KOTRA INDUSTRIES BERHAD

(Incorporated in Malaysia)
Registration No: 199901022732 (497632-P)

FINANCIAL REPORT
for the financial year ended 30 June 2022

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Kotra Industries Berhad
(Incorporated in Malaysia)
Registration No: 199901022732 (497632-P)

Directors' report

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2022.

Principal activities

The Company is principally involved in investment holding and the provision of management services.

The principal activities of its subsidiaries are set out in Note 14 to the financial statements.

Results	**Group RM'000**	**Company RM'000**
Profit after taxation for the financial year	62,095	24,515

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Dividends

Dividends paid by the Company since 30 June 2021 are as follows:-

- A final single tier dividend of 7 sen per ordinary share amounting to RM10,358,214 for the financial year ended 30 June 2021 on 9 December 2021; and
- An interim single tier dividend of 9.5 sen per ordinary share amounting to RM14,057,576 for the financial year ended 30 June 2022 on 24 March 2022.

At the forthcoming Annual General Meeting, a final single tier dividend of 16 sen per ordinary share in respect of the current financial year amounting to RM23,678,733 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2023.

Holding Company

The holding company is Piong Nam Kim Holdings Sdn. Bhd., a company incorporated in Malaysia which the directors also regard as the ultimate holding company.

Directors

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:

Chin Swee Chang
Datuk Jamaludin Bin Nasir
Datuk Piong Teck Yen
Lee Min On
Piong Chee Kien
Piong Teck Onn

Directors (continued)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:

Datuk Seri Piong Teck Min
Piong Chee Wei

Directors' interests

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares and options under the Employees' Share Option Scheme ("ESOS") of the Company and its related corporations during the financial year are as follows:-

	Number of ordinary shares			
	1.7.2021	**Acquired**	**Sold**	**30.6.2022**
Holding company				
Direct interest				
Piong Teck Onn	59,920	1,609	-	61,529
Datuk Piong Teck Yen	10,346	-	(1,609)	8,737

	Number of ordinary shares			
	1.7.2021	**Acquired**	**Sold**	**30.6.2022**
The Company				
Direct interest				
Chin Swee Chang	1,800,000	514,800	-	2,314,800
Piong Teck Onn	10,161,224	6,125,402	-	16,286,626
Datuk Piong Teck Yen	8,296,564	-	-	8,296,564
Indirect interest				
Chin Swee Chang [1]	5,564,060	-	-	5,564,060
Piong Teck Onn [2]	79,112,964	-	(6,125,402)	72,987,562

[1] Indirect interest by virtue of the director's spouse's shareholding in Medisch Specialist Centre Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and by virtue of the director's son's shareholding pursuant to Section 59(11)(c) of the Companies Act 2016.

[2] Indirect interest by virtue of the director's interests in Piong Nam Kim Holdings Sdn. Bhd., Medisch Specialist Centre Sdn. Bhd., and Platinum Essence Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 and by virtue of the director's son's shareholding pursuant to Section 59(11)(c) of the Companies Act 2016.

Directors' interests (continued)

By virtue of his interests in the holding company, namely Piong Nam Kim Holdings Sdn. Bhd., Piong Teck Onn is deemed to have interests in shares of the Company and its related corporations during the financial year to the extent of the holding company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares or options of the Company or its related corporations during the financial year.

Options granted over unissued shares

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's Employees Share Option Scheme below.

Employees' share options scheme

At an extraordinary general meeting held on 29 July 2013, the Company's shareholders approved the establishment of an Employees' Share Option Scheme ("ESOS") of not more than 15% of the total issued and paid-up ordinary shares of the Company to eligible directors and employees of the Group (herein referred to as "new ESOS").

The details of the ESOS are disclosed in Note 23 to the financial statements.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted to the directors under the ESOS.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in the "Director Remuneration" of this report) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 34 to the financial statements.

Directors' remuneration

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are as follows:-

	The Group RM'000	The Company RM'000
Fees	307	307
Emoluments	2,585	18
Defined Contribution Benefits	308	-
	3,200	325

The estimated monetary value of benefits-in-kind provided by the Group to a director of the Company was RM25,000.

Indemnity and insurance cost

During the financial year, the amount of indemnity coverage for the directors of the Company was RM12,000,000.

There was no indemnity given to or professional indemnity insurance effected for the other officers or auditors of the Company.

Issues of shares and debentures

During the financial year, the Company increased its issued and paid-up share capital from RM84,714,573 to RM84,766,148 by way of issuance of 30,000 new ordinary shares pursuant to the Company's employees' share option scheme at the exercise prices as disclosed in Note 23 to the financial statements. The new ordinary shares were issued for cash consideration and they rank pari passu in all respects with the existing ordinary shares of the Company.

There were no issues of debentures by the Company.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 14 to the financial statements.

Other statutory information

(a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses on receivables; and

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

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off of bad debts or allowance for impairment losses on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

(e) As at the date of this report, there does not exist:

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

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

(f) In the opinion of the directors:

(i) 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 will or may substantially affect the ability of the Group or of the Company to meet their obligations when they fall due; and

Other statutory information (continued)

(f) In the opinion of the directors: (continued)

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

Auditors

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration for the financial year are as follows:-

	The Group RM'000	The Company RM'000
Audit fees	100	28
Non-audit fees	3	3
	103	31

Signed in accordance with a resolution of the directors dated 06 OCT 2022

Piong Teck Onn
Managing Director

Chin Swee Chang
Executive Director

Kotra Industries Berhad
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Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Piong Teck Onn and Chin Swee Chang, being two of the directors of Kotra Industries Berhad, state that, in the opinion of the directors, the financial statements set out on pages 14 to 80 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2022 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 06 OCT 2022

Piong Teck Onn
Managing Director

Chin Swee Chang
Executive Director

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Daniel Chua Chong Liang, MIA membership number: CA18092, being the officer primarily responsible for the financial management of Kotra Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 14 to 80 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Daniel Chua Chong Liang,
at Melaka
in the State of Melaka
on this 06 OCT 2022

Daniel Chua Chong Liang

Before me,

PESURUHJAYA SUMPAH
No: M 084
Name: SHAHRIZAH BINTI YAHYA
BC/S/1135
01/01/2022 ~ 31/12/2024
MALAYSIA

No. 9, Jalan TMR 34,
Taman Melaka Raya,
75000 Melaka.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
52 Jalan Kota Laksamana 2/15
Taman Kota Laksamana, Seksyen 2
75200 Melaka
Malaysia
Main +6 06 282 5995
Fax +6 06 283 6449
www.crowe.my

Independent auditors' report to the members of

KOTRA INDUSTRIES BERHAD

(Incorporated in Malaysia)
Registration No : 199901022732 (497632-P)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Kotra Industries Berhad, which comprise the statements of financial position as at 30 June 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 80.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2022, 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.

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.

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.

Crowe

Independent auditors' report to the members of
KOTRA INDUSTRIES BERHAD (continued)
(Incorporated in Malaysia)
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Key Audit Matters (continued)

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters Revenue Recognition (Refer to Page 41, Note 4 to the financial statements)	**How our audit addressed the key audit matter**
Consolidated revenue recorded by the Group during the year amounted to approximately RM208 million. We consider revenue recognition for sale of goods to be a potential cause for higher risk of material misstatement from the perspective of timing of recognition and the amount of revenue recognised. Accordingly, we regard revenue recognition to be a Key Audit Matter.	Our procedures included, amongst others: • testing the operating effectiveness of internal control over the completeness, accuracy, and timing of revenue recognised in the financial statements; • reviewing the terms of customer agreements to determine the point of control transfer to the customers on sampling basis; • testing the recording of sales transactions, revenue cut-off and review of credit notes after year end; and • obtaining confirmations from trade receivables as at the financial year end on sampling basis and reviewing collections relating to material trade receivables during and after the financial year end.

