2.56	1,000	1,000	-	-	-
Financial guarantee*	-	-	95,541	95,541	-	-	-
	1,129		96,670	96,670	-	-	-
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	-	-	1,786	1,786	-	-	-
- Inflow	-	-	(1,786)	(1,786)	-	-	-
	1,129		96,670	96,670	-	-	-
2020							
Non-derivative financial liabilities							
Trade and other payables	323	-	323	323	-	-	-
Term loans	857	2.41	871	871	-	-	-
Financial guarantee*	-	-	35,245	35,245	-	-	-
	1,180		36,439	36,439	-	-	-

* The amount represents the outstanding banking facilities of the subsidiaries at the end of the reporting period.

25.6 Market risk

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

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk are primarily US Dollar ("USD"), Chinese Yuan ("CNY"), Euro ("EUR"), Great Britain Pound ("GBP") and Singapore Dollar ("SGD").

Risk management objectives, policies and processes for managing the risk

The Group uses forward exchange contracts to hedge its foreign currency risk from time to time. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

Currency risk (continued)

Exposure to foreign currency risk

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

	Denominated in				
	USD RM'000	CNY RM'000	EUR RM'000	GBP RM'000	SGD RM'000
Group					
2021					
Trade receivables	49,907	5,052	441	6	26
Other receivables	64	-	-	-	-
Intercompany receivables	87,337	-	38	4,136	-
Cash and cash equivalents	10,879	-	315	437	-
Trade payables	(3,869)	-	(848)	-	-
Other payables	(1,814)	-	(89)	(15)	-
Intercompany payables	(39,877)	-	-	(93)	-
Loans and borrowings	(11,352)	-	-	(2,578)	-
Forward exchange contracts	(53,027)	-	-	(1,382)	-
Net exposure	38,248	5,052	(143)	511	26
2020					
Trade receivables	55,310	4,396	282	-	-
Intercompany receivables	53,500	-	37	4,217	-
Cash and cash equivalents	8,560	3	392	154	-
Trade payables	(10,514)	-	(1,000)	(27)	-
Other payables	(1,455)	-	(89)	-	-
Intercompany payables	(32,786)	-	-	(14)	-
Loans and borrowings	(10,262)	-	-	-	-
Forward exchange contracts	(93,072)	-	-	-	-
Net exposure	(30,719)	4,399	(378)	4,330	-

	Denominated in USD	
	2021 RM'000	2020 RM'000
Company		
Intercompany receivables	18,019	10,111
Loans and borrowings	-	(857)
Forward exchange contracts	(1,786)	-
Net exposure	16,233	9,254

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2020: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Denominated in				
	USD RM'000	CNY RM'000	EUR RM'000	GBP RM'000	SGD RM'000
Group					
2021					
Profit or (loss)	(2,907)	(384)	11	(39)	(2)
2020					
Profit or (loss)	2,335	(334)	29	(329)	-

	Denominated in USD	
	2021 RM'000	2020 RM'000
Company		
Profit or (loss)	(1,234)	(703)

A 10% (2020: 10%) weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

There is no formal hedging policy with respect to interest rate exposure. Exposure to interest rate is monitored on an ongoing basis and the Group endeavours to keep the exposure to an acceptable level.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.6 Market risk (continued)

Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments and lease liabilities, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate instruments				
Financial assets	18,507	6,088	72,180	63,886
Financial liabilities	(55,942)	(20,012)	(1,000)	-
Lease liabilities	(22,754)	(20,875)	-	-
	(60,189)	(34,799)	71,180	63,886
Floating rate instruments				
Financial liabilities	(37,176)	(11,630)	-	(857)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) the Group and the Company post-tax profit or loss by RM283,000 (2020: RM88,000) and NIL (2020: RM7,000) respectively. This analysis assumes that all other variables remained constant.

25. FINANCIAL INSTRUMENTS (CONTINUED)

25.7 Fair value information

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

The carrying amounts of the hire purchase liabilities approximates their fair value as there is no material change in the interest charged on similar kind of borrowings in the market.

The carrying amount of the floating rate term loans approximates its fair values as its effective interest rate changes accordingly to movements in the market interest rate.

The table below analyses other financial instruments at fair value

	Fair value of financial instruments carried at fair value Level 2 RM'000	Total fair value RM'000	Carrying amount RM'000
Group			
2021			
Financial liabilities			
Forward exchange contracts	(375)	(375)	(375)
2020			
Financial liabilities			
Forward exchange contracts	(361)	(361)	(361)

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial liabilities, either directly or indirectly.

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2020: no transfer in either directions).

26. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio to operate effectively with minimal external borrowings.

During the financial year ended 30 June 2021, the Group's strategy was to maintain the debt-to-equity ratio at the lower end range within 0.5 to 1.0. The debt and equity position and debt-to-equity ratio of the Group are as follows:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Total borrowings (Note 14)	93,118	31,642
Lease liabilities	22,754	20,875
Total debt	115,872	52,517
Less: Cash and cash equivalents (Note 11)	(54,129)	(46,341)
	61,743	6,176
Total equity attributable to owners of the Company	465,756	480,149
Debt to equity ratio	0.25	0.11

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

27. CAPITAL COMMITMENT

	Group	
	2021	**2020**
	RM'000	**RM'000**
Capital expenditure commitment		
Property, plant and equipment		
Contracted but not provided for	13,887	2,932

28. RELATED PARTIES

Identity of related parties

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

28. RELATED PARTIES (CONTINUED)

Identity of related parties (continued)

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, entities in which certain Directors/Directors' close family members have substantial financial interest and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 9.

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
A. Subsidiaries				
Dividend income	-	-	10,285	5,000
Interest income	-	-	2,161	2,212
Advance to	-	-	10,496	6,033
B. Entities in which certain Directors/Directors' close family members have substantial financial interest				
Sales of goods	26	282	-	-
C. Key management personnel				
Directors				
- Fees	634	640	634	640
- Remunerations	1,525	800	53	43
- Benefits	42	37	-	-
- Contributions to the state plans	280	139	-	-
	2,481	1,616	687	683
Senior management				
- Remunerations	2,118	2,150	-	-
- Benefits	-	19	-	-
- Contributions to the state plans	389	400	-	-
	2,507	2,569	-	-
Total short-term employee benefits	4,988	4,185	687	683

Notes to the Financial Statements

29. ACQUISITION OF A NON-CONTROLLING INTEREST

On 24 December 2020, the Group via a wholly-owned subsidiary, Karex Global Limited, acquired an additional 30% interest in Global Protection Corporation ("GPC") for RM42,263,000 in consideration of shares, increasing its ownership from 70% to 100%. The carrying amount of GPC's net assets in the Group's financial statements on the date of the acquisition was RM6,527,000. The Group recognised a decrease in non-controlling interests of RM1,978,000 and retained earnings of RM43,046,000.

The following summarises the effect of

	Group 2021 RM'000
Equity interest at 1 July 2020	4,951
Share of comprehensive income	843
Dividend to non-controlling interest	(3,816)
Effect of increase in Group's ownership interest	1,978