REPORTS AND STATUTORY FINANCIAL STATEMENTS **FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

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DIRECTORS'
REPORT
For The Financial Year Ended 30 June 2021

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

DIRECTORS

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

Lim Chong Shyh
Joshua Lim Phan Yih
Chia Chee Hoong
Low Teng Lum
Leow Chan Khiang
Chan Shook Ling
Joel Lim Phan Hong (Alternate director to Lim Chong Shyh)

The names of directors of the subsidiary are as follows:

Lim Chong Shyh
Joshua Lim Phan Yih
Goh Bee Chin @ Ooi Bee Chin
Ho Keat Soong

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year is investment holding. The principal activities of the subsidiary are set out in Note 16 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	(9,724)	(205)

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiary is a party, being arrangements with the objects of enabling the directors of the Company or its subsidiary to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' BENEFITS (CONTINUED)

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those benefits as shown under the Directors' Remuneration section below) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except that certain directors received remuneration from a related company in their capacity as directors or executives of the related company.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016 in Malaysia, none of the directors who held office at the end of the financial year held any interest in shares in, or debentures of, the Company and every other body corporate, being the Company's subsidiary or holding company during the financial year except as follows:

	Number of ordinary shares			
	At 01.07.2020	Acquired	Disposed	At 30.06.2021
Salutica Berhad (the Company)				
Direct interest				
Chia Chee Hoong	1,200,000	0	0	1,200,000
Low Teng Lum	700,000	0	0	700,000
Leow Chan Khiang	700,000	0	0	700,000
Chan Shook Ling	6,100,000	0	0	6,100,000
Indirect interest				
Lim Chong Shyh	223,353,000	0	(8,853,000)	214,500,000
Joshua Lim Phan Yih	223,353,000	0	(8,853,000)	214,500,000
Joel Lim Phan Hong	214,500,000	0	0	214,500,000
Low Teng Lum	30,000	0	0	30,000

	Number of ordinary shares			
	At 01.07.2020	Acquired	Disposed	At 30.06.2021
Blue Ocean Enlightenment Sdn. Bhd. (Ultimate holding company)				
Direct interest				
Lim Chong Shyh	54	0	0	54
Joshua Lim Phan Yih	23	0	0	23
Joel Lim Phan Hong	23	0	0	23

By virtue of their substantial interest in shares in Salutica Berhad as at 30 June 2021, Lim Chong Shyh, Joshua Lim Phan Yih and Joel Lim Phan Hong are deemed to have interest in the shares in Salutica Allied Solutions Sdn. Bhd., the wholly owned subsidiary of the Company.

DIVIDENDS

No dividend has been paid or declared since the end of the Company's previous financial year. The directors do not recommend the payment of any final dividend for the financial year ended 30 June 2021.

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in Note 7 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS OR AUDITORS

The Group maintains a liability insurance which provides appropriate insurance cover for the directors and key management personnel of the Company and its subsidiary. The amount of insurance premium paid by the Group for the financial year ended 30 June 2021 amounted to approximately RM19,000.

No other indemnity given to or insurance affected for other directors, officers or auditors of the Company during the financial year and during the period from the end of the financial year to the date of this report.

ULTIMATE HOLDING COMPANY

The directors regard Blue Ocean Enlightenment Sdn. Bhd., a company incorporated in Malaysia, as the Company's ultimate holding company.

EVENTS WHICH OCCURS DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

Details of events which occurs during and subsequent to the financial year are set out in Notes 38 and 39 to the financial statements respectively.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, which were unlikely to realise in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

OTHER STATUTORY INFORMATION (CONTINUED)

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

(b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

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

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

In the opinion of the directors:

(a) except as disclosed in Note 38 to the financial statements, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

SUBSIDIARY

Details of the subsidiary are set out in Note 16 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 9 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 15 October 2021. Signed on behalf of the Board of Directors.

LIM CHONG SHYH
DIRECTOR

JOSHUA LIM PHAN YIH
DIRECTOR

STATEMENT BY
DIRECTORS
Pursuant to Section 251(2) of The Companies Act 2016

We, Lim Chong Shyh and Joshua Lim Phan Yih, being two of the directors of Salutica Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 17 to 92 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021 and the financial performance of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 15 October 2021.

LIM CHONG SHYH
DIRECTOR

JOSHUA LIM PHAN YIH
DIRECTOR

STATUTORY
DECLARATION
Pursuant to Section 251(1) of The Companies Act 2016

I, Chan Shook Ling, being the director primarily responsible for the financial management of Salutica Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 17 to 92 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960 in Malaysia.

Chan Shook Ling

Subscribed and solemnly declared by the abovenamed, Chan Shook Ling (NRIC No.: 701219-08-5902 and MIA No.: CA 17167) before me at Ipoh, in the State of Perak Darul Ridzuan, Malaysia on 15 October 2021.

Commissioner for Oaths

INDEPENDENT
AUDITORS' REPORT
To The Members of Salutica Berhad
(Registration no.: 201201040303 (1024781-T)) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position of the Group and of the Company as at 30 June 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 92.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants,
1st Floor, Standard Chartered Bank Chambers, 21-27 Jalan Dato' Maharaja Lela, P.O. Box 136, 30710 Ipoh, Perak Darul Ridzuan, Malaysia
T: +60 (5) 220 2500, F: +60 (5) 253 2366, www.pwc.com/my

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Group **Revenue recognition on services rendered in respect of product development** The Group recorded revenue on services for product development of approximately RM14.6 million for the financial year ended 30 June 2021. The Group recognises revenue on services rendered for product development over time using the stage of completion method. The stage of completion is measured by reference to the proportion of services performed to date as a percentage of total services to be performed for the respective projects of the product development activities carried out for its customers. We focused on this area because the measurement of progress based on the stage of completion method for the determination of revenue to be recognised for the financial period is subjective in nature and involved estimation by management. The related disclosures are included in Note 5.1 to the financial statements – significant accounting estimates and judgements, Note 6 to the financial statements – Revenue.	We performed the following procedures in relation to revenue recognition on services rendered in respect of product development on a sampling basis: • Obtained an understanding, evaluated and tested the management's key controls over its approval process of budget determination, monitoring of time incurred and project progress status for each product development project; • Obtained supporting evidence such as customer contracts, purchase orders, quotations, invoices and relevant supporting documents to test the existence of contracts and measurement of transaction price; • Evaluated the reasonableness of management's assessment of the services performed to date to the project status records and respective minutes of meeting of the product development team; • Checked mathematical accuracy of the percentage of completion based on information on the actual time incurred up to the reporting date over the total budgeted time required to complete the project and agreed the corresponding revenue calculated based on percentage of completion to the amounts recorded in the profit or loss of the Group; • Assessed independently the percentage of completion by comparing actual costs incurred to date to total budgeted costs for material product development projects during the financial year;

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Group **Revenue recognition on services rendered in respect of product development (continued)**	• Assessed the reasonableness of the estimated total costs, including subsequent changes to the costs, by agreeing to supporting documentation, i.e. quotations, contracts and variation orders with customers; and • Tested the amounts recognised as contract asset and contract liability as at reporting date. Based on the procedures performed above, we did not find any material exceptions in the revenue recognised during the financial year.
Group **Impairment assessment of property, plant and equipment, right-of-use ("ROU") assets and intangible assets of the Group** The Group has property, plant and equipment, ROU assets and intangible assets with aggregate carrying amounts of approximately RM52.3 million, RM5.3 million and RM2.0 million respectively as at 30 June 2021. Management carried out an impairment assessment on the Group's property, plant and equipment, ROU assets and intangible assets (collectively "non-financial assets") as there are indicators of impairment for these non-financial assets, i.e. declining margin and losses incurred during the financial year. Management performed an impairment assessment on the material non-financial assets at the lowest level of identifiable cash-generating unit ("CGU") which is its subsidiary, Salutica Allied Solutions Sdn. Bhd.	We performed the following procedures in relation to management's impairment assessment of non-financial assets of the Group: • Obtained an understanding of the management's business plans; • Checked the appropriateness of management's identification of CGU; • Checked the 5-year detailed cash flows projections for the three different scenarios (i.e. best case, base case and worst case based on the assumption of different economic conditions) prepared by management to the budget and cash flows projections approved by the Board of Directors;

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td><u>Group</u>
Impairment assessment of property, plant and equipment, right-of-use ("ROU") assets and intangible assets of the Group (continued)

Management performed the impairment assessment based on the value in use method using the probability weighted approach to determine the expected cash flows.

We focused on this area due to the estimation of the recoverable amounts which is inherently uncertain and requires significant judgement on the future cash flows, terminal growth rate and discount rate applied.

Based on the impairment assessment performed by management, no impairment was considered necessary.

The related disclosures are included in Note 5.2 to the financial statements – significant accounting estimates and judgements, Note 13 to the financial statements - Property, plant and equipment, Note 14 to the financial statements - ROU assets and Note 15 to the financial statements – Intangible assets.</td><td>• Assessed the reliability of management's forecast by comparing past trends of actual financial performances against previous forecasted results;

• Checked the key assumptions used by management in the value in use calculations, in particular, revenue cash flows projections and operating profit margins by comparing to business plans, historical results and market data;

• Checked that the terminal growth rate did not exceed the long term average growth rates of the country in which the CGU operates;

• Checked the pre-tax discount rate used by comparing the rate used by comparable companies in the same industry;

• Checked the weighted average computation of the recoverable amount based on the expected probabilities of the possible outcomes;

• Checked that the outcome of the related sensitivity analysis based on range of possible changes determined by management to evaluate the impact on the impairment assessment; and

• Assessed the adequacy of the disclosures in the financial statements.

Based on the procedures performed, the results of management's impairment assessment are consistent with the outcome of our procedures.</td></tr>
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	**How our audit addressed the key audit matters**
Company **Impairment assessment of investment in a subsidiary**	
The Company has an investment in a subsidiary with carrying amounts of RM70 million as at 30 June 2021. Management carried out an impairment assessment on the Company's investment in a subsidiary as there are indicators of impairment observed, i.e. declining margin and losses incurred. Management performed the impairment assessment based on the value in use method using the probability weighted approach to determine the expected cash flows. We focused on this area due to the estimation of the recoverable amounts which is inherently uncertain and requires significant judgement on the future cash flows, terminal growth rate and discount rate applied. Based on the impairment assessment performed by management, no impairment was considered necessary. The related disclosures are included in Note 5.3 to the financial statements – significant accounting estimates and judgements, Note 16 to the financial statements – investment in a subsidiary.	We performed the following procedures in relation to management's impairment assessment of investment in a subsidiary of the Company: • Obtained an understanding of the management's business plans; • Checked the 5-year detailed cash flows projections for the three different scenarios (i.e. best case, base case and worst case based on the assumption of different economic conditions) prepared by management to the budget and cash flows projections approved by the Board of Directors; • Assessed the reliability of management's forecast by comparing past trends of actual financial performances against previous forecasted results; • Checked the key assumptions used by management in the value in use calculations, in particular, revenue cash flows projections and operating profit margins by comparing to business plans, historical results and market data; • Checked that the terminal growth rate did not exceed the long-term average growth rates of the country in which the subsidiary operates; • Checked the post-tax discount rate used by comparing the rate used by comparable companies in the same industry; • Checked the weighted average computation of the recoverable amount based on the expected probabilities of the possible outcomes;

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	**How our audit addressed the key audit matters**
Company **Impairment assessment of investment in a subsidiary (continued)**	• Checked that the outcome of the related sensitivity analysis based on range of possible changes determined by management to evaluate the impact on the impairment assessment; and • Assessed the adequacy of the disclosures in the financial statements. Based on the procedures performed, the results of management's impairment assessment are consistent with the outcome of our procedures.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises Directors' Report, Chairman's Statement, CEO's Message, Financial Highlights, Corporate Governance Overview Statement, Sustainability Statement, Audit and Risk Management Committee Report, Statement on Risk Management and Internal Control, Management Discussion and Analysis, List of Properties and other contents in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
[LLP0014401-LCA & AF 1146]
Chartered Accountants

LIM HUCK KHIAM
[03192/06/2023 J]
Chartered Accountant

Ipoh, Perak Darul Ridzuan

15 October 2021

STATEMENTS OF
COMPREHENSIVE INCOME
For The Financial Year Ended 30 June 2021

	Note	GROUP 2021 RM'000	GROUP 2020 RM'000	COMPANY 2021 RM'000	COMPANY 2020 RM'000
REVENUE	6	222,996	160,990	0	8,000
Other income		2,714	2,336	0	0
Raw materials and consumables used		(179,804)	(141,845)	0	0
Changes in inventories of work in progress and finished goods		(480)	16,650	0	0
Employee benefit costs	7	(33,030)	(30,628)	(363)	(363)
Contract workers		(7,151)	(4,636)	0	0
Depreciation of property, plant and equipment	13	(6,032)	(5,685)	0	0
Amortisation of intangible assets	15	(603)	(489)	0	0
Utilities		(2,802)	(2,531)	0	0
Maintenance and upkeep		(3,807)	(3,128)	0	0
Reversal of/(increase in) loss allowance for impairment of trade receivables		96	(99)	0	0
Other gains - net	8	923	2,203	440	868
Other expenses		(5,449)	(4,290)	(282)	(402)
(LOSS)/PROFIT FROM OPERATIONS	9	(12,429)	(11,152)	(205)	8,103
Finance income – interest income		29	623	0*	0*
Finance costs		(207)	(70)	(0)	(0)
Finance (costs)/income – net	10	(178)	553	0*	0*
(LOSS)/PROFIT BEFORE TAX		(12,607)	(10,599)	(205)	8,103
Tax credit/(expense)	11	2,883	2,539	0*	(0)*
NET (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(9,724)	(8,060)	(205)	8,103
OTHER COMPREHENSIVE INCOME, NET OF TAX		0	0	0	0
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE FINANCIAL YEAR		(9,724)	(8,060)	(205)	8,103
NET (LOSS)/PROFIT/TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(9,724)	(8,060)	(205)	8,103
LOSS PER SHARE (SEN)					
Basic/diluted	12	(2.53)	(2.09)		

* Amount is less than RM500.

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

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
NON-CURRENT ASSETS					
Property, plant and equipment	13	52,339	45,832	0*	0*
Right-of-use assets	14	5,273	5,368	0	0
Intangible assets	15	2,015	2,436	0	0
Investment in a subsidiary	16	0	0	70,000	50,000
Deferred tax assets	17	5,319	2,436	0	0
		64,946	56,072	70,000	50,000
CURRENT ASSETS					
Inventories	18	66,493	57,888	0	0
Receivables, deposits and prepayments	19	42,175	24,880	11	11
Amount due from a subsidiary	21	0	0	18,500	19,000
Current tax recoverable		2,702	2,568	2	1
Short term investment	22	15,232	46,250	10,708	30,379
Deposits, cash and bank balances	23	1,552	3,836	7	24
		128,154	135,422	29,228	49,415
CURRENT LIABILITIES					
Payable and accrued liabilities	24	50,658	47,798	486	468
Provision for warranties	25	70	60	0	0
Borrowings	26	6,596	832	0	0
		57,324	48,690	486	468
NET CURRENT ASSETS		70,830	86,732	28,742	48,947
		135,776	142,804	98,742	98,947
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	29	91,802	91,802	91,802	91,802
Treasury shares	30	(991)	(991)	(991)	(991)
Retained profits	31	40,705	50,429	7,931	8,136
Total equity		131,516	141,240	98,742	98,947
NON-CURRENT LIABILITIES					
Borrowings	26	4,260	1,564	0	0
TOTAL EQUITY AND LIABILITIES		135,776	142,804	98,742	98,947

* Amount is less than RM500.