Independent auditors' report to the members of
KOTRA INDUSTRIES BERHAD (continued)
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Key Audit Matters (continued)

<table>
<tr><td>Key Audit Matters
Deferred Tax Assets
(Refer to Page 53, Note 16 to the financial statements)</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>Due to the availability of tax incentives, despite being profitable, the Group has potential deferred tax assets arising from substantial unused tax losses and unused tax credits as at the end of the financial year as follows:-

RM'000
• Unused tax losses 5,941
• Unutilised capital and industrial building allowances 987
• Unutilised investment tax and reinvestment allowances 19,892

Pursuant to MFRS 112, a deferred tax asset shall be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

The Group performs annual review of deferred tax assets by estimating the recoverable amount of the subsidiaries' unused tax losses and unused tax credits based on profit projections and income tax estimates over a foreseeable time period.

Due to the subjectivity involved in estimating the recoverable unused tax losses and unused tax credits, we consider this estimation to be a Key Audit Matter.</td><td>Our procedure include obtaining the profit projections and income tax estimates and the assumptions used by management for the purpose of estimating the deferred tax asset and:

• evaluating the key assumptions applied such as revenue growth, significant components of operating costs and future tax incentives;

• checking the mathematical accuracy of the projections; and

• reviewing the projected income tax estimates to evaluate the reasonableness of the assumptions and check the mathematical accuracy of the income tax estimates.</td></tr>
</table>

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with 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.

Crowe

Independent auditors' report to the members of
KOTRA INDUSTRIES BERHAD (continued)
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Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

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

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

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

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

Crowe

Independent auditors' report to the members of
KOTRA INDUSTRIES BERHAD (continued)
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Auditors' responsibilities for the audit of the financial statements (continued)

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.

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

Wong Tak Mun
01793/09/2024 J
Chartered Accountant

Melaka

06 OCT 2022

Kotra Industries Berhad

(Incorporated in Malaysia)
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Statements of profit or loss and other comprehensive income
For the financial year ended 30 June 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Revenue	4	207,917	159,622	25,253	8,403
Other operating income	5	5,115	2,194	8	19
Raw materials and consumables used		(54,967)	(34,961)	-	-
Changes in inventories of finished goods and work in progress		3,887	(5,556)	-	-
Employee benefits expenses	6	(47,405)	(41,821)	(411)	(384)
Selling and distribution expenses		(25,610)	(22,676)	-	-
Depreciation and amortisation		(14,727)	(15,908)	-	-
Other operating expenses		(16,826)	(13,497)	(257)	(248)
Finance costs	7	(462)	(877)	-	-
Net reversal of impairment losses/ (Net impairment losses) on financial assets	8	1,357	(247)	-	-
Profit before taxation	9	58,279	26,273	24,593	7,790
Tax income/(expense)	10	3,816	(1,883)	(78)	(21)
Profit after taxation		62,095	24,390	24,515	7,769
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial year		62,095	24,390	24,515	7,769
Earnings per share attributable to equity holders of the Company (sen):					
- Basic	11	41.96	16.53		
- Diluted	11	41.95	16.52		

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

Kotra Industries Berhad
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Statements of financial position
As at 30 June 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Assets					
Non-current assets					
Property, plant and equipment	12	99,154	108,919	-	-
Investment properties	13	1,338	1,364	-	-
Investment in subsidiaries	14	-	-	121,276	121,276
Right-of-use assets	15	11,054	11,248	-	-
Deferred tax assets	16	6,970	2,955	-	-
		118,516	124,486	121,276	121,276
Current assets					
Inventories	17	45,699	34,304	-	-
Trade receivables	18	35,124	22,622	-	-
Other receivables	19	9,852	2,347	2	2
Amounts owing by subsidiaries	20	-	-	140	129
Current tax assets		246	82	199	26
Short-term investments	21	945	52,800	-	-
Fixed deposits with licensed banks	22	65,500	8,350	400	500
Cash and bank balances		23,271	7,552	169	109
		180,637	128,057	910	766
Total assets		299,153	252,543	122,186	122,042
Equity and liabilities					
Equity attributable to equity holder of the Company					
Share capital	23	84,766	84,715	84,766	84,715
Retained earnings	24	159,275	121,596	37,266	37,167
Other reserves	25	99	108	99	108
Total equity		244,140	206,419	122,131	121,990
Non-current liabilities					
Term loans	26	-	6,672	-	-
Deferred income	27	1,118	1,413	-	-
Lease liabilities	28	82	82	-	-
		1,200	8,167	-	-
Current liabilities					
Term loans	26	6,671	11,228	-	-
Trade payables	29	18,553	14,705	-	-
Other payables	30	27,609	11,048	55	52
Derivative liabilities	31	15	3	-	-
Lease liabilities	28	965	973	-	-
		53,813	37,957	55	52
Total liabilities		55,013	46,124	55	52
Total equity and liabilities		299,153	252,543	122,186	122,042

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

Kotra Industries Berhad
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Statements of changes in equity
For the financial year ended 30 June 2022

Group	Note	Share capital RM'000	Non-distributable: Share option reserve RM'000	Distributable: Retained earnings RM'000	Total equity RM'000
At 1 July 2020		81,823	1,201	106,822	189,846
Profit after taxation, representing total comprehensive income for the financial year		-	-	24,390	24,390
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(9,616)	(9,616)
- Employees' share options exercised		2,892	(1,093)	-	1,799
Total transactions with owners		2,892	(1,093)	(9,616)	(7,817)
At 30 June 2021 / 1 July 2021		84,715	108	121,596	206,419
Profit after taxation, representing total comprehensive income for the financial year		-	-	62,095	62,095
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(24,416)	(24,416)
- Employees' share options exercised		51	(9)	-	42
Total transactions with owners		51	(9)	(24,416)	(24,374)
At 30 June 2022		84,766	99	159,275	244,140

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

Statements of changes in equity
For the financial year ended 30 June 2022 (continued)

		Non-distributable		Distributable	
Company	**Note**	**Share capital RM'000**	**Share option reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 July 2020		81,823	1,201	39,014	122,038
Profit after taxation, representing total comprehensive income for the financial year		-	-	7,769	7,769
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(9,616)	(9,616)
- Employees' share options exercised		2,892	(1,093)	-	1,799
Total transactions with owners		2,892	(1,093)	(9,616)	(7,817)
At 30 June 2021 / 1 July 2021		84,715	108	37,167	121,990
Profit after taxation, representing total comprehensive income for the financial year		-	-	24,515	24,515
Contributions by and distributions to owners of the Company					
- Dividends	32	-	-	(24,416)	(24,416)
- Employees' share options exercised		51	(9)	-	42
Total transactions with owners		51	(9)	(24,416)	(24,374)
At 30 June 2022		84,766	99	37,266	122,131

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

Kotra Industries Berhad
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Statements of cash flows
For the financial year ended 30 June 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash flows from operating activities					
Profit before taxation		58,279	26,273	24,593	7,790
Adjustments for:					
Amortisation of deferred income	27	(295)	(295)	-	-
Depreciation:					
- investment properties	13	26	25	-	-
- property, plant and equipment	12	13,549	14,733	-	-
- right-of-use assets	15	1,152	1,150	-	-
Fair value loss on derivative financial instrument		12	12	-	-
Loss/(Gain) on disposal of property, plant and equipment		3	(37)	-	-
Impairment losses on trade receivables	18	-	247	-	-
Interest expense on lease liabilities		19	28	-	-
Interest income		(533)	(119)	(8)	(19)
Interest income from short-term investments		(598)	(729)	-	-
Inventories written down	17	2,750	1,229	-	-
Other interest expense		443	849	-	-
Property, plant and equipment written off	12	1	1	-	-
Reversal of impairment losses on trade receivables	18	(1,357)	-	-	-
Unrealised (gain)/loss on foreign exchange		(436)	31	-	-
Operating profit before working capital changes		73,015	43,398	24,585	7,771
(Increase)/Decrease in inventories		(14,145)	3,510	-	-
(Increase)/Decrease in receivables		(11,978)	2,380	(11)	(11)
Increase/(Decrease) in payables		20,884	(3,664)	3	(21)
Cash from operations		67,776	45,624	24,577	7,739
Income tax paid		(363)	(129)	(251)	(31)
Income tax refunded		-	5	-	5
Net cash from operating activities		67,413	45,500	24,326	7,713

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

Statements of cash flows
For the financial year ended 30 June 2022 (continued)

		Group		Company	
		2022	**2021**	**2022**	**2021**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows (for)/from investing activities					
Interest received		1,131	848	8	19
Proceeds from disposal of property, plant and equipment		4	37	-	-
Purchase of property, plant and equipment	33(a)	(11,180)	(4,003)	-	-
Placement of fixed deposits with tenure more than 3 months		(28,000)	-	-	-
Net cash (for)/from investing activities		(38,045)	(3,118)	8	19
Cash flows for financing activities					
Dividend paid		(24,416)	(9,616)	(24,416)	(9,616)
Interest paid	33(b)	(462)	(877)	-	-
Proceeds from issuance of shares		42	1,799	42	1,799
Repayment of term loans	33(b)	(11,229)	(13,309)	-	-
Repayment on lease liabilities	33(b)	(966)	(1,000)	-	-
Net cash for financing activities		(37,031)	(23,003)	(24,374)	(7,817)
Net (decrease)/increase in cash and cash equivalents		(7,663)	19,379	(40)	(85)
Effects of exchange rate changes on cash and cash equivalents		677	(3)	-	-
Cash and cash equivalents at beginning of the financial year		68,702	49,326	609	694
Cash and cash equivalents at end of the financial year	33(c)	61,716	68,702	569	609

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

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The Company is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office is located at No. 60-1, Jalan Lagenda 5, Taman 1 Lagenda, 75400 Melaka. The principal place of business is located at No. 1, 2 & 3, Jalan TTC 12, Cheng Industrial Estate, 75250 Melaka.

The Company is principally involved in investment holding and the provision of management services. The principal activities of its subsidiaries are set out in Note 14 to the financial statements.

The holding company is Piong Nam Kim Holdings Sdn. Bhd., a company incorporated in Malaysia, which the directors also regard as the ultimate holding company.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 06 OCT 2022

2. Basis of preparation

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

(a) During the current financial year, the Group and the Company have adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 all of which relate to Interest Rate Benchmark Reform - Phase 2

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Group's and the Company's financial statements.

2. Basis of preparation (continued)

(b) The Group and the Company have not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
• Amendments to MFRS 3: References to the Conceptual Framework	1 January 2022
• Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
• Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
• Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
• Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
• Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
• Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
• Annual Improvements to MFRS Standard 2018 - 2020	1 January 2022

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is not expected to have any material impact on the Group's and the Company's financial statements upon their initial application.

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3. Significant accounting policies

(a) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(i) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations, and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 12 to the financial statements.

(ii) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balance in the period in which such determination is made.

3. Significant accounting policies (continued)

(a) Critical accounting estimates and judgements (continued)

(iii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be recognised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based on an assessment of the availability of the future taxable profits. The carrying amount of deferred tax assets as at the reporting date is disclosed in Note 16 to the financial statements.

(iv) Write-down of inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 17 to the financial statements.

(v) Impairment of trade and other receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade and other receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjust for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade and other receivables. The carrying amounts of trade and other receivables as at the reporting date are disclosed in Note 18 and Note 19 to the financial statements respectively.

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3. Significant accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(i) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

3. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

(ii) Changes in ownership interests in subsidiaries without change of control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity of the Group.

(iii) Loss of control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

- the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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3. Significant accounting policies (continued)

(c) Functional and foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional and presentation currency. All values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are converted into RM on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(d) Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132 (Financial Instruments: Presentation). Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 - Revenue from Contracts with Customer at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to or deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets as disclosed in Note 37(c) to the financial statements.

Debt instruments

- Amortised Cost

  The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

  The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

- Fair Value through Other Comprehensive Income

  The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

- Fair Value through Profit or Loss

  All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Financial assets (continued)

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established. However, if the dividends clearly represent a recovery of part of the cost of the equity investments, the dividends received/receivable shall be treated as a reduction in the cost of investments.

(ii) Financial liabilities

The classification of financial liabilities are disclosed in Note 37(c) to the financial statements.

- Financial liabilities at fair value through profit or loss

  Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

- Other financial liabilities

  Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

  The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Equity instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(iv) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

Any derivative embedded in a financial asset is not accounted for separately. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss. The classification of derivative financial instruments are disclosed in Note 37(c) to the financial statements.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit and loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

(v) Derecognition (continued)

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

(vi) Financial Guarantee Contracts

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

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

The financial guarantees have not been recognised in the financial statements of the Company as their fair value on initial recognition is not material.

(e) Investments in subsidiaries

Investments in subsidiaries including the share options granted to employees of the subsidiary are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

(f) Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the assets and other costs directly attributable to bringing the assets to working condition for their intended use.

3. Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation on property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Industrial buildings and installations	2% -10%
Machinery and equipment	5% -20%
Motor vehicles	10%
Office equipment	10%
Computer equipment	20%
Furniture and fittings	10%
Renovation	10%

Capital expenditure in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amount, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

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

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

3. Significant accounting policies (continued)

(g) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

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

(h) Investment properties

Investment properties are properties which are owned or right-of-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Freehold land is not depreciated. Depreciation on other investment properties is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are 50 years.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

3. Significant accounting policies (continued)

(i) Impairment

(i) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debts instrument that are measured at amortised cost as well as trade receivables.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(ii) Impairment of non-financial assets

The carrying values of assets, other than inventories and deferred tax assets which are governed by MFRS 102 and MFRS 112 respectively, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Impairment of non-financial assets (continued)

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(j) Leases

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases with 12 months or less and low-value assets which are less than RM50,000. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets that do not meet the definition of investment property and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and the estimated costs of dismantling and restoration costs, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined as follows:

Leasehold land	Over the lease period of 76 to 77 years
Motor vehicle	20%
Office premise	Over the lease period of 2 years

3. Significant accounting policies (continued)

(j) Leases (continued)

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

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method, and comprises the purchase price, conversion costs and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes the cost of materials, labour and appropriate proportion of production overheads.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Where necessary, write-down is made for all damaged, obsolete and slow-moving items.

(l) Income taxes

(i) Current tax

Current tax assets and liabilities are expected amount of income tax recoverable from, or payable to the taxation authorities respectively.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit and loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(ii) Deferred tax

Deferred tax is recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

3. Significant accounting policies (continued)

(l) Income taxes (continued)

(ii) Deferred tax (continued)

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period to determine whether:

- previously unrecognised deferred tax asset be taken up to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered; or
- the existing deferred tax asset be reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity.

Current tax assets and liabilities or 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 taxable entity (or in different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investment that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liabilities. The unwinding of the discount is recognised as interest expense in profit or loss.