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

STATEMENTS OF
CHANGES IN EQUITY
For The Financial Year Ended 30 June 2021

GROUP	Share capital RM'000	Treasury shares RM'000	Retained profits RM'000	Total RM'000
At 1 July 2020	91,802	(991)	50,429	141,240
TOTAL COMPREHENSIVE LOSS:				
Net loss for the financial year	0	0	(9,724)	(9,724)
Other comprehensive loss for the financial year, net of tax	0	0	0	0
	0	0	(9,724)	(9,724)
At 30 June 2021	91,802	(991)	40,705	131,516
At 1 July 2019	91,802	(300)	65,419	156,921
TOTAL COMPREHENSIVE LOSS:				
Net loss for the financial year	0	0	(8,060)	(8,060)
Other comprehensive loss for the financial year, net of tax	0	0	0	0
	0	0	(8,060)	(8,060)
TRANSACTIONS WITH OWNERS:				
Shares buy-back (Note 30)	0	(691)	0	(691)
Dividends (Note 32)	0	0	(6,930)	(6,930)
	0	(691)	(6,930)	(7,621)
At 30 June 2020	91,802	(991)	50,429	141,240

COMPANY	Share capital RM'000	Treasury shares RM'000	Retained profits RM'000	Total RM'000
At 1 July 2020	91,802	(991)	8,136	98,947
TOTAL COMPREHENSIVE LOSS:				
Net loss for the financial year	0	0	(205)	(205)
Other comprehensive income for the financial year, net of tax	0	0	0	0
	0	0	(205)	(205)
At 30 June 2021	91,802	(991)	7,931	98,742
At 1 July 2019	91,802	(300)	6,963	98,465
TOTAL COMPREHENSIVE INCOME:				
Net profit for the financial year	0	0	8,103	8,103
Other comprehensive income for the financial year, net of tax	0	0	0	0
	0	0	8,103	8,103
TRANSACTIONS WITH OWNERS:				
Shares buy-back (Note 30)	0	(691)	0	(691)
Dividends (Note 32)	0	0	(6,930)	(6,930)
	0	(691)	(6,930)	(7,621)
At 30 June 2020	91,802	(991)	8,136	98,947

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

STATEMENTS OF
CASH FLOWS
For The Financial Year Ended 30 June 2021

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
OPERATING CASH FLOWS				
Net (loss)/profit for the financial year	(9,724)	(8,060)	(205)	8,103
Adjustments for:				
Property, plant and equipment				
- depreciation (Note 13)	6,032	5,685	0	0
- gains on disposal (Note 8)	(97)	(53)	0	0
- written off (Note 9)	0*	0*	0	0
Depreciation of right-of-use assets (Note 9)	95	111	0	0
Intangible assets (Note 15)				
- capitalisation	(311)	(1,319)	0	0
- amortisation	603	489	0	0
- written off	129	0	0	0
Allowance for slow-moving and obsolete inventories (Note 9)	383	19	0	0
Trade receivables				
- (reversal of loss allowance)/loss allowance for impairment (net) (Note 4.1(b)(ii))	(96)	99	0	0
- bad debts written off (Note 9)	0	4	0	0
Short term investment (Note 8)				
- net gains on disposal	(51)	(93)	(1)	(10)
- fair value gains	(572)	(1,292)	(439)	(858)
Additional provision for warranties (Note 9)	41	7	0	0
Dividend income (Note 6)	0	0	0	(8,000)
Interest income (Note 10)	(29)	(623)	(0)*	(0)*
Interest expense (Note 10)	207	70	0	0
Net unrealised foreign currency exchange gains (Note 8)	(5)	(325)	0	0
Fair value losses/(gains) on derivative financial instruments (Note 8)	42	(40)	0	0
Tax (credit)/expense (Note 11)	(2,883)	(2,539)	(0)*	0*
	(6,236)	(7,860)	(645)	(765)
Changes in working capital:				
Inventories	(8,988)	(23,606)	0	0
Receivables	(17,094)	(16,469)	0	0
Payables	1,992	33,334	18	(18)
Cash used in operations	(30,326)	(14,601)	(627)	(783)
Tax refunded	0	850	0	2
Tax paid	(134)	(628)	(1)	(1)
Net operating cash flow	(30,460)	(14,379)	(628)	(782)

* Amount is less than RM500.

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
INVESTING CASH FLOWS				
Property, plant and equipment				
- purchase (Note 13)	(6,311)	(11,771)	0	0
- proceeds from disposal	97	53	0	0
Interest received	29	623	0*	0*
Withdrawal of deposit with a licensed bank with maturity period of more than three months	0	24,200	0	0
Dividend received	0	0	0	8,000
Purchase of short term investment (Note 22)	(39,810)	(60,580)	(460)	(11,880)
Proceeds from sales of short term investment	71,451	70,303	20,571	8,220
Repayment of amount due from a subsidiary (Note 21.3)	0	0	500	4,000
Subscription of additional shares issued by a subsidiary (Note 16.1)	0	0	(20,000)	0
Net investing cash flow	25,456	22,828	611	8,340
FINANCING CASH FLOWS				
Purchase of treasury shares (Note 30)	0	(691)	0	(691)
Dividends paid (Note 32)	0	(6,930)	0	(6,930)
Repayment of hire-purchase creditors (Note 33)	(1,006)	(212)	0	0
Repayment of term loans (Note 33)	(47)	(266)	0	0
Repayment of lease liabilities (Note 33)	(20)	(32)	0	0
Interest paid	(207)	(70)	0	0
Drawndown of short term revolving credits (Note 33)	4,000	0	0	0
Drawndown of hire-purchase financing	0	732	0	0
Net financing cash flow	2,720	(7,469)	0	(7,621)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,284)	980	(17)	(63)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	3,836	2,878	24	87
EFFECTS OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(0)*	(22)	0	0
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (NOTE 23)	1,552	3,836	7	24

* Amount is less than RM500.

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

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiary are set out in Note 16 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

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

The address of the registered office of the Company is as follows:

41 Jalan Medan Ipoh 6
Bandar Baru Medan Ipoh
31400 Ipoh
Perak Darul Ridzuan

The address of the principal place of business of the Company is as follows:

3 Jalan Zarib 6
Kawasan Perindustrian Zarib
31500 Lahat, Ipoh
Perak Darul Ridzuan

2 BASIS OF PREPARATION

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the individual policy statements as set out in Note 3 to the financial statements and are presented in Ringgit Malaysia and all values are rounded to the nearest thousand (‘000) unless otherwise indicated.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reported period. It also requires the directors to exercise their judgement in the process of applying the Group’s and the Company’s accounting policies. Although these estimates and judgement are based on the directors’ best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 5 to the financial statements.

2 BASIS OF PREPARATION (CONTINUED)

2.1 New standards, amendments to published standards and Issues Committee ("IC") interpretations to existing standards that are applicable to the Group and the Company and are effective

The new accounting standards, amendments and improvements to published standards and IC interpretations to existing standards that are effective for the Group's and the Company's financial year beginning on 1 July 2020 are as follows:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, 139 and 7 'Interest Rate Benchmark Reform'
- Amendments to MFRS 16 'COVID-19 – Related Rent Concessions'
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'

(a) Amendments to MFRS 3 'Definition of a Business'

Amendments to MFRS 3 'Definition of a Business' revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. The assets acquired would not represent a business when substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets).

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 July 2020.

(b) Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate ("IBOR") reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the statement of comprehensive income. The reliefs will cease to apply when the uncertainty arising from interest rate benchmark reform is no longer present.

These amendments had no impact on the amounts recognised in the current or prior financial periods.

(c) Amendments to MFRS 16 'COVID-19-Related Rent Concessions'

Amendments to MFRS 16 'COVID-19-Related Rent Concessions' (effective 1 June 2020) and the 2021 Amendment (effective 1 April 2021) grant an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

2 BASIS OF PREPARATION (CONTINUED)

2.1 New standards, amendments to published standards and Issues Committee ("IC") interpretations to existing standards that are applicable to the Group and the Company and are effective (continued)

(c) Amendments to MFRS 16 'COVID-19-Related Rent Concessions' (continued)

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:
(i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(ii) any reduction in lease payments originally due on or before 30 June 2021 and 30 June 2022 respectively; and
(iii) there is no substantive change to other terms and conditions of the lease.

The amendments shall be applied retrospectively.

(d) IFRS Interpretation Committee ("IFRIC") agenda decisions that are concluded and published

In view that MFRS is fully converged with IFRS, the Group and the Company consider all agenda decisions published by the IFRIC. Where relevant, the Group and the Company may change their accounting policy to be aligned with the agenda decision. There is no such instance in the current financial year.

The adoption of the amendments to published standards and IC interpretation listed above did not have any impact on the amount recognised in prior financial periods and are not expected to significantly affect the current and future financial periods.

2.2 New standards, amendments to published standards and IC interpretations to existing standards early adopted by the Group and the Company

There are no new standards, amendments to published standards and IC interpretations to existing standards early adopted by the Group and the Company.

2.3 New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company but not yet effective and not early adopted

The Group and the Company will apply the new standards, amendments to published standards and IC interpretations to existing standards in the following financial periods:

(a) Financial year beginning on 1 July 2021

- Amendment to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2020' (2021 Amendment) (effective on 1 April 2021)
- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark ("IBOR") Reform - Phase 2' (effective 1 January 2021)

2 BASIS OF PREPARATION (CONTINUED)

2.3 New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company but not yet effective and not early adopted (continued)

(b) Financial year beginning on 1 July 2022

- Amendments to MFRS 3 Business Combinations: 'Reference to the Conceptual Framework' (effective 1 January 2022)
- Amendments to MFRS 116 Property, Plant and Equipment: 'Proceeds before Intended Use' (effective 1 January 2022)
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract' (effective 1 January 2022)
- Annual Improvements to MFRSs 2018 – 2020: Amendments to Illustrative Example 13 accompanying MFRS 16 Leases: 'Lease Incentives' and Amendment to MFRS 9: 'Fees in the '10 per cent' Test for Derecognition of Financial Liabilities' (effective 1 January 2022)

(c) Financial year beginning on 1 July 2023

- Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' and Deferral of Effective Date (effective 1 January 2023)
- Amendments to MFRS 101 'Presentation of Financial Statements' and MFRS Practice Statement 2 on 'Disclosure of Accounting Policies' (effective 1 January 2023)
- Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' on 'Definition of Accounting Estimates' (effective 1 January 2023)
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)

None of these is expected to have a significant effect on the financial statements of the Group and of the Company in the financial year of initial application.

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark ("IBOR") Reform - Phase 2' (effective 1 January 2021) provide practical expedient allowing entities to update the effective interest rate (for instruments measured at amortised cost and lessees applying the temporary exemption from MFRS 9) to account for any required changes in contractual cash flows that is a direct consequence of IBOR reform. This results in no immediate gain or loss recognised in the profit or loss.

  The amendments require entities to update the hedge documentation to reflect the changes required by the IBOR replacement. The amendments also provide reliefs that enable and require entities to continue hedge accounting in circumstances when changes in hedged items and hedging instruments are solely due to IBOR reform.

  The amendments shall be applied retrospectively but comparatives are not restated.

- Amendments to MFRS 3 Business Combinations: 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

  The amendments shall be applied prospectively.

2 BASIS OF PREPARATION (CONTINUED)

2.3 New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company but not yet effective and not early adopted (continued)

- Amendments to MFRS 116 Property, Plant and Equipment: 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in the profit or loss.

  The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

  The amendments shall be applied prospectively.

- Amendments to Illustrative Example 13 accompanying MFRS 16 Leases: 'Lease Incentives' (effective 1 January 2022) removed the illustration on the reimbursement relating to leasehold improvements by the lessor to avoid potential confusion as the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in MFRS 16.

  The amendments shall be applied retrospectively.

- Annual Improvements to MFRS 9 'Fees in the 10% Test for Derecognition of Financial Liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flows of the new loan when performing the 10% test.

  An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

  The assessment of whether an entity has the right to defer settlement of a liability at reporting date is not affected by expectations of the entity or events after the reporting date.

  The amendments shall be applied retrospectively.

2 BASIS OF PREPARATION (CONTINUED)

2.3 New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Group and the Company but not yet effective and not early adopted (continued)

- Amendments to MFRS 101 'Presentation of Financial Statements' and MFRS Practice Statement 2 on 'Disclosure of Accounting Policies' (effective 1 January 2023) require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

  The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

  Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

  MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' on 'Definition of Accounting Estimates' (effective 1 January 2023) redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors.

  Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, companies are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements.

3.1 Basis of consolidation

(a) Subsidiary

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. It is deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of the activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the successive acquisition dates at each stage. Any gains or losses arising from such remeasurement are recognised in the profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in the profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiary (continued)

Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Changes in ownership interest in subsidiary without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Disposal of subsidiary

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

Gains or losses on the disposal of subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

3.2 Investment in a subsidiary in separate financial statements

In the Company's separate financial statements, investment in a subsidiary is carried at cost less accumulated impairment losses, if any.

On disposal of investment in a subsidiary, the difference between net disposal proceeds and the carrying amounts of the investment is recognised in the profit or loss.

The amount due from subsidiary of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investment in a subsidiary.

Where an indication of impairment exists, an analysis is performed to assess whether the carrying amount of the investment is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See Note 3.6 to the financial statements on accounting policy for impairment of non-financial assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. See Note 3.18 to the financial statements for the accounting policy on borrowings and borrowing costs.

After initial recognition, property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if applicable.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The subsequent costs that are included in an asset's carrying amount are depreciated over the revised useful life of the related asset. All other repairs and maintenance costs are recognised as expenses in the profit or loss during the financial period in which they are incurred.

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount of the assets and are included in the 'other gains/(losses) - net' in the profit or loss.

Property, plant and equipment are depreciated on the straight-line method to allocate the costs of the assets to their residual values over their estimated useful lives. The annual depreciation rates based on the estimated useful lives are as follows:

	%
Building on long term leasehold land	2 - 20
Factory extension	10 - 33
Moulds, plant and machinery	10 - 50
Furniture, fittings, equipment and electrical installation	10 - 50
Motor vehicles	20

Assets under construction are carried as 'capital work-in-progress' and depreciation only commences when the assets are ready for their intended use.

Depreciation continues through idle periods and ceases at earlier of when asset is disposed or classified as non-current assets (or disposal groups) held-for-sale as disclosed in Note 3.5 to the financial statements.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group and the Company assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See Note 3.6 to the financial statements on accounting policy for impairment of non-financial assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets

(a) Research and development

Development expenditure is defined as costs related to application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when all of the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Directly attributable costs capitalised as part of the intangible asset include the research and development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent financial period.

Development costs that have been capitalised as intangible assets are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life of two years.

The accounting policy on the recognition and measurement of impairment loss in respect of capitalised development costs is disclosed in Note 3.6 to the financial statements.

(b) Patents

Separately acquired patents are shown at historical cost. Patents have a finite useful life and are carried at cost less accumulated amortisation and accumulated losses (if any). Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives of twenty years.

See Note 3.6 to the financial statements for the accounting policy on impairment of non-financial assets.

(c) Golf club memberships

Golf club memberships are the rights to use golf clubs and are transferable. They are stated at cost less accumulated amortisation and accumulated impairment losses (if any). These golf-club memberships are amortised on a straight-line basis over the terms of membership which expire in year 2090 and 2093 respectively.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statements of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statements of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the profit or loss.

3.6 Impairment of non-financial assets

Non-current and non-financial assets that have an indefinite useful life, for example intangible assets not ready to use, are not subject to depreciation or amortisation and are tested annually for impairment. The Group also assesses intangible assets with indefinite useful life and other assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss. In respect of other non-current and non-financial assets that are subject to depreciation or amortisation, any subsequent increase in recoverable amount is recognised in the profit or loss. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets

(a) Classification

The Group and the Company classify their non-derivative financial assets in the following measurement categories:

- those to be measured subsequently at 'fair value through profit or loss' ("FVTPL"); and
- those to be measured at 'amortised cost'.

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are 'solely payment of principal and interest' ("SPPI").

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing those asset and the cash flows characteristics of the asset. The Group and the Company reclassify debt instruments when and only when their business model for managing those assets changed. There are two measurement categories into which the Group and the Company classify its debt instruments.

'Amortised cost'

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at 'amortised cost'. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in 'other gains/(losses) – net' together with foreign currency exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

'FVTPL'

Assets that do not meet the criteria for 'amortised cost' are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in the profit or loss and presented net within 'other gains/(losses) - net' in the financial period which it arises.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (continued)

(d) Subsequent measurement – Impairment of financial assets

(i) Impairment for debt instruments and financial guarantee contracts

The Group and the Company assess on a forward looking basis the expected credit loss ("ECL") associated with their debt instruments carried at 'amortised cost' and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company have four types of financial instruments that are subject to the ECL model:
- Trade receivables;
- Other receivables (including non-trade amount due from a subsidiary) and deposits;
- Contract assets; and
- Financial guarantee contracts issued.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group or the Company expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group or the Company expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Simplified approach for trade receivables and contract assets

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 4.1(b)(i) to the financial statements sets out the measurement details of ECL.

General 3-stage approach for other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts issued

At each reporting date, the Group and the Company measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 4.1(b)(i) to the financial statements set out the measurement details of ECL.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (continued)

(d) Subsequent measurement – Impairment of financial assets (continued)

(ii) Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. They consider available reasonable and supportable forward-looking information.

The following indicators are incorporated:
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; or
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in operating results of the debtor.

Macroeconomic information such as the expected Gross Domestic Product ("GDP") growth rates is incorporated when assessing whether there is a significant increase in credit risk.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

(iii) Definition of default and credit-impaired financial assets

The Group and the Company define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

<u>Quantitative criteria</u>

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

<u>Qualitative criteria</u>

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:
- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (continued)

(d) Subsequent measurement – Impairment of financial assets (continued)

(iv) Level of aggregation for measurement of ECL

Individual assessment

The Group measures ECL on its trade receivables and contract assets on an individual basis for its most major customer given the distinct credit profile of the customer, as well as for trade receivables and contract assets which are in default or credit-impaired. Other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts issued are assessed on individual basis for ECL measurement as credit risk information is obtained and monitored separately.

Collective assessment

Other than its most major customer, the Group measures ECL on its trade receivables and contract assets on a collective basis given their shared credit risk characteristics and the days past due. The Group assessed that it is appropriate to assess the ECL for these customers collectively given the similar credit profiles and historical credit loss experience with these customers as well as current observable data and expectation of the future economic conditions that could impact the industry of which these customers operate. The contract assets relate to revenue recognised exceeded the amounts billed and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(v) Write-off

Trade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group or the Company, and a failure to make contractual payments for a period of greater than 1 year past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses as a separate line item in the profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts issued

The Group and the Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial liabilities

(a) Classification

The Group and the Company classify the financial liabilities where applicable, in the following categories: 'at fair value through profit or loss', showing separately (i) those designated as such upon initial recognition, and (ii) those classified as held-for-trading; and measured 'at amortised cost' as 'other financial liabilities'. Management determines the classification of its financial liabilities at initial recognition.

(i) 'Financial liabilities at fair value through profit or loss'

The Group and the Company have not designated any financial liabilities as 'financial liabilities at fair value through profit or loss'. 'Financial liabilities held-for-trading' are derivatives entered into by the Group or the Company that do not meet the hedge accounting criteria. Liabilities in this category are classified within current liabilities if they are either held-for-trading or are expected to be settled within 12 months after the reporting date. Otherwise, they are classified as non-current liabilities. The Group's 'financial liabilities at fair value through profit or loss' comprise only 'derivative financial instruments' in the statements of financial position.

(ii) 'Other financial liabilities'

'Other financial liabilities' are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. 'Other financial liabilities' are recognised as current liabilities unless the Group or the Company has an unconditional right to defer repayment of the liabilities for at least 12 months after the reporting date. The Group's and the Company's 'other financial liabilities' comprise 'payables and accrued liabilities' and 'borrowings' in the statements of financial position.

(b) Recognition and initial measurement

Financial liabilities are recognised in the statements of financial position when, and only when, the Group or the Company become a party to the contractual provisions of the financial instrument.

Financial liabilities are initially recognised at fair value, minus, in the case of non-derivative financial liabilities other than derivatives, directly attributable transaction costs.

(c) Subsequent measurement

(i) 'Financial liabilities at fair value through profit or loss'

'Financial liabilities at fair value through profit or loss' are subsequently carried at fair value. Changes in the fair value of 'financial liabilities at fair value through profit or loss', including the effect of foreign currency translation are recognised under the 'other gains/(losses) - net' in the profit or loss in the financial period in which the changes arise.

(ii) 'Other financial liabilities'

Subsequent to initial recognition, 'other financial liabilities' are measured at amortised cost using the effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial liabilities (continued)

(d) De-recognition

A financial liability is de-recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another one from the same lender on substantially different term, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

3.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

3.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for at fair value through profit or loss. Changes in the fair value are recognised immediately in the profit or loss and are included in 'other gains/(losses) - net'.

3.11 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

The Company has issued corporate guarantee to banks for borrowings of its subsidiary. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary fails to make the required repayments when due in accordance with the terms of its borrowings.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, net of transaction cost.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial Instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases - Accounting by lessee

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices in accordance with the principle in MFRS 15. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(a) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

(b) ROU assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

ROU assets are presented as a separate line item in the statements of financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases - Accounting by lessee (continued)

(c) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in the profit or loss in the financial period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as part of 'borrowings' in the statements of financial position. Interest expense on the lease liabilities is presented within the 'finance costs' in the profit or loss.

(d) Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment and office furniture with individual value of RM20,000 and below. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in the profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Current and deferred taxes

Tax expense for the financial period comprises current and deferred taxes. The income tax expense or credit for the financial period is the tax payable on the current financial period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses, if any. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in 'other comprehensive income' or directly in equity. In this case the tax is also recognised in 'other comprehensive income' or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Malaysia, the country where the Company and its subsidiary operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes (i.e. tax bases) and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply in the financial period when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investment in subsidiary, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investment in subsidiary only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductible temporary difference can be utilised.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.14 Inventories

Inventories are stated at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, slow-moving or obsolete inventories. Cost is determined on the first in, first out basis. Cost of raw material includes purchase price and any cost that is directly attributable to bringing the inventories to their present location and condition. Costs of purchased inventory are determined after deducting rebates, discounts, import duties and non-refundable taxes.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Inventories (continued)

The cost of work in progress and finished goods consists of raw materials, direct labour, other direct costs, including import duties and other taxes and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs (if any).

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

3.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the ordinary course of businesses of the Group and of the Company. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include non-refundable taxes and duties.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance for impairment. See Note 3.7(d) to the financial statements on the accounting policy for impairment of financial assets.

3.16 Cash and cash equivalents

For the purpose of the statements of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts (if any) which are repayable on demand and form an integral part of the Group's and the Company's cash management are included as a component of cash and cash equivalents in the statements of cash flows. In the statements of financial position, bank overdrafts (if any) are shown within borrowings in current liabilities.

3.17 Trade and other payables

Trade payables represent liabilities for goods or services provided to the Group and the Company prior to the end of the financial year which are unpaid. Other payables generally arise from transactions outside the ordinary course of businesses of the Group and of the Company. Trade and other payables are classified as current liabilities unless the Group or the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting date. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value net of transaction costs incurred, which include non-refundable taxes and duties.

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Borrowings and borrowing costs

(a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss within 'finance costs'.

Where the terms of a financial liability are renegotiated and the Group or the Company issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in the profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group or the Company has an unconditional right to defer settlement of liability for at least 12 months after the end of the reporting period.

When borrowings measured at amortised cost is modified without this resulting in de-recognition, any gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, shall be recognised immediately in the profit or loss within 'finance costs'.

There is no impact on the measurement of borrowing as there was no modification during the financial year.

(b) Borrowing costs

General and specific 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognised in the profit or loss in the financial period in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Provisions

Provisions are recognised when the Group or the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group or the Company expects a provision to be reimbursed by another party (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as 'finance costs' in the profit or loss.

Provision for warranty and claims cover estimated liability to repair or replace products resulting from customers' complaints and returns. Provision for warranty and claims is recognised when the underlying products are sold. This provision is measured at a percentage rate of historical replacements and a review of possible outcomes against the associated probabilities of returns.

3.20 Contingent assets and liabilities

The Group and the Company do not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Company, or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Company. The Group and the Company do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

The Group and the Company recognise separately the contingent liabilities of the acquiree as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group and the Company measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 15 'Revenue from Contracts with Customers'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Share capital

(a) Classification

Ordinary shares are classified as equity.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

(c) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group or the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holder of an equity instrument are recognised directly in equity.

(d) Purchase of own shares

Where any company within the Group purchases the Company's equity instruments as a result of a share buy-back, the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled, reissued or disposed. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners of the Company.

(e) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:
- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Revenue from contracts with customers

Revenue which represents income arising in the course of the Group's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer has approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of discounts, commissions, rebates and taxes. Discounts and rebates are measured using the most likely amount method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

When the Group has performed by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset. The Group's obligation to transfer goods or services to a customer for which the Group has received consideration in advance from customer is presented as contract liability.

Costs that are incremental to obtaining a contract shall be recognised as an asset if the Group expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Specific revenue recognition criteria for each of the Group's activities are as described below:

(a) Sales of goods

The Group is involved in the manufacturing of mobile communication products, wireless electronics and lifestyle devices. Revenue are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the revenue are made with a credit term of 15 to 75 days, which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group's obligation to provide a replacement for faulty products under the standard warranty terms is recognised as a provision, see Note 3.19 to the financial statements on accounting policy on provisions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Revenue from contracts with customers (continued)

(b) Services rendered in respect of product development

The Group is involved in product design and development for its customers. The development of products for its customers is highly integrated, not individually distinct and hence they are recognised as a single performance obligation. Revenue from providing such service is recognised progressively over time in which services are rendered as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The progress towards performance of services is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (i.e. reference to the actual time incurred up to the end of the reporting period as a percentage of total budgeted time required to complete the project) which best reflect the Group's performance in satisfying the performance obligation.

Estimates of extent of progress towards completion are revised if circumstances change. Any resulting increase or decrease in estimated revenue is reflected in the profit or loss in the financial period in which the circumstances that give rise to the revision became known by management.

3.23 Revenue from other sources – dividend income

Dividend income is recognised when the Company's rights to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

3.24 Other income

The following items are included under 'finance income' or 'other income' in the profit or loss:

(a) Interest income

Interest income is recognised using the effective interest method. Interest income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments and presented as part of 'other gains/losses - net' in the profit or loss. Interest income on financial assets at 'amortised cost' calculated using the effective interest method is recognised in the profit or loss as part of 'finance income'.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(b) Other income

Any other income is recognised on an accrued basis unless collectability is uncertain.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses, other employee benefits and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the financial period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as part of 'payables and accrued liabilities' in the statements of financial position.

The Group and the Company recognise a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the shareholders of the entities within the Group after certain adjustments. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Post-employment benefits - Defined contribution plans

The Group's post-employment benefit scheme comprise only the defined contribution plan. A defined contribution plan is a pension plan under which an entity pays fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the entity has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and previous financial periods.

The Company and its subsidiary in Malaysia contribute to the Employee Provident Fund, the national defined contribution plan in Malaysia. The Company's and its subsidiary's contributions to the said defined contribution plan are charged to the profit or loss in the financial period to which they relate. Once the contributions have been paid to the said defined contribution plan, the Company and its subsidiary in Malaysia have no further payment obligations.

3.26 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency as required by the provisions of the Companies Act 2016 in Malaysia.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.26 Foreign currencies (continued)

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the foreign currency exchange rates approximating those prevailing at the dates of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of the financial year using the foreign currency exchange rates approximating those prevailing at the reporting date, are recognised in the profit or loss. All other foreign currency exchange gains and losses are presented in the profit or loss on net basis within 'other gains/(losses) - net'.

(c) Principal closing rates

The principal closing foreign currency exchange rates used in the translation of major foreign currency monetary assets and liabilities as at the reporting date are as follows:

	GROUP AND COMPANY	
	2021	2020
	RM	RM
Assets:		
1 Euro	4.9315	4.8050
1 US Dollar	4.1430	4.2800
Liabilities		
1 Euro	4.9446	4.8220
1 US Dollar	4.1580	4.2880

3.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants received before the Group complies with all attached conditions are recognised as a liability owing to the government (and included in deferred income within the 'payables and accrued liabilities') and recognised as income when all attached conditions are met.

Government grants relating to costs are recognised net of the related expenditure in profit or loss over the financial periods to match the related costs for which the grants are intended to compensate. The Group has opted to present on net basis between the government grants and the related costs incurred.

3.28 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group only has one operating segment qualified as reporting segment under MFRS 8. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the Group's operating segment, has been identified as the Group's Managing Director, who makes strategic decisions.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose its to a variety of financial risks: market risk (including price risk, foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management objectives and policies are to ensure that the Group creates value and maximises returns for its shareholders. Financial risk management is carried out through risk identification and review, internal control systems, benchmarking to the industry's best practices and adherence to the Group's financial risk management policies. Management monitors the Group's financial position closely with the objective to minimise potential adverse effects on the financial performance of the Group.

The nature of these risks and the Group's approaches in managing these risks are listed below:

(a) Market risk

(i) Price risks

Price risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate as a result of changes in market prices (other than foreign currency exchange or interest rates).

The Group's and the Company's exposure to price risks arise mainly from fluctuation in the prices of key raw materials and its short term investments in money market funds (which are classified as fair value through profit or loss). The Group and the Company manage their risk by monitoring the prices quoted by various vendors/instrument issuers closely and may source from alternate vendors/instrument issuers if the price is competitive.

Sensitivity analysis

As at 30 June 2021, if the price of the money market fund had been 5.0% (2020: 5.0%) higher/lower, with all other variables held constant, the Group's and the Company's profit after tax arising from fair value gain would have been approximately RM762,000 (2020: RM2,312,000) and RM535,000 (2020: RM1,519,000) respectively higher/lower, as a result of an increase/decrease in the fair value of the quoted funds. The reasonable possible change is based on historical changes in rates estimated by management.

(ii) Foreign currency exchange risk

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

The Group's sales and purchases of goods are mostly denominated in US Dollar ("USD") and Ringgit Malaysia ("RM"). The Group is exposed to foreign currency exchange risk arising from fluctuations in the foreign currency exchange rates primarily with respect to USD.

Foreign currency exchange risks arise from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the functional currency of the Company.

The Group mitigates its foreign currency exchange risk through the natural hedge of operating foreign currency accounts using the deposits from its export proceeds to pay imported purchases where both are denominated in the same foreign currency. The Group also enters into foreign currency forward exchange contracts to hedge its receivables for export proceeds, whenever considered necessary.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency exchange risk (continued)

Sensitivity analysis

Based on the currency exposure profile of 'receivables and deposits', 'deposits, cash and bank balances' and 'payables and accrued liabilities' as disclosed in Notes 19, 23 and 24 to the financial statements respectively, the sensitivity analysis of foreign currency exchange risk is calculated based on reasonably possible change in foreign currency exchange rates for the major foreign currency transacted by the Group against RM at the end of the financial year. The reasonable possible changes is based on past trends of foreign currency exchange rates and expected future changes. This analysis assumes that all other variables are held constant.

GROUP	Estimated % increase		Impact on loss after tax and equity (Favourable)/Unfavourable	
	2021	2020	2021	2020
	%	%	RM'000	RM'000
Foreign currency strengthens against RM				
- USD	5.0	5.0	(167)	590

Conversely, weakening of USD against RM by the above percentages would have had equal but opposite effects on the loss after tax and equity of the Group shown above on the basis that all other variables remain constant.

As the Group's exposure to foreign currencies other than USD is not material and hence, sensitivity analysis of exposure to other foreign currency is not prepared.

(iii) Interest rate risk

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

The Group is exposed to interest rate risk for changes in interest rates primarily for fixed deposits with a licensed bank, hire-purchase liabilities and lease liability (fixed interest rate) and term loan and short term revolving credits (floating interest rate). The financial assets and financial liabilities with floating interest rate exposes the Group and the Company to cash flow interest rate risk. The Group and the Company are exposed to fair value interest rate risk for financial assets and liabilities at fixed interest rate. As the Group's fixed interest rate financial assets and financial liabilities are carried at amortised cost, the fair value interest rate risk has no financial impact on the profit or loss of the Group. The Group monitors interest rates at inception to ensure that they are established at favourable rates.

As the outstanding short term revolving credits of the Group stands at RM4,000,000 (2020: RM Nil) as at 30 June 2021, the Group's exposure to cash flow interest rate risk is not material to the results of the Group.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial assets should a counterparty default on its obligations, as and when they fall due.

The Group's and the Company's exposure to credit risk arises primarily from 'receivables and deposits', 'amount due from a subsidiary', 'derivative financial assets', 'deposits with licensed banks' and 'bank balances'. The Group's and the Company's deposits with licensed banks, bank balances and derivative financial assets are only placed with licensed and established banks in Malaysia. The directors are of the view that the possibility of non-performance by the banks is remote.

The Group manages its credit risk arising from trade and other receivables through credit quality evaluations, ongoing debt collection, and regular monitoring of debtors' account and credit limit. The Group also analyses the credit risk for each of its new customers before standard payment and delivery terms and conditions are offered. Subsequently, products/services are only sold/rendered to customers with an appropriate payment history. Individual credit limits are set for each customer based on credit quality evaluation, which take into account the customer's financial position, past experience and other factors.

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position except for the financial guarantee contracts applicable to the Company. The maximum exposure for financial guarantee contracts is disclosed in Note 37 to the financial statements.

(i) Measurement of expected credit losses ("ECL")

<u>Trade receivables and contract assets using simplified approach</u>

The Group measures the loss allowance of trade receivables and contract assets as at the reporting date using a PD x LGD x EAD methodology as follows:

- PD ('probability of default') – the likelihood that the debtor would not be able to repay during the contractual period (lifetime);
- LGD ('loss given default') – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') – the outstanding amount that is exposed to default risk.