3. Significant accounting policies (continued)

(o) Employee benefits

(i) Short-term benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(ii) Defined contribution plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(iii) Share-based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employee share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiary's employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employee share option reserve.

Upon expiry of the share option, the employee share option reserve is transferred to retained profits.

When the share options are exercised, the employee share option reserve is transferred to share capital if new ordinary shares are issued.

3. Significant accounting policies (continued)

(p) Operating segments

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

(q) Earnings per ordinary share

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

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

(r) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. However, this basis does not apply to share-based payment transactions.

3. Significant accounting policies (continued)

(r) Fair value measurements (continued)

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

(s) Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation in the contract with customer, and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when it transfers control over a product or service to customer. An asset is transferred when the customer obtains control of that asset.

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

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

3. Significant accounting policies (continued)

(s) Revenue from contracts with customers (continued)

Sale of goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

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.

(t) Revenue from other sources and other operating income

(i) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Interest income from financial assets at fair value through profit and loss is included in the net fair value gains/losses.

(ii) Management fee

Management fee is recognised on an accrual basis.

(iii) Dividend income

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

(iv) Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented as other income in profit or loss.

Grants that compensate the Group for the cost of an asset are recognised as deferred grant income in the consolidated statement of financial position and are amortised to profit or loss on a systematic basis over the expected useful life of the relevant asset.

4. Revenue

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contract with customers				
Recognised at a point in time				
Sale of goods	207,917	159,622	-	-
Revenue from other sources				
Dividend income	-	-	24,713	7,863
Management fees	-	-	540	540
	207,917	159,622	25,253	8,403

The information on the disaggregation of revenue by geographical market is disclosed in Note 36 to the financial statements.

5. Other operating income

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Amortisation of deferred income	295	295	-	-
Gain on disposal of property, plant and equipment	-	37	-	-
Gain on foreign currency exchange - realised	1,610	614	-	-
Gain on foreign currency exchange - unrealised	436	-	-	-
Interest income from short-term investments	598	729	-	-
Interest income on financial assets measured at amortised cost	533	119	8	19
Miscellaneous	1,643	400	-	-
	5,115	2,194	8	19

6. Employee benefits expenses

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Directors' remuneration (Note 34(d))				
Directors of the company	3,200	3,110	325	301
Directors of the subsidiaries	423	367	-	-
	3,623	3,477	325	301
Non-directors' remuneration				
Short-term employee benefits	38,832	33,903	77	74
Contributions to defined contribution plan	3,818	3,556	9	9
Other personnel expenses	1,132	885	-	-
	47,405	41,821	411	384

Included in employee benefits expenses are key management personnel compensation as disclosed in Note 34(d) to the financial statements.

7. Finance costs

	Group 2022 RM'000	Group 2021 RM'000
Interest expense on financial liabilities that are not at fair value through profit or loss:-		
- Bank overdrafts	49	53
- Term loans	394	796
Interest expense on lease liabilities (Note 28)	19	28
	462	877

8. (Net reversal of impairment losses)/Net impairment losses on financial assets

	Group 2022 RM'000	Group 2021 RM'000
Impairment losses on trade receivables (Note 18)	-	247
Reversal of impairment losses on trade receivables (Note 18)	(1,357)	-
	(1,357)	247

9. Profit before taxation

Profit before taxation is arrived at after charging:-

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Auditors' remuneration:				
- audit fees	100	82	28	25
- non-audit fees	3	3	3	3
Depreciation:				
- investment properties (Note 13)	26	25	-	-
- property, plant and equipment (Note 12)	13,549	14,733	-	-
- right-of-use assets (Note 15)	1,152	1,150	-	-
Direct operating expenses arising from investment properties	16	19	-	-
Fair value loss on derivative financial instrument	12	12	-	-
Inventories written down (Note 17)	2,750	1,229	-	-
Loss on disposal of property, plant and equipment	3	-	-	-
Loss on foreign exchange - unrealised	-	31	-	-
Property, plant and equipment written off (Note 12)	1	1	-	-
Lease expense on:				
- short-term leases	127	172	-	-
- low-value assets	4	155	-	-
Research and development expenses	10	224	-	-

10. Tax (income)/expense

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Income tax:-				
- Current year	143	46	20	22
- Under/(Over) provision in the previous financial years	56	(5)	58	(1)
	199	41	78	21
Deferred tax (Note 16):-				
- Recognition of previously unrecognised deferred tax assets	(4,735)	-	-	-
- Origination and reversal of temporary differences	720	809	-	-
-Write-down of deferred tax assets	-	1,033	-	-
	(4,015)	1,842	-	-
Tax (income)/expense	(3,816)	1,883	78	21

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	2022 RM'000	2021 RM'000
Group		
Profit before taxation	58,279	26,273
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	13,987	6,306
Effect of non-taxable income	(214)	(246)
Effect of expenses not deductible for tax purposes	504	352
Effect of income tax incentives	(2,457)	(2,427)
Utilisation of unrecognised deferred tax assets	(10,957)	(3,130)
Recognition of previously unrecognised deferred tax assets	(4,735)	-
Write-down of deferred tax assets	-	1,033
Under/(Over) provision of income tax expense in the previous financial year	56	(5)
Tax (income)/expense	(3,816)	1,883

10. Tax (income)/expense (continued)

	2022 RM'000	2021 RM'000
Company		
Profit before taxation	24,593	7,790
Taxation at Malaysian statutory tax rate of 24% (2021: 24%)	5,902	1,870
Effect of non-taxable income	(5,931)	(1,887)
Effect of expenses not deductible for tax purposes	49	39
Under/(Over) provision of income tax expense in the previous financial year	58	(1)
Tax expense	78	21

Deferred tax assets have not been recognised in respect of the following items due to uncertainty of their recoverability in view of the expected availability of additional tax incentives:

	Group	
	2022 RM'000	2021 RM'000
Unabsorbed business losses - expires by 30 June 2028	16,315	22,850
Unutilised reinvestment allowances - expires by 30 June 2028	62,873	82,568
	79,188	105,418

The unabsorbed business losses and unutilised reinvestment allowances are allowed to be utilised for 10 (2021: 7) consecutive years of assessment.

11. Earnings per share

(i) Basic

The basic earnings per share of the Group is calculated by dividing the profit after taxation for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group 2022	Group 2021
Profit after taxation (RM'000)	62,095	24,390
Weighted average number of ordinary shares in issue ('000)	147,972	147,549
Basic earnings per ordinary share (sen)	41.96	16.53

(ii) Diluted

The diluted earnings per share of the Group is calculated by dividing the profit after taxation for the financial year by the weighted average number of ordinary shares in issue during the financial year after adjusted for the dilutive effects of share options granted to employees.