The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the expected GDP growth rate of the affected countries where the customers operate to be the most relevant factor, and accordingly adjust the historical loss rates based on expected changes in the GDP growth rate. No significant changes to estimation techniques or assumptions were made during the reporting period.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Measurement of expected credit losses ("ECL") (continued)

Other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts issued using general 3-stage approach

The Group uses three (3) categories for other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts issued which reflect its credit risk and how the loss allowance for impairment is determined for each of those categories. A summary of the assumptions underpinning the Group's ECL model is as follows:

CATEGORY	COMPANY'S DEFINITION OF CATEGORY	BASIS FOR RECOGNISING ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due. See Note 3.7(d)(ii) to the financial statements.	Lifetime ECL
Non-performing	Interest and/or principal repayments are 90 days past due or there is evidence indicating the asset is credit-impaired. See Note 3.7(d)(iii) to the financial statements.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. See Note 3.7(d)(v) to the financial statements.	Asset is written-off

Based on the above, loss allowance for impairment is measured on either 12-month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:
- PD ('probability of default') - the likelihood that the debtor would not be able to repay during the contractual period (12-month or lifetime depending on category);
- LGD ('loss given default') - the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') - the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group and the Company consider historical data by each debtor by category and adjusts for forward-looking macroeconomic data. The Group and the Company have identified the expected GDP growth rate of the country where the debtor operates in to be the most relevant factor, and accordingly adjust the historical loss rates based on the expected changes in GDP growth rates released by the government of the affected countries. Loss allowance for impairment is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Measurement of expected credit losses ("ECL") (continued)

Based on the assessment performed above, all other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts of the Group and of the Company are classified under the performing category and are evaluated for ECL based on 12-month ECL.

Based on management assessment of ECL as at 30 June 2021 and 2020, the identified loss allowance for impairment of other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts as at 30 June 2021 and 30 June 2020 was immaterial.

(ii) Reconciliation of loss allowance for impairment

There was no loss allowance for impairment that needs to be recognised for financial assets at amortised cost as at 30 June 2021, i.e. contract assets, other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts issued.

Trade receivables using simplified approach

The loss allowance for impairment of trade receivables of the Group as at 30 June 2021 and 30 June 2020 is as follows:

	GROUP	
	2021	2020
	RM'000	RM'000
At 1 July	161	62
(Reversal of loss allowance)/loss allowance for impairment	(96)	99
At 30 June	65	161

2021

Based on management assessment on ECL as at 30 June 2021, the Group had reversed the loss allowance for impairment by RM160,000 for an outstanding debt which were fully settled by the particular customer during the current financial year. The Group had made an additional loss allowance for impairment of RM64,000 for a customer which has defaulted on payments on the debt which has been overdue by more than 90 days.

2020

Based on management assessment on ECL as at 30 June 2020, the Group had increased the loss allowance for impairment by RM99,000 due to a drop in expected GDP growth rates released by the government of the affected countries where its customers are located and the weakening of the related economy when slower collection from the customers are expected.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Information on entity's credit risk exposure and significant credit risk concentrations

Trade receivables using simplified approach

The following table contains an analysis of the credit risk exposure of financial instruments by groups of debtors for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

GROUP As at 30.06.2021	Current	Up to 30 days past due	Total
Expected loss rates	0.002%	0.44%	
	RM'000	RM'000	RM'000
Gross carrying amount – trade receivables	21,366	14,804	36,170
Loss allowance for impairment	(0)*	(65)	(65)
Carrying amount (net of loss allowance)	21,366	14,739	36,105

* Amount is less than RM500.

GROUP As at 30.06.2020	Current	Up to 30 days past due	Total
Expected loss rates	0.0054%	10.50%	
	RM'000	RM'000	RM'000
Gross carrying amount – trade receivables	19,635	1,524	21,159
Loss allowance for impairment	(1)	(160)	(161)
Carrying amount (net of loss allowance)	19,634	1,364	20,998

The Group has significant concentration of credit risk in the form of outstanding amount due from 1 customer (2020: 2 customers) representing 97% (2020: 97%) of the total trade receivables as at reporting date. All of the trade receivables outstanding as at 30 June 2021 were settled subsequent to the financial year end.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting their obligations due to shortage of funds.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company maintain sufficient cash and ensures availability of funding through an adequate but flexible amount of credit facilities obtained from licensed banks in Malaysia. Certain credit facilities are maintained with varying maturities to ensure sufficient cash inflows from operations are available to meet all repayment requirements, if required. Excess cash is placed in money market fund or fixed deposits with reputable government approved banks.

The table below summarises the maturity profile of the Group's and of the Company's liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual undiscounted cash flows					
GROUP	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2021						
Financial liabilities:						
Payables and accrued liabilities	47,180	0	0	0	47,180	47,180
Hire-purchase liabilities	2,863	2,610	1,713	0	7,186	6,713
Lease liability	29	29	86	26	170	143
Short term revolving credits	4,039	0	0	0	4,039	4,000
Total undiscounted financial obligations	54,111	2,639	1,799	26	58,575	58,036
Derivative financial liabilities:						
Gross settled currency forward						
- receipts	6,646	0	0	0	6,646	6,646
- payments	(6,663)	0	0	0	(6,663)	(6,663)
	(17)	0	0	0	(17)	(17)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

GROUP	Contractual undiscounted cash flows Within 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	More than 5 years RM'000	Total RM'000	Carrying amount RM'000
2020						
Financial liabilities:						
Payables and accrued liabilities	44,724	0	0	0	44,724	44,724
Hire-purchase liabilities	875	875	622	0	2,372	2,186
Lease liability	29	29	86	55	199	163
Term loan	47	0	0	0	47	47
Total undiscounted financial obligations	45,675	904	708	55	47,342	47,120
Derivative financial liabilities:						
Gross settled currency forward						
- receipts	6,465	0	0	0	6,465	6,465
- payments	(6,440)	0	0	0	(6,440)	(6,440)
	25	0	0	0	25	25

COMPANY	Contractual undiscounted cash flows On demand*/within 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Total RM'000	Carrying amount RM'000
2021					
Other payables and accrued liabilities	486	0	0	486	486
Financial guarantee liabilities*	10,713	0	0	10,713	0
Total undiscounted financial obligations	11,199	0	0	11,199	486
2020					
Other payables and accrued liabilities	468	0	0	468	468
Financial guarantee liabilities*	2,233	0	0	2,233	0
	2,701	0	0	2,701	468

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

* Financial guarantee liabilities

The Company provides unsecured financial guarantee to banks in respect of short term loan, short term revolving credits and hire-purchase facilities granted to a wholly-owned subsidiary. The Company monitors on an ongoing basis the performance of the subsidiary. As at 30 June 2021 and 2020, there was no indication that the subsidiary would default on repayment.

Financial guarantee liabilities have not been recognised since the fair value on initial recognition was not material and the probability of the subsidiary defaulting on its credit facilities is remote.

4.2 Capital risk management

The Group's and the Company's capital management objectives are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns to shareholders and repay/settle the amounts owed to other stakeholders, as well as maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, entities within the Group may adjust the amount of dividends paid to shareholder(s), return capital to shareholder(s), issue new shares, sell assets to reduce debt or secure additional debts. Management monitors capital based on shareholders' equity attributable to the owners of the Company as stated in the statements of financial position. The Company is not subject to any externally imposed capital requirements.

4.3 Fair value estimation

The Group and the Company adopted MFRS 13 'Fair Value Measurement' for financial instruments that are measured in the statements of financial position at fair value. This requires disclosure of fair value measurements by the level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

The fair value of financial instruments traded in active markets (i.e. 'financial assets at fair value through profit or loss') will be based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Group and the Company use the current bid price as the quoted market price to fair value its financial assets and financial liabilities, where applicable. These instruments are classified under Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) will be determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value the instruments are observable, these instruments are classified under Level 2.

If one or more of the significant inputs is not based on observable market data, these instruments are classified under Level 3.

(a) Fair value of assets and liabilities that are carried at fair value

The following table presents the Group's and the Company's assets that are measured at fair value:

	Level 1 RM'000	Level 2 RM'000	Total RM'000
At 30 June 2021			
GROUP			
Assets			
Short term investment (Note 22)	15,232	0	15,232
Derivative financial assets (Note 20)	0	1	1
Liabilities			
Derivative financial liabilities (Note 20)	0	18	18
COMPANY			
Asset			
Short term investment (Note 22)	10,708	0	10,708
At 30 June 2020			
GROUP			
Assets			
Short term investment (Note 22)	46,250	0	46,250
Derivative financial assets (Note 20)	0	60	60
Liabilities			
Derivative financial liabilities (Note 20)	0	35	35
COMPANY			
Asset			
Short term investment	30,379	0	30,379

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

(a) Fair value of assets and liabilities that are carried at fair value (continued)

The fair values of the short term investment of the Group and of the Company are based on quoted market prices in active market and are therefore classified in Level 1.

The fair values of the derivative financial instruments are based on certain inputs which are not directly obtainable from quoted prices and are therefore classified in Level 2.

There were no transfers between Levels 1, 2 and 3 during the financial year.

(b) Fair value of assets and liabilities that are not carried at fair value and whose carrying amounts are reasonable approximation of their fair value

The carrying amounts of the current financial assets and financial liabilities of the Group and of the Company that are not carried at fair value at the reporting date approximate their fair values because they are mostly short term in nature or are repaid frequently, except for the term loan.

The fair value of the term loan which carried floating interest rates, approximate its carrying amount in the statements of financial position at the reporting date.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

5.1 Revenue recognition on services rendered in respect of product development

The Group recognises revenue on services rendered for product development in the profit or loss using the stage of completion method. The stage of completion is measured by reference to the actual time incurred to date as a percentage of total budgeted time required to complete for the respective projects of the product development activities carried out for its customers.

The determination of the time incurred to date and total budgeted time required to complete the project is subjective in nature and involves estimation by management. Both are affected by changes in market demand, customers' request in specification, technical capabilities and technology advancement.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.2 Impairment of non-financial assets

Non-current and non-financial assets comprising property, plant and equipment, right-of-use ("ROU") assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Significant judgement is required in the estimation of value in use for CGU comprises these assets, which involves uncertainties and are significantly affected by assumptions used, estimates of future cash flows and discount rate used. Projected future cash flows are calculated based on historical trends, existing product development projects on hand, with expected timing of mass production, general market and economic conditions and other available information. Changes in any of these assumptions can significantly affect the computed value in use and the results of the Group's test for impairment of non-financial assets.

<u>Impairment assessments on property, plant and equipment, ROU assets and intangible assets</u>

The Group has property, plant and equipment, ROU assets and intangible assets with the carrying amounts of approximately RM52,339,000 (2020: RM45,832,000), RM5,273,000 (2020: RM5,368,000) and RM2,015,000 (2020: RM2,436,000) respectively. Management performed an impairment assessment on the Group's property, plant and equipment, ROU assets and intangible assets as a result of the existence of impairment indicators, i.e. declining margin and losses incurred during the financial years ended 30 June 2021 and 2020.

The impairment assessment was performed at the lowest level of identifiable CGU which is the Company's subsidiary, Salutica Allied Solutions Sdn. Bhd.. Management assessed the recoverable amount of the CGU based on discounted cash flows analysis to determine its value in use. Cash flows are projected based on past experience, historical performance and management's expectations of market development and future business performance, taking the COVID-19 pandemic into consideration.

The following are the key assumptions used by management for the 5-year cash flows projections from FY2022 to FY2026 (2020: FY2021 to FY2025) for 3 scenarios i.e. best, base and worst case:

(a) Weightage of 20%, 60% and 20% (2020: 20%, 60% and 20%) applied to the best, base and worst case scenarios.
(b) Revenue growth for FY2022 to FY2026 (2020: FY2021 to FY2025) supported by projects, taking the existing product development projects on hand with expected timing of mass production, customers' forecast and orders, end-of-life of the products and historical performance into consideration. Variations in the level of orders and materialisation of development projects to mass production applied to the 3 scenarios.
(c) Operational costs which include production overhead costs, employee benefit costs and other related costs increase in tandem with sales growth but not linear due to continuous automation initiatives for the production processes.
(d) Annual inflation rate of 5% applied to the respective scenarios (2020: annual inflation rate of 3%, 4% and 5% applied to the respective scenarios).
(e) Expected annual depreciation expenses are used as a proxy for the capital expenditure that are necessary to maintain the current level of economic benefits expected to arise from the assets within the CGU in their current conditions.
(f) Nominal pre-tax discount rate of 17.4% (2020: 14.0%) is used.
(g) Terminal growth rate of 1% is applied to each scenario (2020: terminal growth rate of 1% is applied to best case, with 0% for base and worst case scenarios).

Based on management's assessment, no impairment loss has been identified for the Group's property, plant and equipment, ROU assets and intangible assets. Based on sensitivity analysis performed, a drop of approximately 17.5% in revenue, applied in value in use, without changes in other key assumptions will result in the carrying amount of the CGU to be equal to its recoverable amount.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.3 Impairment of investment in a subsidiary

The Company's investment in a subsidiary is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management performed an impairment assessment on the Company's investment in a subsidiary as a result of the existence of impairment indicators, i.e. declining margin and losses incurred during the financial year ended 30 June 2021. Significant judgement is required in the estimation of value in use for the Company's investment in a subsidiary, which involves uncertainties and are significantly affected by assumptions used, estimates of future cash flows and discount rate used. The value in use was determined based on discounted cash flows analysis of the subsidiary itself which is a proxy for the present value of expected dividend receipts as the Company is able to control the extraction of dividends from the subsidiary. Projected future cash flows are calculated based on historical trends, existing product development projects on hand, with expected timing of mass production, general market and economic conditions and other available information. Changes in any of these assumptions can significantly affect the computed value in use and the results of the Company's test for impairment of investment in a subsidiary. See Note 5.2 to the financial statements for the key assumptions used by management for the 5-year cash flows projections from FY2022 to FY2026 (2020: FY2021 to FY2025) for 3 scenarios i.e. best, base and worst case. In addition to the key assumptions as disclosed in Note 5.2 to the financial statements, the projected future cash flows for the subsidiary were adjusted with the expected cash outflows from the subsidiary's financing activities, income taxes and intercompany balances in order to determine the net amount available to the Company as the equity holder, and were discounted using the post-tax cost of equity of 14.3%.

Based on management's assessment, no impairment loss has been identified for the Company's investment in a subsidiary. Based on sensitivity analysis performed, a drop of approximately 11.5% in revenue, applied in value in use, without changes in other key assumptions will result in the carrying amount of the Company's investment in a subsidiary to be equal to its recoverable amount.

5.4 Current and deferred taxes

The Group and the Company are subject to income tax whereby significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for anticipated tax matters based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and/or deferred tax assets and/or liabilities in the financial period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. This involves significant judgement regarding the future financial performance of the Group and of the Company, the likely timing and level of future taxable profits together with future tax planning strategies to support the basis of recognition of such deferred tax assets.

6 REVENUE

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contract with customers:				
- Sales of goods	208,387	154,265	0	0
- Services rendered in respect of product development	14,609	6,725	0	0
	222,996	160,990	0	0
Timing of revenue recognition for revenue from contract with customers:				
- Point in time	208,387	154,265	0	0
- Over time	14,609	6,725	0	0
	222,996	160,990	0	0
Revenue from other sources:				
- Dividend income	0	0	0	8,000

Analysis of revenue by region

Although the Company and its subsidiary are located in Malaysia, the Group exports the goods to Asia, Europe, North America, Australia and Africa. The revenue of the Group is analysed as follows:

	GROUP	
	2021 RM'000	2020 RM'000
North America	189,089	120,579
Europe	19,283	18,091
Asia (excluding Malaysia)	5,919	18,582
Australia (including New Zealand, Oceania)	4,980	2,431
Malaysia	3,718	1,301
Africa (including Middle East)	7	6
	222,996	160,990

Remaining performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the financial year is approximately RM5,351,000 (2020: RM3,497,000) of which the Group expects to recognise as revenue in the financial year ending 30 June 2022 (2020: financial year ending 30 June 2021).

During the financial year ended 30 June 2021, the Group has recognised revenue from contracts with customers amounting to approximately RM3,039,000 (2020: RM248,000) that was included in the contract liabilities at the beginning of the reporting period (Note 24).

7 EMPLOYEE BENEFIT COSTS

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors' remuneration				
Directors of the Company:				
- fees	495	495	363	363
- allowances	107	84	0	0
- salaries and bonus	1,684	1,534	0	0
- defined contribution retirement plan	340	308	0	0
- other short term employee benefits	131	131	0	0
	2,757	2,552	363	363
Directors of the subsidiary:				
- allowances	16	0	0	0
- salaries and bonus	515	503	0	0
- defined contribution retirement plan	100	96	0	0
- other short term employee benefits	41	41	0	0
	672	640	0	0
Other employees:				
- salaries, wages and bonus	25,473	23,865	0	0
- defined contribution retirement plan	2,276	2,069	0	0
- other short term employee benefits	1,966	1,502	0	0
Total other employee benefit costs	29,715	27,436	0	0
Total employee benefit costs	33,144	30,628	363	363
Government wages subsidy*	(114)	0	0	0
Total other employee benefit costs net of government wages subsidy	29,601	27,436	0	0
Total employee benefit costs net of government wages subsidy	33,030	30,628	363	363
Monetary value of benefits in-kind other than cash given to:				
- directors of the Company	33	77	0	0
- directors of the subsidiary who are not directors of the Company	31	37	0	0
	64	114	0	0

* The government wages subsidy is in relation to programme introduced under the Penjana Kerjaya 2.0 and JomKerja@NCER initiative which aims to support businesses affected by economic disruption, market volatility and uncertainty due to the global coronavirus ("COVID-19") pandemic. See Note 3.27 to the financial statements for the accounting policy on government grants.

The number of employees of the Group at the end of the financial year is 797 (2020: 774). There is no employee employed by the Company.

8 OTHER GAINS – NET

	GROUP		COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net foreign currency exchange gains:				
- realised	240	400	0	0
- unrealised	5	325	0	0
Fair value (losses)/gains on derivative financial instruments	(42)	40	0	0
Gains on disposal of property, plant and equipment	97	53	0	0
Short term investments:				
- gains on disposal	51	93	1	10
- fair value gains (Note 22)	572	1,292	439	858
	923	2,203	440	868

9 (LOSS)/PROFIT FROM OPERATIONS

(Loss)/Profit from operations is stated after charging/(crediting) the following items:

	GROUP		COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- statutory audit	150	150	62	62
- other assurance services	6	6	6	6
- other services	29	29	5	5
Research expenses	643	220	0	0
Property, plant and equipment:				
- written off	0*	0*	0	0
Depreciation of ROU assets (Note 14)	95	111	0	0
Intangible assets written off	129	0	0	0
Allowance for slow-moving and obsolete inventories	383	19	0	0
Bad debt written off	0	4	0	0
Provision for warranties (Note 25)	41	7	0	0
Lease expense for:				
- short term leases (included in 'employee benefit costs')	169	160	0	0
- low-value assets (included in 'maintenance and upkeep expenses')	13	27	0	0

* Amount is less than RM500.

9 (LOSS)/PROFIT FROM OPERATIONS (CONTINUED)

The Group was affected by operational shutdown in the second quarter during the financial year ended 30 June 2021 as several of its production workers tested positive for COVID-19. The Group resumed its operations in stages in tandem with the return of the production workers after the end of their respective individual quarantine period. During the quarantine period, the Group's idle production costs amounted to approximately RM2.9 million and these costs were charged out to 'cost of sales' within the profit or loss.

In the previous financial year, the Group halted its operations during the Movement Control Order ("MCO") period from 18 March 2020 to 4 April 2020, and only resumed its operations at 50% capacity upon obtaining the approval from the Ministry of International Trade ("MITI") on 5 April 2020. During this MCO period, the Group's idle production costs were amounted to approximately RM3.2 million and these costs were charged out to the cost of sales within the profit or loss. The Group resumed full operations from 29 April 2020 onwards.

10 FINANCE (COSTS)/INCOME – NET

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Finance income – interest income	29	623	0*	0*
Finance costs:				
- hire-purchase	(144)	(41)	0	0
- short term revolving credits	(54)	(0)	0	0
- lease interest	(9)	(19)	0	0
- term loans	(0)*	(10)	0	0
	(207)	(70)	0	0
Finance (costs)/income – net	(178)	553	0*	0*

* Amount is less than RM500.

11 TAX CREDIT/(EXPENSE)

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current income tax:				
- current financial year	0	(0)*	0	(0)*
- over accrual in previous financial year	0*	0*	0*	0*
	0	(0)*	0*	(0)*
Deferred tax (Note 17):				
- current financial year	2,883	2,539	0	0
	2,883	2,539	0	0
Tax credit/(expense)	2,883	2,539	0*	(0)*

* Amount is less than RM500.

11 TAX CREDIT/(EXPENSE) (CONTINUED)

The numerical reconciliation before tax credit/(expense) and the product of accounting (loss)/profit multiplied by the Malaysian income tax rate is as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(Loss)/Profit before tax	(12,607)	(10,599)	(205)	8,103
Tax calculated at the Malaysian income tax rate of 24% (2020: 24%)	3,026	2,544	49	(1,945)
Tax effects of:				
- expenses not deductible for tax purposes	(582)	(415)	(155)	(183)
- income not subject to tax				
- dividend income	0	0	0	1,920
- others	414	332	106	208
- expenses eligible for double deductions	25	78	0	0
- over accrual of current tax in previous financial year	0*	0*	0*	0*
Tax credit/(expense)	2,883	2,539	0*	(0)*

* Amount is less than RM500.

Subject to the confirmation by the Inland Revenue Board, the Group has the following unutilised capital allowances and unused tax losses which can be utilised to set off against future taxable income and the corresponding deferred tax assets have been recognised (Note 17):

	GROUP	
	2021 RM'000	2020 RM'000
Unutilised capital allowances – no expiry date	24,933	15,364
Unused tax losses		
- expiring YA 2027	4,789	4,813
- expiring YA 2028	3,501	0

12 LOSS PER SHARE

Basic loss per share of the Group is calculated by dividing the net loss for the financial year by the weighted average number of ordinary shares in issue during the financial year excluding ordinary shares purchased by the Company and hold as treasury shares (Note 30).

	GROUP	
	2021	2020
Net loss for the financial year attributable to owners of the Company (RM'000)	(9,724)	(8,060)
Weighted average number of ordinary shares in issue during the financial year ('000)	384,990	384,993
Basic loss per share (sen)	(2.53)	(2.09)

No diluted loss per share calculated as the Company does not have potential ordinary shares.

13 PROPERTY, PLANT AND EQUIPMENT

GROUP	Building on long term leasehold land	Factory extension	Moulds, plant and machinery	Furniture, fittings, equipment and electrical installation	Motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COST							
At 1 July 2020	23,797	1,484	38,315	16,055	2,124	38	81,813
Additions	0	389	1,234	2,073	0	8,843	12,539
Reclassifications	0	25	7,161	497	0	(7,683)	0
Disposals	0	0	(60)	0	(293)	0	(353)
Written off	0	0	(0)*	(107)	0	0	(107)
At 30 June 2021	23,797	1,898	46,650	18,518	1,831	1,198	93,892
ACCUMULATED DEPRECIATION							
At 1 July 2020	5,987	748	16,811	9,510	2,118	0	35,174
Depreciation	789	130	3,523	1,584	6	0	6,032
Disposals	0	0	(5)	0	(293)	0	(298)
Written off	0	0	(0)*	(107)	0	0	(107)
At 30 June 2021	6,776	878	20,329	10,987	1,831	0	40,801
ACCUMULATED IMPAIRMENT LOSSES							
At 1 July 2020	0	0	596	211	0	0	807
Disposals	0	0	(55)	0	0	0	(55)
At 30 June 2021	0	0	541	211	0	0	752
CARRYING AMOUNT							
At 30 June 2021	17,021	1,020	25,780	7,320	0*	1,198	52,339

* Amount is less than RM500.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Building on long term leasehold land	Factory extension	Moulds, plant and machinery	Furniture, fittings, equipment and electrical installation	Motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COST							
At 1 July 2019	21,559	1,233	29,577	12,804	2,124	604	67,901
Additions	0	251	1,042	2,409	0	10,257	13,959
Reclassifications	2,238	0	7,696	889	0	(10,823)	0
Disposals	0	0	(0)*	(0)*	0	0	(0) *
Written off	0	0	(0)*	(47)	0	0	(47)
At 30 June 2020	23,797	1,484	38,315	16,055	2,124	38	81,813
ACCUMULATED DEPRECIATION							
At 1 July 2019	5,277	657	13,907	7,972	1,723	0	29,536
Depreciation	710	91	2,904	1,585	395	0	5,685
Disposals	0	0	(0)*	(0)*	0	0	(0) *
Written off	0	0	(0)*	(47)	0	0	(47)
At 30 June 2020	5,987	748	16,811	9,510	2,118	0	35,174
ACCUMULATED IMPAIRMENT LOSSES							
At 1 July 2019 / 30 June 2020	0	0	596	211	0	0	807
CARRYING AMOUNT							
At 30 June 2020	17,810	736	20,908	6,334	6	38	45,832

* Amount is less than RM500.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Furniture, fittings, equipment and electrical installation 2021 RM'000	Furniture, fittings, equipment and electrical installation 2020 RM'000
COST		
At 1 July/30 June	21	21
ACCUMULATED DEPRECIATION		
At 1 July/30 June	21	21
CARRYING AMOUNT		
At 30 June	0*	0*

* Amount is less than RM500.

	GROUP 2021 RM'000	GROUP 2020 RM'000
Purchase of property, plant and equipment		
Additions during the financial year	12,539	13,959
Add:		
- payments made in current financial year related to purchases made in previous financial year	804	283
Less:		
- purchases included in other payables (Note 24)	(1,499)	(805)
- purchases made under hire-purchase arrangement (Note 27)	(5,533)	(1,666)
Cash paid	6,311	11,771

The carrying amount of the assets acquired under hire-purchase arrangement as at 30 June 2021 amounted to approximately RM8,655,000 (2020: RM2,827,000).

14 RIGHT-OF-USE ("ROU") ASSETS

14.1 Amounts recognised in the statements of financial position

GROUP	Long term leasehold land RM'000	Factory equipment RM'000	Total RM'000
COST			
At 1 July 2020/30 June 2021	5,681	195	5,876
ACCUMULATED DEPRECIATION			
At 1 July 2020	469	39	508
Depreciation for the financial year	72	23	95
At 30 June 2021	541	62	603
CARRYING AMOUNT			
At 30 June 2021	5,140	133	5,273
COST			
At 1 July 2019/30 June 2020	5,681	195	5,876
ACCUMULATED DEPRECIATION			
At 1 July 2019	397	0	397
Depreciation for the financial year	72	39	111
At 30 June 2020	469	39	508
CARRYING AMOUNT			
At 30 June 2020	5,212	156	5,368

14.2 Amounts recognised in the statements of comprehensive income

	GROUP	
	2021 RM'000	2020 RM'000
Depreciation for ROU assets	95	111
Interest expenses included in the finance costs	9	19
Expense related to short-term leases (included in 'employee benefit costs')	169	160
Expense related to lease of low-value assets (included in 'maintenance and upkeep expenses')	13	27
Total	286	317

14 RIGHT-OF-USE ("ROU") ASSETS (CONTINUED)

14.3 Amounts recognised in the statements of cash flows

	GROUP	
	2021 RM'000	2020 RM'000
Total cash outflows for leases consists of:		
Short-term lease payments	169	160
Payments for leases of low-value assets	13	27
Repayment of lease liabilities	20	32
Interest paid	9	19
	211	238

14.4 Nature of the Group's leasing activities

(a) Leasehold land

For leasehold land, the Group made the upfront payment to secure the right-of-use of pieces of leasehold land in Malaysia with the lease term of 78 years, which expires in the year 2092. The leasehold land of the Group is used for business operations.

This lease was fully prepaid by the Group and no corresponding lease liability was recognised.

(b) Factory equipment – liquid nitrogen storage tank

The Group also leases factory equipment i.e. liquid nitrogen storage tank for the gas supply for the production purpose. The lease is for a period of 4 years starting from 1 October 2018 with an option to further renew for a further 4 years. The Group has included the lease period covered by the renewal option in the lease term as it was assessed that it is probable that the renewal option will be exercised.

The Group also entered into rental agreements to lease the office equipment and hostels for employees. Rental contracts entered by the Group for this purpose are typically made for fixed periods of 1 to 5 years and 1 to 3 years respectively, but certain rental contracts have extension options. However, for rental of hostels, both the lessor and the lessee have the right to terminate for convenience at one month notice and as such the lease term for such contracts are determined to be only for one month. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The expenses associated with these lease agreements are recognised in the profit or loss when incurred as these are either leases of low-value assets or are considered short-term leases.

14 RIGHT-OF-USE ("ROU") ASSETS (CONTINUED)

14.4 Nature of the Group's leasing activities (continued)

The future aggregate minimum lease payments under short-term leases and low-value assets in respect of office equipment and hostels for employees from the reporting date to the expiry of the leases are as follows:

	GROUP	
	2021 RM'000	2020 RM'000
Not later than 1 year	23	35
Later than 1 year but not later than 2 years	0	7
Total	23	42

Restriction or covenants by leases

The lease agreements do not impose any covenants except for the security interest in the leased asset is held by the lessors.

15 INTANGIBLE ASSETS

	GROUP			
	Patents RM'000	Development costs RM'000	Golf club memberships RM'000	Total RM'000
COST				
At 1 July 2020	1,136	6,111	119	7,366
Additions	19	292	0	311
Written off	(129)	0	0	(129)
At 30 June 2021	1,026	6,403	119	7,548
ACCUMULATED AMORTISATION				
At 1 July 2020	69	4,859	2	4,930
Amortisation	68	534	1	603
At 30 June 2021	137	5,393	3	5,533
CARRYING AMOUNT				
At 30 June 2021	889	1,010	116	2,015

15 INTANGIBLE ASSETS (CONTINUED)

	GROUP			
	Patents RM'000	Development costs RM'000	Golf club memberships RM'000	Total RM'000
COST				
At 1 July 2019	900	5,028	119	6,047
Additions	236	1,083	0	1,319
At 30 June 2020	1,136	6,111	119	7,366
ACCUMULATED AMORTISATION				
At 1 July 2019	26	4,415	0	4,441
Amortisation	43	444	2	489
At 30 June 2020	69	4,859	2	4,930
CARRYING AMOUNT				
At 30 June 2020	1,067	1,252	117	2,436

Intangible assets of the Group comprise patents, development costs incurred on in-house developed products that meet the capitalisation criteria and golf club memberships. All expenditure relating to research activities of approximately RM643,000 (2020: RM220,000) are recognised as an expense in the profit or loss as incurred.

	GROUP	
	2021	2020
Remaining amortisation period (year):		
- patents	1 - 16	6 - 17
- development costs	1	1
- golf club memberships	69 - 72	70 - 73

16 INVESTMENT IN A SUBSIDIARY

16.1 Details of investments

	COMPANY	
	2021 RM'000	2020 RM'000
Investment in a subsidiary, at cost		
At 1 July	50,000	50,000
Subscription of additional shares	20,000	0
At 30 June	70,000	50,000

16 INVESTMENT IN A SUBSIDIARY (CONTINUED)

16.2 Details of the subsidiary

Name of Company	Country of incorporation	Effective interest as at 30 June 2021 %	Effective interest as at 30 June 2020 %	Principal activities
Salutica Allied Solutions Sdn. Bhd.	Malaysia	100	100	Comprises vertical integration processes covering product design and development, and manufacturing of mobile communication products, wireless electronics and lifestyle devices.

17 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	GROUP 2021 RM'000	GROUP 2020 RM'000
Subject to income tax:		
Deferred tax assets	5,319	2,436

The movements in deferred tax during the financial year are as follows:

	GROUP 2021 RM'000	GROUP 2020 RM'000
At 1 July	2,436	(103)
Credited/(Charged) to profit or loss (Note 11)		
- property, plant and equipment	(554)	(724)
- intangible assets	103	(98)
- right-of-use assets	40	(37)
- accrued liabilities, provision and allowances	162	8
- unutilised capital allowances	2,297	2,235
- unused tax losses	835	1,155
	2,883	2,539
At 30 June	5,319	2,436

17 DEFERRED TAX ASSETS (CONTINUED)

The deferred tax assets and liabilities as at the end of the reporting period are as follows:

	GROUP	
	2021 RM'000	2020 RM'000
Subject to income tax:		
Deferred tax assets (before offsetting):		
- accrued liabilities, provision and allowances	377	215
- right-of-use assets	3	0
- unutilised capital allowances	5,984	3,687
- unused tax losses	1,990	1,155
	8,354	5,057
Offsetting	(3,035)	(2,621)
Deferred tax assets (after offsetting)	5,319	2,436
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	(2,790)	(2,236)
- intangible assets	(245)	(348)
- right-of-use assets	0	(37)
	(3,035)	(2,621)
Offsetting	3,035	2,621
Deferred tax liabilities (after offsetting)	0	0

The deferred tax assets comprising mainly unutilised capital allowances and unused tax losses are recognised as at 30 June 2021 as the directors assessed that it is probable that the Group is able to generate sufficient future taxable profits to utilise the benefit arising from unutilised capital allowances and unused tax losses based on management's forecast of available future taxable profits. In evaluating whether it is probable that taxable profits will be earned in future financial periods, all available evidence was considered including budgets and analysis of historical operating results. These budgets and analysis are consistent with those prepared and used internally for business planning and impairment testing purposes. See Note 5.2 to the financial statements for the disclosure on the key assumptions used by management on the 5-year cash flows projections, which formed the basis of management's forecast of available future taxable profits. Following this evaluation, it was determined that there would be sufficient future taxable profits expected to be generated to realise the benefit of the deferred tax assets.

Based on sensitivity analysis performed, a drop of approximately 10% in revenue, applied in the assessment of the availability of future taxable profits, without changes in other key assumptions will not result in a material reduction in forecasted headroom of future taxable profits so that the recognised deferred tax assets would not be realised.