	Group 2022	Group 2021
Profit after taxation (RM'000)	62,095	24,390
Weighted average number of ordinary shares in issue ('000)	147,972	147,549
Shares deemed to be issued for no consideration - ESOS ('000)	63	76
Weighted average number of ordinary shares for diluted earnings per share computation	148,035	147,625
Diluted earnings per ordinary share (sen)	41.95	16.52

12. Property, plant and equipment

	As at 1.7.2021 RM'000	Additions RM'000	Disposal RM'000	Written Off (Note 9) RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2022 RM'000
Group						
Net carrying amount						
Industrial buildings and installations	42,250	57	-	-	(1,240)	41,067
Machinery and equipment	60,703	940	(7)	-	(10,752)	50,884
Motor vehicles	775	-	-	-	(125)	650
Office equipment	83	1	-	(1)	(20)	63
Computer equipment	2,382	1,459	-	-	(897)	2,944
Furniture and fittings	1,067	87	-	-	(252)	902
Renovation	1,243	17	-	-	(263)	997
Capital expenditure-in-progress	416	1,231	-	-	-	1,647
Total	108,919	3,792	(7)	(1)	(13,549)	99,154

12. Property, plant and equipment (continued)

	As at 1.7.2020 RM'000	Additions RM'000	Reclassification RM'000	Written Off (Note 9) RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2021 RM'000
Group						
Net carrying amount						
Industrial buildings and installations	43,493	-	-	-	(1,243)	42,250
Machinery and equipment	71,126	1,560	60	-	(12,043)	60,703
Motor vehicles	807	90	-	-	(122)	775
Office equipment	109	3	-	-	(29)	83
Computer equipment	1,324	1,518	196	(1)	(655)	2,382
Furniture and fittings	1,383	61	-	-	(377)	1,067
Renovation	1,507	-	-	-	(264)	1,243
Capital expenditure-in-progress	371	301	(256)	-	-	416
Total	120,120	3,533	-	(1)	(14,733)	108,919

12. Property, plant and equipment (continued)

Group	Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
At 30 June 2022			
Industrial buildings and installations	58,783	(17,716)	41,067
Machinery and equipment	180,112	(129,228)	50,884
Motor vehicles	1,678	(1,028)	650
Office equipment	566	(503)	63
Computer equipment	8,835	(5,891)	2,944
Furniture and fittings	4,942	(4,040)	902
Renovation	2,672	(1,675)	997
Capital expenditure-in-progress	1,647	-	1,647
Balance at 30 June 2022	259,235	(160,081)	99,154
At 30 June 2021			
Industrial buildings and installations	58,726	(16,476)	42,250
Machinery and equipment	179,195	(118,492)	60,703
Motor vehicles	1,678	(903)	775
Office equipment	568	(485)	83
Computer equipment	7,441	(5,059)	2,382
Furniture and fittings	4,855	(3,788)	1,067
Renovation	2,655	(1,412)	1,243
Capital expenditure-in-progress	416	-	416
Balance at 30 June 2021	255,534	(146,615)	108,919

The carrying amount of property, plant and equipment pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 26(i) are as follows:-

	Group 2022 RM'000	Group 2021 RM'000
Industrial buildings and installations	41,067	42,250
Machinery and equipment	28,765	34,175
	69,832	76,425

13. Investment properties

	Group 2022 RM'000	2021 RM'000
Cost		
At 1 July/30 June	2,105	2,105
Accumulated depreciation		
At 1 July	741	716
Depreciation during the financial year (Note 9)	26	25
At 30 June	767	741
Net carrying amount	1,338	1,364

The investment properties comprise freehold land and building.

The fair values of the investment properties are within level 3 of the fair value hierarchy and are arrived at by reference to the market evidence of transaction prices for similar properties and are performed by registered valuers having appropriate recognised professional qualification and recent experience in the locations and category of properties being valued. The most significant input into this valuation approach is the price per square foot of comparable properties. Adjustments are then made for differences in location, size, facilities available, market conditions and other factors in order to arrive at a common basis. The fair value of the investment properties as at the end of reporting period is estimated at RM2,807,000 (2021: RM2,807,000).

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14. Investment in subsidiaries

	Company 2022 RM'000	Company 2021 RM'000
Unquoted shares, at deemed cost	114,756	114,756
Share options granted to employees of subsidiary	6,520	6,520
	121,276	121,276

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business /Country of incorporation	Percentage of issued share capital held by parent 2022 %	Percentage of issued share capital held by parent 2021 %	Principal activities
Kotra Pharma (M) Sdn. Bhd.	Malaysia	100	100	Developing, manufacturing and trading of pharmaceutical and healthcare products
Appeton Healthcare Sdn. Bhd.	Malaysia	100	100	Dormant
Biglink Rewards Sdn. Bhd.	Malaysia	100	100	Dormant

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15. Right-of-use assets

Group **Net carrying amount**	As at 1.7.2021 RM'000	Modification of lease liabilities RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2022 RM'000
Leasehold land	9,853	-	(132)	9,721
Motor vehicle	349	-	(55)	294
Office premise	1,046	958	(965)	1,039
Total	11,248	958	(1,152)	11,054

Group **Net carrying amount**	As at 1.7.2020 RM'000	Modification of lease liabilities RM'000	Depreciation Charges (Note 9) RM'000	As at 30.6.2021 RM'000
Leasehold land	9,985	-	(132)	9,853
Motor vehicle	404	-	(55)	349
Office premise	1,044	965	(963)	1,046
Total	11,433	965	(1,150)	11,248

(a) The Group has lease contracts for leasehold land, office premise and motor vehicle used in its operations. Their lease terms are as below:-

	2022	**2021**
Leasehold land	76 to 77 years	76 to 77 years
Office premise	2 years	2 years
Motor vehicle	5 years	5 years

(b) The Group has applied recognition exemptions for short-term lease and leases of low-value assets which do not exceed RM50,000.

(c) The Group has lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the portfolio of leased asset and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

(d) The leasehold land of the Group with carrying amount of RM3,774,397 (2021: RM3,826,345) has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 26(i) to the financial statements.

16. Deferred tax assets

Group	As at 1.7.2021 RM'000	Recognised in Profit or Loss (Note 10) RM'000	As at 30.6.2022 RM'000
2022			
Deferred tax liabilities			
Property, plant and equipment	(15,360)	1,193	(14,167)
Right-of-use assets	(258)	3	(255)
	(15,618)	1,196	(14,422)
Deferred tax assets			
Other temporary differences	3,360	510	3,870
Lease liabilities	253	(2)	251
Unutilised capital allowances	3,674	(3,674)	-
Unutilised industrial building allowances	5,345	(4,358)	987
Unabsorbed business losses	5,941	-	5,941
Unutilised reinvestment allowance	-	10,343	10,343
	18,573	2,819	21,392
	2,955	4,015	6,970

	As at 1.7.2020 RM'000	Recognised in Profit or Loss (Note 10) RM'000	As at 30.6.2021 RM'000
2021			
Deferred tax liabilities			
Property, plant and equipment	(17,058)	1,698	(15,360)
Right-of-use assets	(257)	(1)	(258)
	(17,315)	1,697	(15,618)
Deferred tax assets			
Other temporary differences	3,605	(245)	3,360
Lease liabilities	251	2	253
Unutilised capital allowances	14,025	(10,351)	3,674
Unutilised industrial building allowances	4,231	1,114	5,345
Unabsorbed business losses	-	5,941	5,941
	22,112	(3,539)	18,573
	4,797	(1,842)	2,955

The recognition of deferred tax assets is dependant on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences based on financial projections prepared by the Group's management.

17. Inventories

	Group 2022 RM'000	2021 RM'000
Raw materials	22,484	15,290
Work-in-progress	1,843	1,799
Finished goods	20,083	16,239
Goods in transit	1,289	976
	45,699	34,304
Recognised in profit or loss:-		
Inventories recognised as cost of sales	48,330	39,288
Amount written down (Note 9)	2,750	1,229

18. Trade receivables

	Group 2022 RM'000	2021 RM'000
Trade receivables	36,727	25,621
Less: Allowance for impairment losses	(1,603)	(2,999)
	35,124	22,622
Allowance for impairment losses:-		
At 1 July	2,999	2,774
Addition during the financial year (Note 8)	-	247
Reversal during the financial year (Note 8)	(1,357)	-
Written off during the financial year	(39)	(22)
At 30 June	1,603	2,999

The Group's normal trade credit terms range from 60 to 120 (2021: 60 to 120) days.

Included in trade receivables are amounts due from related parties as disclosed in Note 34(c) to the financial statements.

19. Other receivables

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Other receivables:-				
Third parties	26	62	-	-
Interest receivables	344	82	-	-
Advanced payment to suppliers	8,064	1,672	-	-
	8,434	1,816	-	-
Deposits	302	347	2	2
Prepayments	1,116	184	-	-
	9,852	2,347	2	2

The advanced payments to suppliers are unsecured and interest-free. The amount owing will be offset mainly against future procurement of property, plant and equipment from suppliers.

20. Amounts owing by subsidiaries

The amounts owing by subsidiaries are non-trade balances which represent unsecured payment made on their behalf. The amounts owing are repayable on demand and are to be settled in cash.

21. Short-term investments

	Group 2022 RM'000	Group 2021 RM'000
Money market funds, at fair value (Note 33(c))	945	52,800

The money market funds represent investments in highly liquid money market instruments and deposits with financial institutions in Malaysia which are redeemable with one (1) day notice at known amounts of cash, and are subject to an insignificant risk of changes in value.

22. Fixed deposits with licensed banks

The fixed deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest rates ranging from 1.25% to 2.35% and 1.55% (2021: 1.03% to 1.94% and 1.55%) per annum respectively. The fixed deposits have maturity periods ranging from 4 to 181 (2021: 6 to 92) days for the Group and 92 (2021: 92) days for the Company.

23. Share capital

	Group/Company			
	Number of shares		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
Issued and fully paid-up:				
Ordinary shares				
At 1 July	147,944	145,470	84,715	81,823
New shares issued under the employees' share option scheme for cash	30	2,474	51	2,892
At 30 June	147,974	147,944	84,766	84,715

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

Further information relating to the exercise of employees' share option scheme is set at in page 58.

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23. Share capital (continued)

At an extraordinary general meeting held on 29 July 2013, the Company's shareholders approved the establishment of an Employees' Share Option Scheme ("ESOS") of not more than 15% of the total issued and paid-up ordinary shares of the Company to eligible directors and employees of the Group (herein referred to as "new ESOS"). The new ESOS is governed by the ESOS By-Laws.

The main features of the new ESOS are as follows:-

(a) The maximum number of new shares of the Company, which may be available under the scheme, shall not exceed in aggregate 15%, or any such amount or percentage as may be permitted by the relevant authorities of the issued and paid-up share capital of the Company at any one time during the existence of the ESOS.

(b) Eligible directors or employees of the Group are directors or employees of the Group who have been confirmed in the service of the Group prior to the offer or, if the employee is serving under an employment contract, the contract should be for a duration of at least two (2) years. The maximum allowable allotments for the directors have been approved by the shareholders of the Company in a general meeting.

(c) The Scheme shall be in force for a period of five (5) years from 30 July 2013 and has been extended for a further period of up to five (5) years, at the sole and absolute discretion of the Board upon the recommendation by the ESOS committee and shall not in aggregate exceed a duration of ten (10) years from the effective date.

(d) The option price may be subjected to a discount of not more than 10% of the average of the market quotation of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five trading days immediately preceding the offer date.

(e) The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new shares of the Company comprised in the ESOS.

(f) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new shares.

(g) An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate or as determined by the ESOS Committee.

(h) The option granted to eligible employees will lapse when they are no longer in employment with the Group.

23. Share capital (continued)

The option prices and the details in the movement of the options granted are as follows:-

Date of offer	Exercise period	Exercise price per ordinary share RM	Number of Options over Ordinary Shares Balance at 1.7.2021	Exercised	Balance at 30.6.2022
31.7.2013	31.7.2014	0.65	4,400	-	4,400
31.7.2013	31.7.2016	0.65	8,800	-	8,800
31.7.2013	31.7.2018	0.65	26,400	-	26,400
22.5.2017	31.7.2018	1.40	10,000	-	10,000
22.5.2017	31.7.2019	1.40	20,000	-	20,000
22.5.2017	31.7.2020	1.40	50,000	(30,000)	20,000
			119,600	(30,000)	89,600

Date of offer	Exercise period	Exercise price per ordinary share RM	Number of Options over Ordinary Shares Balance at 1.7.2020	Exercised	Balance at 30.6.2021
31.7.2013	31.7.2014	0.65	534,648	(530,248)	4,400
31.7.2013	31.7.2016	0.65	907,176	(898,376)	8,800
31.7.2013	31.7.2018	0.65	816,976	(790,576)	26,400
22.5.2017	31.7.2018	1.40	40,000	(30,000)	10,000
22.5.2017	31.7.2019	1.40	135,000	(115,000)	20,000
22.5.2017	31.7.2020	1.40	160,000	(110,000)	50,000
			2,593,800	(2,474,200)	119,600

No person to whom the share option has been granted above has any right to participate by virtue of the option in any share issue of any other company.

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24. Retained earnings

Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends declared to the shareholders are not subject to tax.

25. Other reserves

	Group and Company	
	2022	**2021**
	RM'000	**RM'000**
Share options under ESOS:		
At 1 July	108	1,201
Movement during the year	(9)	(1,093)
At 30 June	99	108

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the exercise of the share options.

26. Term Loans (Secured)

	Group	
	2022	**2021**
	RM'000	**RM'000**
Current liabilities	6,671	11,228
Non-current liabilities	-	6,672
	6,671	17,900

The term loans are secured by:-

(i) fixed charges over certain assets of the Group as disclosed in Note 12 and Note 15 to the financial statements;

(ii) specific debenture for RM25,000,000 over a subsidiary's machineries;

(iii) debentures over a subsidiary's fixed and floating assets both present and future; and

(iv) corporate guarantee from the Company.

The interest rate profile of the term loans is summarised below:

	Effective Interest Rate		Group	
	2022	**2021**	**2022**	**2021**
	%	%	**RM'000**	**RM'000**
Floating rate term loans	3.21 to 3.41	3.22 to 4.78	6,671	17,900

27. Deferred income

	Group 2022 RM'000	Group 2021 RM'000
Non-current		
Government grant	1,118	1,413

During the financial year, RM294,796 has been amortised and recognised as other income in the statement of profit or loss.

28. Lease liabilities

	Group 2022 RM'000	Group 2021 RM'000
At 1 July	1,055	1,090
Changes due to lease modification (Note 33(b))	958	965
Interest expense recognised in profit or loss (Note 7)	19	28
Repayment of principal	(966)	(1,000)
Repayment of interest expense	(19)	(28)
At 30 June	1,047	1,055

	Group 2022 RM'000	Group 2021 RM'000
Analysed by:		
Current liabilities	965	973
Non-current liabilities	82	82
	1,047	1,055

29. Trade payables

The normal trade credit terms granted to the Group range from 60 to 90 (2021: 60 to 90) days.

30. Other payables

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Accruals	1,232	790	55	52
Deposit received from customers	12,717	-	-	-
Payroll liabilities	7,729	6,339	-	-
Due to suppliers of property, plant and equipment	118	1,114	-	-
Other payables	5,813	2,805	-	-
	27,609	11,048	55	52

31. Derivative liabilities

	Group			
	Contract/Notional amount			
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Derivative liabilites</u>				
Forward foreign currency contracts	1,042	1,672	15	3

The Group does not apply hedge accounting.

Forward currency contracts are used to hedge the Group's sales denominated in United States Dollar (USD) for which firm commitments existed at the end of the reporting period. The settlement dates on forward currency contracts is 1 month (2021: 1 to 4 months) after the end of the reporting period.

32. Dividends

	Company	
	2022 RM'000	2021 RM'000
Final single tier dividend of 7 (2021: 4.5) sen per ordinary shares in respect of the previous financial year	10,358	6,657
Interim single tier dividend of 9.5 (2021: 2) sen per ordinary shares in respect of the current financial year	14,058	2,959
	24,416	9,616

At the forthcoming Annual General Meeting, a final single tier dividend of 16 sen per ordinary share in respect of the current financial year amounting to RM23,678,733 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect the proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2023.