18 INVENTORIES

	GROUP 2021 RM'000	GROUP 2020 RM'000
Raw materials	34,239	24,797
Work-in-progress	9,591	7,336
Finished goods	23,065	25,774
	66,895	57,907
Less: Allowance for slow-moving and obsolete inventories	(402)	(19)
	66,493	57,888

The cost of inventories recognised as an expense and included in the Group's profit or loss amounted to approximately RM213,904,000 (2020: RM154,502,000).

Included in raw materials are inward goods in transit amounting to approximately RM3,643,000 (2020: RM2,132,000).

19 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade receivables	36,170	21,159	0	0
Less: Loss allowance for impairment	(65)	(161)	0	0
	36,105	20,998	0	0
Contract assets in relation to services rendered for product development	3,823	270	0	0
	39,928	21,268	0	0
Other receivables	64	1,044	0	0
Deposits	80	72	1	1
Prepayments	2,102	2,436	10	10
	2,246	3,552	11	11
Derivative financial assets - foreign currency exchange forward contracts (Note 20)	1	60	0	0
	42,175	24,880	11	11

Credit terms of trade receivables of the Group ranged from 14 to 75 days (2020: 15 to 75 days).

19 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Included in prepayments are:

	GROUP	
	2021 RM'000	2020 RM'000
- levy for foreign workers	133	416
- life insurance premium of key management	787	1,042
- advance payments for purchase of inventories	153	4

The currency exposure profile of receivables, contract assets, deposits and derivative financial assets are as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
US Dollar	39,877	21,345	0	0
Ringgit Malaysia	196	1,099	1	1
	40,073	22,444	1	1

Movement in contract assets is as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
As at 1 July	270	319	0	0
Transfer to trade receivables	(246)	(319)	0	0
Revenue recognised during the financial year	9,131	466	0	0
Amount billed to customer during the financial year	(5,332)	(196)	0	0
As at 30 June	3,823	270	0	0

20 DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP	
	2021 RM'000	2020 RM'000
Derivative financial instruments		
Assets (Note 19)	1	60
Liabilities (Note 24)	18	35

The subsidiary does not apply hedge accounting. It has entered into foreign currency forward exchange contracts which are economic hedges to mitigate its risk of foreign currency exposure.

20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The notional principal amounts of the outstanding derivative financial instruments are as follows:

	Currency bought	Currency sold	GROUP 2021 RM'000	GROUP 2020 RM'000
Foreign currency forward exchange contracts	RM	USD	6,646	6,465

21 RELATED PARTY DISCLOSURES

21.1 Related parties and relationship

The directors regard Blue Ocean Enlightenment Sdn. Bhd., a private limited liability company incorporated in Malaysia, as the Company's ultimate holding company.

The subsidiary of the Company is listed in Note 16 to the financial statements.

The wholly-owned subsidiary of the Company is Salutica Allied Solutions Sdn. Bhd., a private limited liability company incorporated in Malaysia.

A key management personnel is a person who has responsibility for planning, directing and contributing to the activities of the Company directly or indirectly. Key management personnel of the Company comprises all members of the Board of Directors. All directors of the Company and the senior management team of the subsidiary are regarded as key management personnel of the Group.

21.2 Related party balance

Amount due from a subsidiary which is denominated in Ringgit Malaysia, non trade in nature, interest free and receivable on demand.

21.3 Significant related party transactions

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Consultation fees paid/payable to a person connected with certain directors of the Company	0	19	0	0
Meal expenses paid/payable to a person connected with certain directors of the Company	7	0	0	0
Payment of expense on behalf for a subsidiary	0	0	14	14
Repayment of amount due from a subsidiary	0	0	500	4,000

The above transactions were established based on terms and rates agreed between the related parties.

21 RELATED PARTY DISCLOSURES (CONTINUED)

21.4 Key management compensation

Included in the employee benefit costs are compensations paid to key management personnel as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors' remuneration:				
- directors of the Company (Note 7)	2,757	2,552	363	363
- directors of the subsidiary (Note 7)	672	640	0	0
	3,429	3,192	363	363
Other key management personnel:				
- salaries and other short term employee benefits	336	259	0	0
- defined contribution plan expenses	33	46	0	0
	369	305	0	0
	3,798	3,497	363	363
Monetary value of benefits-in-kind	220	132	0	0

Key management compensation includes directors' remuneration as disclosed in Note 7 to the financial statements.

22 SHORT TERM INVESTMENT

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Investment in a unit trust fund quoted in Malaysia, at fair value	15,232	46,250	10,708	30,379

The short term investment as at 30 June 2021 and 30 June 2020 are in respect of investment in an Islamic money market fund.

The quoted market prices of the Islamic money market fund as at 30 June 2021 is RM1.00 (2020: RM1.00).

The movements of short term investment during the financial year are as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 July	46,250	54,588	30,379	25,851
Purchases during the financial year	39,810	60,580	460	11,880
Disposals during the financial year	(71,400)	(70,210)	(20,570)	(8,210)
Fair value gains (Note 8)	572	1,292	439	858
At 30 June	15,232	46,250	10,708	30,379

23 DEPOSITS, CASH AND BANK BALANCES

Cash and cash equivalents included in the statements of cash flows comprise the following:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed deposits with licensed banks	0	2,000	0	0
Cash and bank balances	1,552	1,836	7	24
	1,552	3,836	7	24

Certain of the Group's and the Company's fixed deposits and bank balances totalling RM7,000 and RM7,000 (2020: RM2,024,000 and RM24,000) are placed with a licensed Islamic bank as at 30 June 2021.

The currency exposure profile of deposits, cash and bank balances is as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Ringgit Malaysia	399	2,528	7	24
US Dollar	1,144	1,305	0	0
Others	9	3	0	0
	1,552	3,836	7	24

	GROUP	
	2021 %	2020 %
Weighted average effective interest rate at the reporting date is as follows:		
- fixed deposits with licensed banks	N/A	2.35

	GROUP	
	2021 Days	2020 Days
The range of maturity periods of the deposits with licensed banks from the reporting date are as follows:		
- unencumbered	N/A	92

Cash and bank balances of the Group and of the Company are deposits placed in current accounts with various licensed banks in Malaysia which do not earn any interest and cash in hand.

24 PAYABLES AND ACCRUED LIABILITIES

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade payables	39,890	39,801	0	0
Contract liabilities	3,460	3,039	0	0
	43,350	42,840	0	0
Other payables	2,118	1,667	18	0
Accrued liabilities	5,172	3,256	468	468
	7,290	4,923	486	468
Derivative financial liabilities – foreign currency exchange forward contracts (Note 20)	18	35	0	0
	50,658	47,798	486	468

Movement in contract liabilities is as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
As at 1 July	3,039	248	0	0
Revenue recognised that was included in the contract liabilities balance at the beginning of the financial year	(3,039)	(248)	0	0
Increase due to cash received, excluding amounts recognised as revenue during the financial year	3,460	3,039	0	0
As at 30 June	3,460	3,039	0	0

Credit terms of trade and other payables granted to the Group vary from 14 to 90 days (2020: 14 to 90 days) from the invoice date.

Included in other payables of the Group are in respect of purchase of property, plant and equipment of approximately RM1,499,000 (2020: RM805,000).

Included in contract liabilities are deferred revenue arising from services rendered in respect of product development amounted to approximately RM61,000 (2020: RM86,000) and advances made by customers to fund the purchase of raw materials amounted to approximately RM3,399,000 (2020: RM2,953,000).

24 PAYABLES AND ACCRUED LIABILITIES (CONTINUED)

The currency profile of payables and accrued liabilities (exclude provision and contract liabilities) is as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
US Dollar	36,600	38,218	0	0
Ringgit Malaysia	10,244	6,523	486	468
Euro	0	17	0	0
Others	354	1	0	0
	47,198	44,759	486	468

25 PROVISION FOR WARRANTIES

	GROUP	
	2021 RM'000	2020 RM'000
At 1 July	60	54
Charged during the financial year	41	7
Utilised during the financial year	(31)	(1)
At 30 June	70	60

Provision for warranties is in respect of finished products manufactured and sold by the Group. The provision is measured at a percentage rate of historical replacement to the related revenue and a review of possible outcomes against the associated probabilities of returns.

26 BORROWINGS

	GROUP	
	2021 RM'000	2020 RM'000
CURRENT:		
- term loan	0	47
- short term revolving credits	4,000	0
- hire-purchase liabilities (Note 27)	2,576	765
- lease liability (Note 28)	20	20
	6,596	832
NON-CURRENT:		
- hire-purchase liabilities (Note 27)	4,137	1,421
- lease liability (Note 28)	123	143
	4,260	1,564

26 BORROWINGS (CONTINUED)

	GROUP 2021 RM'000	GROUP 2020 RM'000
TOTAL BORROWINGS (UNSECURED):		
- term loan	0	47
- lease liability (Note 28)	143	163
	143	210
TOTAL BORROWINGS (SECURED):		
- short term revolving credits	4,000	0
- hire-purchase liabilities (Note 27)	6,713	2,186
	10,713	2,186

The term loan of the Group is guaranteed by the Company, denominated in Ringgit Malaysia, repayable by 60 instalments and has been fully settled during the financial year (2020: remaining instalments payable of 2 months).

The term loan of the Group carried an effective interest rate of 4.51% per annum as at 30 June 2020. The interest expenses on the term loan are calculated based on floating interest rates which may be varied from time to time at the bank's discretion.

During the financial year, the Group drew down from the revolving credit facility which carries an effective interest rate of 3.90% per annum. The interest expense on the short term revolving credit is calculated based on floating interest rate of cost of funds of the bank and a margin of 1.50% per annum which may be varied from time to time at the bank's discretion.

The short term revolving credit is secured by way of first legal charge on the leasehold land and buildings of the subsidiary and is guaranteed by the Company.

27 HIRE-PURCHASE LIABILITIES

	GROUP 2021 RM'000	GROUP 2020 RM'000
At 1 July	2,186	0
Additions during the financial year	5,533	2,398
Interest charged during the financial year	144	41
Repayment	(1,150)	(253)
At 30 June	6,713	2,186

27 HIRE-PURCHASE LIABILITIES (CONTINUED)

	GROUP	
	2021	2020
	RM'000	RM'000
Future minimum hire-purchase payables:		
- payable within 1 year	2,863	875
- payable later than 1 year but not later than 2 years	2,610	875
- payable later than 2 years but not later than 5 years	1,713	622
	7,186	2,372
Less: Finance charges	(473)	(186)
	6,713	2,186
Present value of hire-purchase payables:		
CURRENT:		
- payable within 1 year	2,576	765
NON-CURRENT:		
- payable later than 1 year but not later than 2 years	2,463	814
- payable later than 2 years but not later than 5 years	1,674	607
	4,137	1,421
	6,713	2,186

Hire-purchase liabilities are denominated in Ringgit Malaysia. The effective interest rates are as follows:

	GROUP	
	2021	2020
	%	%
- hire-purchase	5.15	5.96

Hire-purchase liabilities are effectively secured as the rights to leased assets revert to the hire-purchase creditors in the event of default and they are guaranteed by the Company.

28 LEASE LIABILITY

	GROUP 2021 RM'000	GROUP 2020 RM'000
At 1 July	163	195
Interest charged during the financial year	9	19
Repayment	(29)	(51)
At 30 June	143	163
Future minimum lease liability payments:		
- payable within 1 year	29	29
- payable later than 1 year but not later than 2 years	29	29
- payable later than 2 years but not later than 5 years	86	86
- payable later than 5 years	26	55
	170	199
Less: Finance charges	(27)	(36)
	143	163
Present value of lease liability:		
CURRENT:		
- payable within 1 year	20	20
NON-CURRENT:		
- payable later than 1 year but not later than 2 years	22	20
- payable later than 2 years but not later than 5 years	75	71
- payable later than 5 years	26	52
	123	143
	143	163

Finance lease liability is denominated in Ringgit Malaysia. The effective interest rates are as follows:

	GROUP 2021 %	GROUP 2020 %
- finance lease liability	5.94	5.94

29 SHARE CAPITAL

	GROUP AND COMPANY			
	2021		2020	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
ISSUED AND FULLY PAID-UP				
Ordinary shares with no par value:				
At 1 July / 30 June	388,000	91,802	388,000	91,802

30 TREASURY SHARES

In the previous financial year on 1 July 2019 and 2 July 2019, the Company repurchased 1,227,900 and 967,100 of its ordinary shares from the open market for approximately RM386,000 and RM305,000 respectively. The average price paid for these shares repurchased were RM0.314 and RM0.316 per share respectively.

The ordinary shares held as treasury shares and the costs of treasury shares are summarised as follows:

	GROUP AND COMPANY				
			Cost per share		
	Number of shares '000	Cost RM'000	Low RM	High RM	Average cost per share RM
At 1 July 2020 / 30 June 2021	3,010	991			0.329
At 1 July 2019	815	300			0.368
Repurchased during the financial year:					
1 July 2019	1,228	386	0.305	0.320	0.314
2 July 2019	967	305	0.315	0.320	0.316
	2,195	691			
At 30 June 2020	3,010	991			0.329

The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia and carried at purchase cost. The Company has the right to distribute these shares as dividends to reward shareholders and/or resell the shares. As treasury shares, the rights attached as to voting, dividend and participation in other distribution are suspended.

As at 30 June 2021, the number of outstanding ordinary shares in issue after the setting off treasury shares against equity was 384,990,000 (2020: 384,990,000) ordinary shares.

31 RETAINED PROFITS

Dividends paid out of retained profits of the Company are single-tier dividends which are tax exempt in the hands of shareholders.

32 DIVIDENDS (2020 ONLY)

	COMPANY 2020 RM'000
Paid	
In respect of the financial year ended 30 June 2020, on 384,990,000 ordinary shares:	
- First interim single-tier tax exempt dividend of 0.6 sen per share, declared on 20 August 2019 and paid on 30 September 2019	2,310
- Second interim single-tier tax exempt dividend 0.6 sen per share declared on 22 November 2019 and paid on 18 December 2019	2,310
- Third interim single-tier tax exempt dividend of 0.6 sen per share declared on 24 February 2020 and paid on 27 March 2020	2,310
	6,930
Dividends per share	
- gross	0.018

No dividend has been paid or declared since the end of the Company's previous financial year. The directors do not recommend the payment of any dividend in respect of the financial year ended 30 June 2021.

33 THE ANALYSIS OF MOVEMENTS IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Movements in cash flow			Non-cash changes		
GROUP - 2021	Note	As at 01.07.2020 RM'000	Addition RM'000	Repayment RM'000	Interest paid RM'000	Addition RM'000	Interest expenses RM'000	As at 30.06.2021 RM'000
Term loan	26	47	0	(47)	(0)*	0	0 *	0
Short term revolving credits	26	0	4,000	0	(54)	0	54	4,000
Hire-purchase liabilities	27	2,186	0	(1,006)	(144)	5,533	144	6,713
Lease liability	28	163	0	(20)	(9)	0	9	143

			Movements in cash flow		Non-cash changes		
GROUP - 2020	Note	As at 01.07.2019 RM'000	Repayment RM'000	Interest paid RM'000	Addition RM'000	Interest expenses RM'000	As at 30.06.2020 RM'000
Term loan	26	313	(266)	(10)	0	10	47
Hire-purchase liabilities	27	0	(212)	(41)	2,398	41	2,186
Lease liability	28	0	(32)	(19)	195	19	163

*Amount is less than RM500.

34 CAPITAL COMMITMENTS

Capital commitments in respect of property, plant and equipment not provided for in the financial statements are as follows:

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Capital expenditure commitments:				
Approved and contracted for	1,302	423	0	0

35 FINANCIAL INSTRUMENTS

35.1 Classification of financial instruments

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial assets at amortised cost				
Receivables and deposits	40,072	22,384	1	1
Amount due from a subsidiary	0	0	18,500	19,000
Deposits, cash and bank balances	1,552	3,836	7	24
	41,624	26,220	18,508	19,025
Financial assets at fair value through profit or loss				
Short term investment	15,232	46,250	10,708	30,379
Derivative financial assets	1	60	0	0
	15,233	46,310	10,708	30,379
Total financial assets	56,857	72,530	29,216	49,404
Financial liabilities at amortised cost				
Payables and accrued liabilities (exclude contract liabilities)	47,180	44,724	486	468
Hire purchase liabilities	6,713	2,186	0	0
Lease liability	143	163	0	0
Term loan	0	47	0	0
Short term revolving credits	4,000	0	0	0
	58,036	47,120	486	468
Financial liability at fair value through profit or loss				
Derivative financial instruments	18	35	0	0
Total financial liabilities	58,054	47,155	486	468

35.2 Fair value of financial instruments

The carrying amounts of the financial instruments of the Group and of the Company at the reporting date approximating their fair value because they are mostly short term in nature or are repaid frequently.

The fair values of derivative financial assets and liabilities (i.e. forward foreign currency exchange contracts) as disclosed in Note 20 to the financial statements is determined using quoted forward foreign currency exchange rates at the reporting date.