33. Cash flow information

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	Group 2022 RM'000	Group 2021 RM'000
Property, plant and equipment		
Cost of property, plant and equipment purchased (Note 12)	3,792	3,533
Advanced payments for future purchase	6,392	491
Under payable for purchase of property, plant and equipment	996	(21)
	11,180	4,003

(b) The reconciliations of liabilities arising from financing activities are as follows:-

Group	Bank Overdrafts **RM'000**	Term Loans **RM'000**	Lease liabilities **RM'000**	Total **RM'000**
2022				
At 1 July	-	17,900	1,055	18,955
<u>Changes in financing cash flow</u>				
Repayment of borrowing principal	*	(11,229)	(966)	(12,195)
Repayment of borrowing interests	(49)	(394)	(19)	(462)
<u>Other changes</u>				
Modification of lease (Note 28)	-	-	958	958
Interest expense recognised in profit or loss	49	394	19	462
At 30 June	-	6,671	1,047	7,718

	Bank Overdrafts **RM'000**	Term Loans **RM'000**	Lease liabilities **RM'000**	Total **RM'000**
2021				
At 1 July	-	31,209	1,090	32,299
<u>Changes in financing cash flow</u>				
Repayment of borrowing principal	*	(13,309)	(1,000)	(14,309)
Repayment of borrowing interests	(53)	(796)	(28)	(877)
<u>Other changes</u>				
Modification of lease (Note 28)	-	-	965	965
Interest expense recognised in profit or loss	53	796	28	877
At 30 June	-	17,900	1,055	18,955

* Bank overdrafts form part of the cash and cash equivalents, therefore, no movement is presented.

33. Cash flow information (continued)

(c) The cash and cash equivalents comprise the following:-

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Money market funds (Note 21)	945	52,800	-	-
Cash and bank balances	23,271	7,552	169	109
Fixed deposits with licensed banks	65,500	8,350	400	500
	89,716	68,702	569	609
Less: Fixed deposit with tenure more than 3 months	(28,000)	-	-	-
	61,716	68,702	569	609

(d) The total cash outflows for leases as a lessee are as follows:-

	Group 2022 RM'000	Group 2021 RM'000
Payment of short-term leases	127	172
Payment of low-value assets	4	155
Interest paid on lease liabilities	19	28
Payment of lease liabilities	966	1,000
	1,116	1,355

34. Significant related party disclosures

(a) Identities of related parties

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

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

34. Significant related party disclosures (continued)

(b) Significant related party transactions

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	2022 RM'000	2021 RM'000
Group		
Companies in which certain directors have significant financial interests:-		
- lease payments on short-term leases	64	71
- lease payments for right-of-use assets	984	984
- royalty paid/payable	1	-
Companies in which close family members of certain directors have significant financial interests:-		
- sales of goods	(413)	(317)
Company		
A subsidiary:		
- management fee received/receivable	(540)	(540)
- dividend received	(24,713)	(7,863)

The related party transactions described above were entered in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed between the parties concerned.

(c) The related party outstanding balances at the end of the reporting period are as follows:-

	Group	
	2022 RM'000	2021 RM'000
Companies in which close family members of certain directors have significant financial interests:-		
- trade receivables	49	34

34. Significant related party disclosures (continued)

(d) Key management personnel compensation

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Directors of the Company					
Short-term employee benefits:-					
- fees		307	285	307	285
- emoluments		2,585	2,524	18	16
Defined contribution plan		308	301	-	-
		3,200	3,110	325	301
Directors of the Subsidiaries					
Short-term employee benefits:-					
- emoluments		378	328	-	-
Defined contribution plan		45	39	-	-
		423	367	-	-
	6	3,623	3,477	325	301

The estimated monetary value of benefits-in-kind provided by the Group to a director of the Company was RM25,000 (2021: RM25,000).

35. Capital commitments

	Group 2022 RM'000	Group 2021 RM'000
Approved and contracted for:-		
- Purchase of plant and equipment	9,329	710

36. Segmental reporting

In determining the geographical segments of the Group, sales are based on the country in which the customer is located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments and deferred tax assets.

Group	**Revenue**		**Non-current assets**	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	147,229	105,023	111,546	121,531
Asia	58,792	53,226	-	-
Africa	1,896	1,373	-	-
	207,917	159,622	111,546	121,531

The revenue are recognised at a point in time.

No other segmental information such as segment assets, liabilities and results is presented as the Group is principally engaged in pharmaceutical and healthcare products manufacturing and trading business and operates from Malaysia only.

Revenue from one major customer (2021 : one major customer), with revenue equal to or more than 10% of Group revenue, amounts to RM22,997,027 (2021: RM23,627,901) arising from export sales.

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37. Financial instruments

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro Dollar ("EUR"), Singapore Dollar ("SGD") and Brunei Dollar ("BND"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasions, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign currency exposure

The Group	USD RM'000	EUR RM'000	SGD RM'000	BND RM'000	Total RM'000
30.6.2022					
Trade receivables	4,955	-	458	214	5,627
Other receivables	7,187	-	-	-	7,187
Cash and bank balances	18,502	27	3,149	-	21,678
Trade payables	(850)	(1,923)	-	-	(2,773)
Other payables	(14,607)	(66)	(2)	-	(14,675)
Net exposure	15,187	(1,962)	3,605	214	17,044

37. Financial instruments (continued)

(a) Financial risk management policies (continued)

(i) Foreign currency risk (continued)

Foreign currency exposure (continued)

The Group	**USD RM'000**	**EUR RM'000**	**SGD RM'000**	**BND RM'000**	**Total RM'000**
30.6.2021					
Trade receivables	2,478	-	513	405	3,396
Other receivables	893	180	143	-	1,216
Cash and bank balances	4,454	37	1,569	-	6,060
Trade payables	(1,661)	(1,228)	(10)	-	(2,899)
Other payables	(65)	(9)	-	-	(74)
Net exposure	6,099	(1,020)	2,215	405	7,699

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

		Group 2022 RM'000	**Group 2021 RM'000**
Effects on profit after taxation			
USD/RM	- strengthened by 5% (2021: 5%)	577	232
	- weakened by 5% (2021: 5%)	(577)	(232)
EUR/RM	- strengthened by 5% (2021: 5%)	(75)	(39)
	- weakened by 5% (2021: 5%)	75	39
SGD/RM	- strengthened by 5% (2021: 5%)	137	85
	- weakened by 5% (2021: 5%)	(137)	(85)
BND/RM	- strengthened by 5% (2021: 5%)	8	15
	- weakened by 5% (2021: 5%)	(8)	(15)

37. Financial instruments (continued)

(a) Financial risk management policies (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing borrowings.

The Group's fixed rate receivables are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 26 to the financial statements.

Interest rate risk sensitivity analysis

At the end of the reporting period, if interest rates had been 100 basis points higher/lower, with all other variables held constant, the Group's profit after taxation would have been RM50,702 lower/higher (2021: RM136,038 lower/higher), arising mainly as a result of higher/lower interest expense on floating rate bank borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(iii) Equity price risk

The Group's principal exposure to price risk arises mainly from changes in prices of money market funds.

Equity price risk sensitivity analysis

At the end of the reporting period, if the prices of money market funds strengthen/weaken by 100 basis points with all other variable being held constant, the Group's profit after taxation would have been RM7,182 higher/lower (2021: RM401,280 higher/lower).