36 SEGMENT REPORTING

The Group operates in Malaysia under one business segment:

- Consumer electronics - is an operating segment which comprises vertical integration processes covering product design and development, and manufacturing of mobile communication products, wireless electronics and lifestyle devices.

Segment reporting is not presented as the Group is only engaged in consumer electronics segment which has been disclosed above, whereby the measurement of profit or loss that is used by the chief operating decision-maker on a Group basis.

The Group's operations are in Malaysia. Non-current assets by geographical segments are not disclosed as all operations of the Group are based in Malaysia.

The Group's single most major customer contributed to approximately 88% (2020: 93%) of total revenue of the Group for the financial year ended 30 June 2021.

The basis of measurement of reported segment profit or loss, segment assets and segment liabilities are consistent with the basis used for the statements of comprehensive income of the Group for the financial years ended 30 June 2021 and 30 June 2020 and the statements of financial position as at 30 June 2021 and 30 June 2020. The components of the segment assets and liabilities include classes of assets and liabilities disclosed in the statements of financial position.

37 FINANCIAL GUARANTEE CONTRACTS

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Corporate guarantee given to banks for credit facilities granted to a subsidiary:				
Amount guaranteed				
- available credit facilities	0	0	27,000	28,200
- amount drawn down remained outstanding	0	0	10,713	2,233

38 IMPACT OF COVID-19 PANDEMIC

The Group's performance had been affected by the impact of COVID-19 during the financial years ended 30 June 2021 and 30 June 2020. The outbreak of COVID-19, which was declared a global pandemic by the World Health Organisation in March 2020, had resulted in wide economic implications when many international borders were closed and partial lockdowns declared, resulting in many economies grinding to a halt. The Malaysian economy also took a hit when the government announced the Movement Control Order ("MCO") on 18 March 2020 and only began to ease in stages from May 2020 onwards, following the implementation of the Conditional Movement Control Order ("CMCO") and the Recovery MCO ("RMCO") where factories and businesses began to reopen gradually. The further re-implementation of the MCO in early 2021 continued to impact the Malaysian economy.

On 20 November 2020, the Group had temporarily suspended its operations due to a number of positive cases in its production staff which required to be quarantine. Consequently, the Group's revenue were affected by approximately 4% due to cancelled orders. The Group resumed its operations on 14 December 2020.

38 IMPACT OF COVID-19 PANDEMIC (CONTINUED)

During the re-implementation of the MCO in fourth quarter of the Group's financial year ended 30 June 2021, the Group had received approval from the Ministry of International Trade and Industry ("MITI") on 7 June 2021 to operate at 60% capacity, with strict adherence to workplace and production floor Standard Operating Procedures ("SOPs"). Subsequent to the announcement of the National Recovery Plan ("NRP") which commenced on 29 June 2021, the Group obtained approval from the MITI to operate at 80% capacity. As such, although operating at reduced capacities, there were minimal interruption to production plans of the Group, and customers order fulfilments were not significantly affected. The directors will continue to monitor the situations and proactively mitigate the financial impact, wherever applicable, to the Group.

39 SUBSEQUENT EVENTS

On 11 August 2021, the Company sold 10,000 treasury shares to the open market for approximately RM7,000. The remaining number of treasury shares after the sale is 3,000,000 ordinary shares.

The Company had obtained approval from its shareholders at its Annual General Meeting ("AGM") convened on 23 November 2020, whereby pursuant to Sections 75 and 76 of the Companies Act 2016 in Malaysia ("Act"), the Board had been authorised to allot and issue new ordinary shares of the Company provided that the aggregate number of new ordinary shares of the Company issued during the preceding 12 months does not exceed 20% of the total number of issued ordinary shares (excluding treasury shares) of the Company at the time of the issue ("General Mandate"). Such authority shall continue to be in force until the conclusion of the next AGM of the Company.

On 2 August 2021, the Company announced to undertake a proposed private placement exercise of up to 10% of total number of issued shares of 388,000,000 or 385,000,000 net of treasury shares, for the purpose of expansion of the Group's product range ("Proposed Private Placement").

Bursa Malaysia Securities Berhad had, vide its letter dated 6 August 2021, resolved to approve the listing and quotation of up to 38,800,000 ordinary shares ("Placement shares") to be issued pursuant to the Proposed Private Placement as announced by the Company on 6 August 2021.

On 6 August 2021, the Company had fixed the issue price for the first tranche of the Proposed Private Placement at RM0.56 per Placement Share. The issue price of RM0.56 represents a discount of RM0.055 or approximately 8.94% to the 5-day volume weighted average price of the Company's shares up to and including 5 August 2021, being the market day immediately preceding the price-fixing date of RM0.615 per ordinary share of the Company.

On 18 August 2021, the Company announced the issuance and listing of 38,500,000 new ordinary shares at an issue price of RM0.56 per ordinary share pursuant to the Proposed Private Placement which further increased the number of ordinary shares (inclusive of 3,000,000 treasury shares) from 388,000,000 to 426,500,000 and the share capital from RM91,802,368 to RM113,362,368.

On 26 August 2021, the Company subscribed for an additional 20 million units of ordinary shares at an issue price of RM1 per ordinary share issued by its wholly owned subsidiary, Salutica Allied Solutions Sdn. Bhd. for a cash consideration of RM20 million for the purpose of financing the expansion of the subsidiary's range of products.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 15 October 2021.

ANALYSIS OF SHAREHOLDINGS
As at 1 October 2021

Total number of Issued Shares	:	426,500,000 ordinary shares
Total number of Treasury Shares	:	3,000,000 ordinary shares
Total number of Issued Shares net of Treasury Shares	:	423,500,000 ordinary shares
Issued Share Capital	:	RM113,362,368
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share
Number of shareholders	:	3,083

LIST OF SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest Size of Holdings	Direct Interest %(#)	Indirect Interest Size of Holdings	Indirect Interest %(#)
Blue Ocean Enlightenment Sdn. Bhd. (“**BOE**”)	214,500,000	50.65	–	–
Lim Chong Shyh	–	–	214,500,000 [1]	50.65
Joshua Lim Phan Yih	–	–	214,500,000 [1]	50.65
Joel Lim Phan Hong	–	–	214,500,000 [1]	50.65

Note:

1. Deemed interested by virtue of shareholdings in BOE pursuant to Section 8 of the Companies Act, 2016 (the “Act”).

DIRECTORS’ SHAREHOLDINGS

Name	Direct Interest Size of Holdings	Direct Interest %(#)	Indirect Interest Size of Holdings	Indirect Interest %(#)
Chia Chee Hoong	1,200,000	0.28	–	–
Low Teng Lum	700,000	0.17	30,000 [2]	0.01
Leow Chan Khiang	700,000	0.17	–	–
Chan Shook Ling	6,100,000	1.44	–	–
Lim Chong Shyh	–	–	214,500,000 [1]	50.65
Joshua Lim Phan Yih	–	–	214,500,000 [1]	50.65
Joel Lim Phan Hong	–	–	214,500,000 [1]	50.65

Note:

1. Deemed interested by virtue of shareholdings in BOE pursuant to Section 8 of the Act.
2. Deemed interested by virtue of the shares held by his spouse in the Company.

ANALYSIS BY SIZE OF HOLDINGS

No. of Holders	Size of Holdings	Total Holdings (#)	%(#)
9	1 - 99	208	0.00
325	100 – 1,000	188,900	0.05
1,374	1,001 – 10,000	8,142,101	1.92
1,091	10,001 – 100,000	38,032,600	8.98
283	100,001 to less than 5% of issued shares	162,636,191	38.40
1	5% and above of issued shares	214,500,000	50.65
3,083	**TOTAL**	**423,500,000**	**100.00**

Analysis of Shareholdings (Cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of shares held	%[#]
1.	BLUE OCEAN ENLIGHTENMENT SDN. BHD.	214,500,000	50.65
2.	CITIGROUP NOMINEES (ASING) SDN. BHD. *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)*	10,398,600	2.46
3.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)*	10,000,000	2.36
4.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *CIMB FOR LIM KA KIAN (PB)*	7,600,000	1.79
5.	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. *CIMB COMMERCE TRUSTEES BERHAD* *FOR KENANGA GROWTH OPPORTUNITIES FUND (50154 TR01)*	6,706,200	1.58
6.	CHAN SHOOK LING	6,100,000	1.44
7.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TEOH HUI PENG (8076778)*	4,800,000	1.13
8.	GOH BEE CHIN @ OOI BEE CHIN	3,284,800	0.78
9.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)*	2,840,000	0.67
10.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN. BHD. *CIMB ISLAMIC TRUSTEE BHD FOR BIMB I TACTICAL FUND*	2,800,000	0.66
11.	TAN BOOI CHARN	2,800,000	0.66
12.	TAN CHOR OON	2,681,000	0.63
13.	HO KEAT SOONG	2,450,000	0.58
14.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *MAYBANK TRUSTEES BERHAD FOR BIMB I GROWTH FUND (940160)*	2,340,000	0.55
15.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *LIM KOK KHONG (AA0039387)*	2,100,000	0.50
16.	CHEN FOONG MEE	2,000,000	0.47
17.	JASON CHING CHOU-YI	2,000,000	0.47
18.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *NATASHA NG EU JERN (023)*	1,888,800	0.46
19.	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. *ICAPITAL.BIZ BERHAD*	1,700,200	0.40
20.	CHIA CHEE WAI	1,625,000	0.38
21.	DO HOCK KWONG	1,594,800	0.38
22.	LEE BOON GIAP	1,550,000	0.37

Analysis of Shareholdings (Cont'd)

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of shares held	%(#)
23.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LEE YONG CHIA*	1,500,000	0.35
24.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YOUNG CHUAN KIM (E-KTU)*	1,500,000	0.35
25.	RHB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LIM KIEN YEAP*	1,400,000	0.33
26.	KHO BOON FOCK	1,261,000	0.30
27.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD. *AS BENEFICIAL OWNER (PF)*	1,250,000	0.30
28.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHIA CHEE HOONG*	1,200,000	0.28
29.	NG KI SIONG	1,000,000	0.24
30.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *MAYBANK TRUSTEES BERHAD FOR KENANGA EQUITYEXTRA FUND (990405)*	994,900	0.23
	TOTAL	**303,865,300**	**71.75**

Note:

(#) Excludes a total of 3,000,000 ordinary shares bought back by the Company and held as Treasury Shares as at 1 October 2021.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting ("9th AGM") of SALUTICA BERHAD ("**Salutica**" or the "**Company**") will be conducted fully virtual through online meeting platform via TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC:D1A282781) provided by Tricor Investor & Issuing House Services Sdn. Bhd. in Malaysia on Thursday, 25 November 2021 at 10.30 a.m. for the following purposes:-

A G E N D A

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2021 together with the Directors' and the Auditors' Reports thereon. ***Please refer to Explanatory Note 1***

2. To approve the payment of Directors' fees of RM495,000.00 for the financial year ended 30 June 2021. ***Ordinary Resolution 1***

3. To re-elect the following Directors who retire pursuant to Clause 76(3) of the Constitution of the Company and being eligible offered themselves for re-election:-

   (i) Mr. Lim Chong Shyh ***Ordinary Resolution 2***

   (ii) Mr. Leow Chan Khiang ***Ordinary Resolution 3***

4. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 30 June 2022 and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 4***

AS SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modifications, the following Ordinary Resolutions:-

5. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** ***Ordinary Resolution 5***

   "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed General Mandate").

THAT such approval on the Proposed General Mandate shall continue to be in force until:

a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;

b. the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or

c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate."

6. **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY** ***Ordinary Resolution 6***

"THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the best interest of the Company provided that:

i. the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and

ii. the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back").

Notice of Annual General Meeting (Cont'd)

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

a. the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which this resolution was passed, at which time the said authority shall lapse unless by an ordinary resolution passed at the next AGM, the authority is renewed, either unconditionally or subject to conditions;

b. the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

c. revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

i. To cancel all or part of the Purchased Shares;

ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;

iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;

iv. To resell all or part of the treasury shares;

v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;

vi. To transfer all or part of the treasury shares as purchase consideration;

vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister charged with the responsibility for companies may by order prescribe; and/or

viii. To deal with the treasury shares in any other manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

Notice of Annual General Meeting (Cont'd)

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities."

7. **ISSUANCE AND ALLOTMENT OF NEW ORDINARY SHARES IN SALUTICA ("NEW SALUTICA SHARES") PURSUANT TO THE DIVIDEND REINVESTMENT PLAN ("DRP") THAT PROVIDES THE SHAREHOLDERS OF SALUTICA ("SHAREHOLDERS") WITH THE OPTION TO REINVEST THEIR DIVIDEND TO WHICH THE DRP APPLIES, IN NEW SALUTICA SHARES ("ISSUANCE OF NEW SALUTICA SHARES PURSUANT TO DRP")** ***Ordinary Resolution 7***

"THAT pursuant to the DRP as approved by the Shareholders at the Eighth Annual General Meeting held on 23 November 2020, and subject to the approvals of relevant regulatory authorities, where required, and the provisions of the Companies Act 2016, approval be and is hereby given to the Company to issue and allot such number of new Salutica Shares from time to time as may be required to be issued and allotted pursuant to the DRP until the conclusion of the next Annual General Meeting, upon such terms and conditions and to such persons as the Directors, may in their absolute discretion, deem fit and in the best interest of the Company;

THAT the issue price of the said new Salutica Shares shall be fixed by the Directors at a discount of not more than ten per cent (10%) to the five (5)-day volume weighted average market price ("VWAMP") of Salutica Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the abovementioned discount in fixing the issue price;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments to the terms of the DRP as the Directors may deem fit, necessary and/or expedient in the best interest of the Company or as may be imposed or agreed to by any relevant authorities or consequent upon the implementation of the said conditions, modifications, variations and/or amendments and to take all steps as they consider necessary in connection with the DRP."

8. To transact any other business for which due notice is given in accordance with the Companies Act 2016 and the Constitution of the Company.

BY ORDER OF THE BOARD

CHONG LAY KIM (SSM PC NO. 202008001920) (LS 0008373)
YENG SHI MEI (SSM PC NO. 202008001282) (MAICSA 7059759)
CHAN SHOOK LING (SSM PC NO. 202008004150) (MIA 17167)
Secretaries

Ipoh
27 October 2021

Notice of Annual General Meeting (Cont'd)

Notes:-

1. **IMPORTANT NOTICE**

   Shareholders **WILL NOT BE ALLOWED** to attend the 9th AGM in person on the day of the meeting.

   Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at 9th AGM using the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.

   Please read these Notes carefully and follow the procedures in the Administrative Guide for 9th AGM in order to participate remotely via RPV.

2. For the purpose of determining who shall be entitled to participate in this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a **Record of Depositors as at 19 November 2021**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.

3. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.

4. A member of the Company who is entitled to participate at a general meeting of the Company may appoint not more than two (2) proxies to attend and vote instead of the member at the general meeting.

5. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

7. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

8. A member who has appointed a proxy or attorney or authorised representative to participate at the AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for 9th AGM.

9. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

   (i) In hard copy form
   In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's Share Registrar at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

   (ii) By electronics means
   The proxy form can be electronically lodged with the Company's Share Registrar via TIIH Online at https://tiih.online. Kindly refer to the Administrative Guide for the 9th AGM on the procedures for electronic lodgement of proxy form via TIIH Online.

Notice of Annual General Meeting (Cont'd)

10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

11. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

12. Last date and time for lodging the proxy form is **Tuesday, 23 November 2021 at 10.30 a.m**.

13. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

    i. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

    ii. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:

        a. at least two (2) authorised officers, of whom one shall be a director; or
        b. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

14. Shareholders are advised to check the Company's website at www.salutica.com and announcements from time to time for any changes to the administration of the 9th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

Explanatory Notes on the Ordinary Business

1. Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda **is not put forward for voting**.

2. **Ordinary Resolution 1**
   Directors' Fees for the Financial Year Ended 30 June 2021

   The proposed Ordinary Resolution 1 is to facilitate the payment of Directors' fees for the Group for the financial year ended 30 June 2021.

3. **Ordinary Resolutions 2 and 3**
   Re-election of Directors pursuant to Clause 76(3) of the Company's Constitution

   Mr. Lim Chong Shyh and Mr. Leow Chan Khiang, who are standing for re-election as Directors and being eligible, have offered themselves for re-election at the Ninth Annual General Meeting.

   The Board of Directors ("the Board") has through the Nomination and Remuneration Committee, considered the assessment of the Directors and collectively agreed that they meet the criteria prescribed by Paragraph 2.20A of the MMLR on character, experience, integrity, competence and time to effectively discharge their role as Directors.

Notice of Annual General Meeting (Cont'd)

4. **Ordinary Resolution 4**
Re-appointment of Messrs PricewaterhouseCoopers PLT as Auditors of the Company

The Board and the Audit and Risk Management Committee had considered the experience, fee and engagement proposal, the suitability and independence of the auditors and recommended the re-appointment of Messrs PricewaterhouseCoopers PLT as Auditors of the Company.

Explanatory Notes on the Special Business

1. **Ordinary Resolution 5**
Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed ordinary resolution, if passed, will empower the Directors to issue and allot ordinary shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Proposed General Mandate").

The authority for the Proposed General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

This proposed Resolution is a renewal of the previous year's mandate. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time.

The purpose of this general mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, acquisitions and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this notice, 38,500,000 new shares in the Company have been allotted to the placees by way of private placement pursuant to the general mandate obtained at the Eighth Annual General Meeting held on 23 November 2020. The general mandate will lapse at the conclusion of the 9th AGM. The total proceeds raised from the said private placement exercise were approximately RM21.56 million. Details of the utilisation of proceeds raised from the aforesaid private placement exercise are as follows:

Details of Utilisation	Timeframe for utilisation	Amount (RM' 000)	%	Amount of Proceeds Utilised (RM' 000)
Expansion of the Group's product range	Within 6 to 12 months	21,060	97.7	Not yet utilised
Estimated expenses in relation to the Proposed Private Placement	Upon completion of the Proposed Private Placement	500	2.3	(500)
Total		**21,560**	**100.0**	**(500)**

2. **Ordinary Resolution 6**
Proposed Renewal of Share Buy-Back Authority

This proposed Ordinary Resolution 6, if passed, will empower the Directors to purchase up to ten per centum (10%) of the total number of issued shares of the Company through Bursa Malaysia Securities Berhad. Please refer to the Statement to Shareholders dated 27 October 2021 for further information.

3. **Ordinary Resolution 7**
To issue and allot shares in relation to the Dividend Reinvestment Plan

Dividend Reinvestment Plan would strengthen the Company's capital position. The reinvestment of dividend entitlements by shareholders for new Company shares will enlarge the Company's share capital and strengthen its capital position for future growth. Under Dividend Reinvestment Plan, the cash that would otherwise be paid out by way of dividend will be preserved to fund the working capital and/or capital funding requirements of the Company and the Group.

This resolution, if passed, will give the authority to the Directors to issue and allot new Salutica Shares pursuant to the Dividend Reinvestment Plan in respect of dividends that may be declared after this AGM out of profits of the Company available if the Company is solvent pursuant to Sections 131 and 132 of the Companies Act 2016, and such authority shall expire at the conclusion of the next AGM of the Company.

STATEMENT ACCOMPANYING NOTICE OF NINTH ANNUAL GENERAL MEETING

(Pursuant to paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Details of individuals who are standing for election as Directors (excluding directors standing for re-election)

No individual is seeking election as a Director at the forthcoming Ninth Annual General Meeting of the Company.

ADMINISTRATIVE GUIDE
FOR NINTH ANNUAL GENERAL MEETING

Date	:	**Thursday, 25 November 2021**
Time	:	**10.30 a.m.**
Online Meeting Platform	:	TIIH Online website at https://tiih.online provided by Tricor Investor & Issuing House Services Sdn. Bhd.

PRECAUTIONARY MEASURES AGAINST THE CORONAVIRUS DISEASE ("COVID-19") AND MODE OF MEETING

- The Securities Commission Malaysia ("SC") had, on 13 January 2021, announced that capital market entities supervised, licensed or registered by the SC shall operate in accordance with the applicable Standard Operating Procedures ("SOPs) issued by the authorities during the Emergency Ordinance and various forms of Movement Control Order ("MCO"). The SC had, on 16 July 2021, issued a revised Guidance Note on the Conduct of General Meetings for Listed Issuers ("SC Guidance Note") whereby listed issuers are now permitted to conduct a fully virtual, hybrid or physical general meetings in the areas under Conditional MCO, Recovery MCO or areas not subjected to any movement restriction, subject to adhering to the prevailing and applicable SOPs as well as precautionary measures as prescribed by the Government, the Ministry of Health, Malaysian National Security Council and other relevant authorities to curb the spread of COVID-19.

- In line with the Government's directive and SC Guidance Note to curb the spread of COVID-19, the Company has decided to conduct the 9th AGM fully virtual through online meeting platform via TIIH Online website at https://tiih.online provided by Tricor Investor & Issuing House Services Sdn. Bhd.

- The Company will continue to observe the guidelines issued by the Government of Malaysia, Ministry of Health, Malaysian National Security Council, Securities Commission and/or other relevant authorities, and will take all relevant precautionary measures as advised.

SHAREHOLDERS' PARTICIPATION AT THE 9TH AGM VIA REMOTE PARTICIPATION AND VOTING FACILITIES ("RPV")

- Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 9th AGM using the RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor").

- The RPV are available on Tricor's **TIIH Online** website at https://tiih.online.

- We **strongly encourage** you to participate the 9th AGM via the RPV. You may also consider appointing the Chairman of the meeting as your proxy to attend and vote on your behalf at the 9th AGM.

- Kindly refer to Procedures for RPV as set out below for the requirements and procedures.

PROCEDURES FOR RPV

- Please read and follow the procedures below to engage in remote participation through live streaming and online remote voting at the 9th AGM using the RPV:-

Procedure	Action
BEFORE THE 9th AGM DAY	
i. Register as a user with TIIH Online	▪ Using your computer, access the website at https://tiih.online. Register as a user under the "**e-Services**" by selecting "**Create Account by Individual Holder**". Refer to the tutorial guide posted on the homepage for assistance. ▪ Registration as a user will be approved within one (1) working day and you will be notified via email. ▪ If you are already a user with TIIH Online, you are not required to register again. ▪ You will receive an email to notify you that the remote participation is available for registration at TIIH Online.

Administrative Guide (Cont'd)

Procedure	Action
ii. Submit your request to attend 9th AGM remotely	▪ Registration is open from 10.30 a.m. Wednesday, 27 October 2021 until the day of 9th AGM on Thursday, 25 November 2021. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the 9th AGM to ascertain their eligibility to participate the 9th AGM using the RPV facilities. ▪ Login with your user ID (i.e. email address) and password and select the corporate event: "**(Registration) Salutica Berhad 9th AGM**". ▪ Read and agree to the Terms & Conditions and confirm the Declaration. ▪ Select "**Register for Remote Participation and Voting**". ▪ Review your registration and proceed to register. ▪ System will send an **email to notify** that your registration for remote participation is received and will be verified. ▪ After verification of your registration against the Record of Depositors as at 19 November 2021, the system will send you an **email after 23 November 2021 to approve or reject** your registration for remote participation. *(Note: Please allow sufficient time for approval of new user of TIIH Online and registration for the RPV).*
ON THE 9th AGM DAY	
i. Login to TIIH Online	▪ Login with your user ID and password for remote participation at the 9th AGM at any time from **9.30 a.m.**, i.e. 1 hour before the commencement of meeting at 10.30 a.m. on Thursday, 25 November 2021.
ii. Participate through live streaming	▪ Select the corporate event: "**(Live Stream Meeting) Salutica Berhad 9th AGM**" to engage in the proceedings of the 9th AGM remotely. If you have any question for the Chairman/Board, you may use the query box to transmit your question. The Chairman/Board will try to respond to questions submitted by remote participants during the 9th AGM. If there is time constraint, the responses will be emailed to you at the earliest possible, after the meeting.
iii. Online remote voting	▪ Voting session commences from **10.30 a.m.** on **Thursday, 25 November 2021** until a time when the Chairman announces the end of the voting session. ▪ Select the corporate event: "**(Remote Voting) Salutica Berhad 9th AGM**" or if you are on the live stream meeting page, you can select "**GO TO REMOTE VOTING PAGE**" button below the Query Box. ▪ Read and agree to the Terms & Conditions and confirm the Declaration. ▪ Select the CDS account that represents your shareholdings. ▪ Indicate your votes for the resolutions that are tabled for voting. ▪ Confirm and submit your votes.
iv. End of remote participation	▪ Upon the announcement by the Chairman on the conclusion of the 9th AGM, the live streaming will end.

NOTE TO USERS OF THE RPV:-

(i) Should your registration for RPV be approved, we will make available to you the rights to join the live stream meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.

(ii) The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.

(iii) In the event you encounter any issues with logging-in, connection to the live stream meeting or online voting on the meeting day, kindly call Tricor Help Line at 011-4080 5616 / 011-4080 3168 / 011-4080 3169 / 011-4080 3170 or email to tiih.online@my.tricorglobal.com for assistance.

Administrative Guide
(Cont'd)

ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY OR ATTORNEY OR CORPORATE REPRESENTATIVE

- Only members whose names appear on the Record of Depositors ("ROD") as at **19 November 2021** shall be entitled to attend, speak (in the form of real time submission of typed texts) and vote in the 9th AGM or appoint a proxy(ies)/ corporate representative(s)/attorney(s) and/or the Chairman of the Meeting to attend and vote on his/her behalf.

- In view that the 9th AGM will be conducted on a fully virtual basis, a member can appoint the Chairman of the Meeting as his/her proxy and indicate the voting instruction in the Proxy Form.

- If you wish to participate in the 9th AGM yourself, please do not submit any Proxy Form for the 9th AGM. You will not be allowed to participate in the 9th AGM together with a proxy appointed by you.

- Accordingly, proxy forms and/or documents relating to the appointment of proxy/corporate representative/attorney for the 9th AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Tuesday, 23 November 2021** at **10.30 a.m.**:-

(i) <u>In hard copy:-</u>

By hand or post to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur;

(ii) <u>By electronic form:-</u>

All shareholders can have the option to submit proxy forms electronically via TIIH Online and the steps to submit are summarised below:-

Procedure	Action
I. Steps for Individual Shareholders	
Register as a user with TIIH Online	▪ Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please refer to the tutorial guide posted on the homepage for assistance. ▪ If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of proxy form	▪ After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. ▪ Select the corporate event: "**Salutica Berhad 9th AGM - Submission of Proxy Form**". ▪ Read and agree to the Terms & Conditions and confirm the Declaration. ▪ Insert your CDS account number and indicate the number of shares for your proxy(ies) to vote on your behalf. ▪ Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. ▪ Review and confirm your proxy(ies) appointment. ▪ Print the proxy form for your record.

Administrative Guide
(Cont'd)

Procedure	Action
II. Steps for Corporation or Institutional Shareholders	
Register as a user with TIIH Online	▪ Access TIIH Online at https://tiih.online. ▪ Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "**Create Account by Representative of Corporate Holder**". ▪ Complete the registration form and upload the required documents. ▪ Registration will be verified, and you will be notified by email within one (1) to two (2) working days. ▪ Proceed to activate your account with the temporary password given in the email and re-set your own password. *Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar, Tricor, if you need clarifications on the user registration.*
Proceed with submission of proxy form	▪ Login to TIIH Online at https://tiih.online. ▪ Select the corporate exercise name: "**Salutica Berhad 9th AGM - Submission of Proxy Form**" ▪ Agree to the Terms & Conditions and Declaration. ▪ Proceed to download the file format for "**Submission of Proxy Form**" in accordance with the Guidance Note set therein. ▪ Prepare the file for the appointment of proxies by inserting the required data. ▪ Proceed to upload the duly completed proxy appointment file. ▪ Select "Submit" to complete your submission. ▪ Print the confirmation report of your submission for your record.

VOTING AT MEETING

- The voting at the 9th AGM will be conducted on a poll pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The Company has appointed Tricor to conduct the poll voting and Coopers Professional Scrutineers Sdn. Bhd. as Independent Scrutineers to verify the poll results.

- Shareholders or proxy(ies) or corporate representative(s) or attorney(s) can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the 9th AGM at 10.30 a.m. Kindly refer to "**Procedures for RPV**" provided above for guidance on how to vote remotely via TIIH Online website at https://tiih.online.

- Upon completion of the voting session for 9th AGM, the Scrutineers will verify the poll results followed by the Chairman's declaration whether the resolutions are duly passed.

RESULTS OF THE VOTING

- The resolutions proposed at the 9th AGM and the results of the voting will be announced at the 9th AGM and subsequently via an announcement made by the Company through Bursa Malaysia at www.bursamalaysia.com.

NO DOOR GIFT

- There will be no distribution of door gifts for the 9th AGM since the meeting is being conducted on a fully virtual basis.

- The Company would like to thank all its shareholders for their co-operation and understanding in these challenging times.

Administrative Guide (Cont'd)

PRE-MEETING SUBMISSION OF QUESTIONS TO THE BOARD OF DIRECTORS

- The Board recognises that the 9th AGM is a valuable opportunity for the Board to engage with shareholders. In order to enhance the efficiency of the proceedings of the 9th AGM, shareholders may in advance, before the 9th AGM, submit questions to the Board of Directors via Tricor's TIIH Online website at https://tiih.online, by selecting "**e-Services**" to login, post your questions and submit it electronically no later than **Tuesday, 23 November 2021 at 10.30 a.m**. The Board of Directors will endeavor to address the questions received at the 9th AGM.

ANNUAL REPORT

- The Annual Report is available on the Company's website at www.salutica.com and Bursa Malaysia's website at www.bursamalaysia.com under Company's announcements.

- You may request for a printed copy of the Annual Report at https://tiih.online by selecting "**Request for Annual Report / Circular**" under the "**Investor Services**".

- Kindly consider the environment before you decide to request for the printed copy of the Annual Report. The environmental concerns like global warming, deforestation, climate change and many more affect every human, animal and nation on this planet.

ENQUIRY

- If you have any enquiry prior to the meeting, please call our Share Registrar, Tricor at +603-2783 9299 during office hours, i.e. from 8.30 a.m. to 5.30 p.m. (Monday to Friday).

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SALUTICA

SALUTICA BERHAD
(Registration No. 201201040303 (1024781-T))
(Incorporated in Malaysia)

PROXY FORM

CDS Account Number

Number of Shares Held

I/We,____Tel: ____________________
((Full name in block, NRIC/Passport/Company No.)

of ____
(Full Address)

____
being member(s) of **SALUTICA BERHAD**, hereby appoint

Full Name (in Block)	**NRIC / Passport No.:**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address :			

*and / or

Full Name (in Block)	**NRIC / Passport No.:**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address :			

or failing him, the Chairperson of the Meeting, as *my/our proxy/proxies to vote for *me/us and on *my/our behalf at the Ninth Annual General Meeting ("9th AGM") of the Company, which will be conducted fully virtual through the online meeting platform via TIIH Online website at https://tiih.online or https://tiih.com.my (Domain registration number with MYNIC:D1A282781) provided by Tricor Investor & Issuing House Services Sdn. Bhd. in Malaysia on **Thursday**, **25 November 2021** at **10.30 a.m.** or any adjournment thereof, and to vote as indicated below:

Resolution	Agenda	FOR	AGAINST
1	To approve the payment of Directors' fees		
2	To re-elect Mr. Lim Chong Shyh as Director		
3	To re-elect Mr. Leow Chan Khiang as Director		
4	To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors and to authorise the Directors to fix their remuneration		
5	Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016		
6	Proposed Renewal of Share Buy-Back Authority		
7	Issuance and Allotment of Shares pursuant to Dividend Reinvestment Plan		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this ________ day of __________________ 2021

____
Signature/Common Seal of Member^

** Delete whichever is inapplicable*

^ Manner of execution:

(a) If you are an individual member, please sign where indicated.
(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
(i) at least two (2) authorised officers, of whom one shall be a director; or
(ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Notes:-

1. **IMPORTANT NOTICE**

   Shareholders **WILL NOT BE ALLOWED** to attend the 9th AGM in person on the day of the meeting.

   Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at 9th AGM using the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.

   Please read these Notes carefully and follow the procedures in the Administrative Guide for 9th AGM in order to participate remotely via RPV.

2. For the purpose of determining who shall be entitled to participate in this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a **Record of Depositors as at 19 November 2021**. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.

3. A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.

4. A member of the Company who is entitled to participate at a general meeting of the Company may appoint not more than two (2) proxies to attend and vote instead of the member at the general meeting.

5. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

7. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

8. A member who has appointed a proxy or attorney or authorised representative to participate at the AGM via RPV must request his/her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for 9th AGM.

9. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

   (i) In hard copy form

   In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's Share Registrar at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

   (ii) By electronics means
   The proxy form can be electronically lodged with the Company's Share Registrar via TIIH Online at https://tiih.online. Kindly refer to the Administrative Guide for the 9th AGM on the procedures for electronic lodgement of proxy form via TIIH Online.

10. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

11. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

12. Last date and time for lodging the proxy form is **Tuesday, 23 November 2021 at 10.30 a.m**.

13. For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. The certificate of appointment of authorised representative should be executed in the following manner:

   i. If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

   ii. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:

      a. at least two (2) authorised officers, of whom one shall be a director; or
      b. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

14. Shareholders are advised to check the Company's website at www.salutica.com and announcements from time to time for any changes to the administration of the 9th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

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Stamp

Share Registrar
Tricor Investor & Issuing House Services Sdn. Bhd.
(Registration No. 197101000970 (11324-H))

Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

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SALUTICA BERHAD
(Registration No. 201201040303 (1024781-T))

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