37. Financial instruments (continued)

(a) Financial risk management policies (continued)

(iv) Credit risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from corporate guarantee given to financial institutions for credit facilities granted to a subsidiary. The Company monitors the results of the subsidiary regularly and repayments made by the subsidiary.

Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

In addition, the Group also determines the concentration of credit risk by monitoring the geographical region of its trade receivables on an ongoing basis. The credit risk concentration profile of trade receivables (including related parties) at the end of the reporting period is as follows:-

	Group	
	2022 RM'000	2021 RM'000
Local	29,240	19,226
Export	5,884	3,396
	35,124	22,622

Maximum exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is presented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

37. Financial instruments (continued)

(a) Financial risk management policies (continued)

(iv) Credit risk (continued)

Assessment of impairment losses

The Group has a credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

At each reporting date, the Group assesses whether any of the financial assets at amortised cost, are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficulty of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debts to the Group in full or is more than 90 days past due.

Trade receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Inputs, assumptions and techniques used for estimating impairment losses

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

37. Financial instruments (continued)

(a) Financial risk management policies (continued)

(iv) Credit risk (continued)

Assessment of impairment losses (continued)

Inputs, assumptions and techniques used for estimating impairment losses (continued)

The expected loss rates are based on the payment profiles of past sales and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivebles to settle their debts.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

Allowance for impairment losses

Group	**Gross amount RM'000**	**Individual impairment RM'000**	**Collective impairment RM'000**	**Carrying amount RM'000**
30.6.2022				
Current (not past due)	28,185	-	(757)	27,428
1 to 30 days past due	5,004	-	(99)	4,905
31 to 60 days past due	2,185	-	(60)	2,125
61 to 90 days past due	730	-	(64)	666
Credit impaired	623	(170)	(453)	-
	36,727	(170)	(1,433)	35,124

Group	**Gross amount RM'000**	**Individual impairment RM'000**	**Collective impairment RM'000**	**Carrying amount RM'000**
30.6.2021				
Current (not past due)	13,113	-	(1,472)	11,641
1 to 30 days past due	5,019	-	(627)	4,392
31 to 60 days past due	4,766	-	(237)	4,529
61 to 90 days past due	1,603	-	(242)	1,361
Credit impaired	1,120	(94)	(327)	699
	25,621	(94)	(2,905)	22,622

The movements in the loss allowances in respect of trade receivables are disclosed in Note 18 to the financial statements.

37. Financial instruments (continued)

(a) Financial risk management policies (continued)

(iv) Credit risk (continued)

Assessment of impairment losses (continued)

Other receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information and macroeconomic factors affecting the ability of the receivable to settle its debts.

Allowance for impairment losses

No expected credit loss is recognised on other receivables as it is negligible.

Fixed deposits with licensed banks, cash and bank balances

The Group considers the licenced banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

37. Financial instruments (continued)

(a) Financial risk management policies (continued)

(iv) Credit risk (continued)

Assessment of impairment losses (continued)

Amount owing by subsidiaries

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. The Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly.

The Company measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the subsidiary does not have sufficient highly liquid resources when the loans and advances are demanded, the Company will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale less liquid assets by the subsidiary.

Allowance for impairment losses

At the end of the reporting period, there was no indication that the amount owing is not recoverable.

Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

37. Financial instruments (continued)

(a) Financial risk management policies (continued)

(v) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

2022	Contractual interest rate per annum (%)	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1 to 5 years RM'000
Group				
Non-derivative Financial Liabilities				
Term loans	3.41	6,721	6,721	-
Lease liabilities	3.11	1,066	984	82
Trade payables	-	18,553	18,553	-
Other payables	-	14,892	14,892	-
Derivative Financial Liabilities				
Forward currency contracts (gross settled)				
- gross payments	-	15	15	-
		41,247	41,165	82
Company				
Non-derivative financial liabilities				
Other payables	-	55	55	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	6,671	6,671	-
		6,726	6,726	-

37. Financial instruments (continued)

(a) Financial risk management policies (continued)

(v) Liquidity risk (continued)

Maturity analysis (continued)

	Contractual interest rate per annum (%)	Contractual undiscounted cash flows RM'000	Within 1 year RM'000	1 to 5 years RM'000
2021				
Group				
Non-derivative financial liabilities				
Term loans	3.51	18,042	11,321	6,721
Lease liabilities	3.05	1,066	984	82
Trade payables	-	14,705	14,705	-
Other payables	-	11,048	11,048	-
Derivative Financial liabilities				
Forward currency contracts (gross settled)				
- gross payments	-	3	3	-
		44,864	38,061	6,803
Company				
Non-derivative financial liabilities				
Other payables	-	52	52	-
Financial guarantee contracts in relation to corporate guarantee given to a subsidiary	-	17,900	17,900	-
		17,952	17,952	-

The contractual undiscounted cash flows represent the outstanding credit facilities of a subsidiary at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

37. Financial instruments (continued)

(b) Capital risk management

The Group manages its capital to ensure that entities within the Group are able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory requirements, if any. The debt-to-equity ratio is calculated as total net debts divided by total equity. The Group includes within net debts, loans and borrowings from financial institutions less cash and cash equivalents.

The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

(c) Classification of financial instruments

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Fair Value Through Profit or Loss				
Short-term investments	945	52,800	-	-
Amortised cost				
Trade receivables	35,124	22,622	-	-
Other receivables	370	144	-	-
Amounts owing by subsidiaries	-	-	140	129
Fixed deposits with licensed banks	65,500	8,350	400	500
Cash and bank balances	23,271	7,552	169	109
	124,265	38,668	709	738
Financial liabilities				
Fair Value Through Profit or Loss				
Derivative liabilities	15	3	-	-
Amortised cost				
Lease liabilities	1,047	1,055	-	-
Term loans	6,671	17,900	-	-
Trade payables	18,553	14,705	-	-
Other payables	14,892	11,048	55	52
	41,163	44,708	55	52

37. Financial instruments (continued)

(d) Gains or losses arising from financial instruments

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Financial assets				
Fair Value Through Profit or Loss				
Net losses recognised in profit or loss	(12)	(12)	-	-
Amortised cost				
Net gains recognised in profit or loss	4,334	874	8	19
Financial liabilities				
Amortised cost				
Net losses recognised in profit or loss	(262)	(567)	-	-

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37. Financial instruments (continued)

(e) Fair value information

The fair values of the financial assets and financial liabilties of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair value of financial instruments carried at fair value Level 2 RM'000	Fair value of financial instruments not carried at fair value Level 2 RM'000	Total fair value RM'000	Total carrying amount RM'000
2022				
Group				
Financial asset				
Short-term investments:				
- Money market funds	945	-	945	945
Financial liabilities				
Derivative liabilities:				
- Forward currency contract	15	-	15	15
Term loans	-	6,671	6,671	6,671
2021				
Group				
Financial assets				
Short-term investments:				
- Money market funds	52,800	-	52,800	52,800
Financial liability				
Derivative liabilities:				
- Forward currency contract	3	-	3	3
Term loans	-	17,900	17,900	17,900

37. Financial instruments (continued)

(e) Fair value information (continued)

Fair value of financial instruments carried at fair value

(i) The fair value above have been determined using the following basis:-

(a) The fair values of forward currency contracts are determined by discounting the difference between the contractual forward prices and the current forward prices for the residual maturity of the contracts.

(b) The fair value of money market funds is determined by reference to statement provided by the financial institutions, with which the investment was entered into.

(ii) There were no transfers between level 1 and level 2 during the financial year.

Fair value of financial instruments not carried at fair value

(i) The fair value, which are for disclosure purposes have been determined using the following basis:-

(a) The fair value of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.