

**RGT Berhad
198101004909 (71024-T)
(Incorporated in Malaysia)**

**Reports and financial statements
for the financial year ended 30 June 2023**

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198101004909 (71024-T)
(Incorporated in Malaysia)

Reports and financial statements
for the financial year ended 30 June 2023

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Directors' report

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 30 June 2023.

Principal activities

The principal activity of the Company is that of investment holding. The principal activities and other details of the subsidiaries are disclosed in Note 7 to the financial statements.

Results

	Group RM	Company RM
Profit/(Loss) for the financial year attributable to:-		
- Owners of the Company	1,756,368	(361,561)
- Non-controlling interests	727,184	0
	<u>2,483,552</u>	<u>(361,561)</u>

Dividends

No dividends were recommended, declared or paid by the Company during the financial year.

In August 2023, the Company declared an interim single tier dividend of 0.6 sen per share amounting to RM6,344,940 in respect of the financial year ending 30 June 2024. The dividend is payable in September 2023.

Reserves and provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

Issue of shares or debentures

During the financial year, the Company issued 111,435,822 ordinary shares pursuant to the exercise of 111,435,822 warrants at an exercise price of RM0.10 per share.

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

Share options

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

Bad and doubtful debts

Before the financial statements were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

Directors' report

Bad and doubtful debts (cont'd)

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.

Current assets

Before the financial statements were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements misleading.

Valuation methods

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

Contingent and other liabilities

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

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

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

Change of circumstances

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

Items of an unusual nature

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

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

Directors' report

Directors

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

Directors of the Company

Dato' Ir. Low Keng Kok
 Datuk Lim Seat Hoe
 Lee Soo Ching
 Dr. Ooi Hun Pin
 Ng Choon Keat
 Dato' Lim Yong Jin

Directors of subsidiaries (other than directors of the Company)

Hor Lim Chee
 Tan Song Chai
 Lam Kim Goon
 See Han Liong
 Yew Chong Hooi
 Kau Yoon Thiam
 Ong Liang Kheng
 Ooi Swang Kieat
 Lye Chai Foong

Directors' interests

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

Name of director	Number of ordinary shares					
	Direct interest			Deemed interest		
	Balance at 1.7.2022	Bought	(Sold)	Balance at 30.6.2023	Balance at 1.7.2022	Balance at 30.6.2023
Dato' Ir. Low Keng Kok	2,000,000	0	0	2,000,000	0	0
Datuk Lim Seat Hoe	17,300,000	0	0	17,300,000	267,500,000	267,500,000
Lee Soo Ching	3,650,000	0	0	3,650,000	0	0
Dr. Ooi Hun Pin	500,000	300,000	0	800,000	0	0
Ng Choon Keat	42,500,000	0	0	42,500,000	277,625,000	277,625,000
Dato' Lim Yong Jin	2,100,000	0	0	2,100,000	0	0

By virtue of their interests in shares in the Company, Datuk Lim Seat Hoe and Ng Choon Keat are deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 8 of the Companies Act 2016.

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 25 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Directors' report

Directors' benefits (cont'd)

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Indemnity and insurance for directors and officers

There was no indemnity given to any director or officer of the Group or the Company during the financial year. The Group maintains a liability insurance for its directors and officers and the annual insurance costs incurred for 2023/2024 amounted to RM5,500.

Auditors

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 24 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

Signed in accordance with a resolution of the directors dated 24 August 2023

Ng Choon Keat

Lee Soo Ching

Statement by directors

In the opinion of the directors, the financial statements set out on pages 12 to 63 give a true and fair view of the financial position of the Group and the Company as at 30 June 2023 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed in accordance with a resolution of the directors dated 24 August 2023

Ng Choon Keat

Lee Soo Ching

Statutory declaration

I, Lee Soo Ching, being the director primarily responsible for the financial management of RGT Berhad, do solemnly and sincerely declare that the financial statements set out on pages 12 to 63 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed Lee Soo Ching at
George Town in the State of Penang
on this 24 August 2023

Lee Soo Ching

Before me

Shamini A/P M Shanmugam
No.: P157
Commissioner for Oaths

**Independent auditors' report to the members of
RGT Berhad
198101004909 (71024-T)
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of RGT Berhad, which comprise the statements of financial position as at 30 June 2023 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 63.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2023, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Key audit matters

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

**Independent auditors' report to the members of
RGT Berhad (cont'd)
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<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Impairment of goodwill (Refer to Notes 3 and 6 to the financial statements)</u></p> <p>The Group carries significant goodwill. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. The impairment test involves significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> • Evaluating whether the method used by the Group in measuring the recoverable amount is appropriate in the circumstances. • Making enquiries of and challenging management on the key assumptions and inputs used in the measurement method. • Evaluating whether the key assumptions and inputs used are reasonable and consistent by taking into consideration the past performance, future growth, market development, etc. • Performing stress tests and sensitivity analyses to assess the impacts of those key assumptions and inputs on the measurement of recoverable amount.
<p><u>Valuation of inventories (Refer to Notes 3 and 10 to the financial statements)</u></p> <p>The Group carries significant inventories. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involves judgements and estimation uncertainty in forming expectations about future sales and demands.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> • Obtaining an understanding of:- <ul style="list-style-type: none"> • the Group's inventory management process; • how the Group identifies and assesses inventory write-downs; and • how the Group makes the accounting estimates for inventory write-downs. • Reviewing the ageing analysis of inventories and testing the reliability thereof. • Examining the perpetual records for inventory movements and to identify slow moving aged items. • Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories. • Reviewing the net realisable value of major inventories. • Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.

**Independent auditors' report to the members of
RGT Berhad (cont'd)
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<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Impairment of receivables (Refer to Notes 3 and 11 to the financial statements)</u></p> <p>The Group carries significant receivables and is subject to major credit risk exposure. The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> • Obtaining an understanding of:- <ul style="list-style-type: none"> • the Group's control over the receivable collection process; • how the Group identifies and assesses the impairment of receivables; and • how the Group makes the accounting estimates for impairment. • Reviewing the ageing analysis and past due status of receivables and testing the reliability thereof. • Reviewing the subsequent cash collections for major receivables and overdue amounts. • Making inquiries of management regarding the action plans to recover overdue amounts. • Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections. • Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix. • Evaluating the reasonableness and adequacy of the resulting loss allowance recognised.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the directors' report (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

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

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

**Independent auditors' report to the members of
RGT Berhad (cont'd)
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If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

**Independent auditors' report to the members of
RGT Berhad (cont'd)
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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**Independent auditors' report to the members of
RGT Berhad (cont'd)
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Other matters

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

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

Eddy Chan Wai Hun
02182/10/2023 J
Chartered Accountant

Date: 24 August 2023

Penang

Consolidated statement of financial position as at 30 June 2023

	Note	2023 RM	2022 RM (Restated)
Non-current assets			
Property, plant and equipment	4	106,664,818	99,941,363
Right-of-use assets	5	22,584,746	23,463,729
Goodwill	6	34,377,957	34,377,957
Investments	8	0	108,230
Deferred tax assets	9	885,137	764,713
		<u>164,512,658</u>	<u>158,655,992</u>
Current assets			
Inventories	10	19,766,713	19,241,942
Receivables	11	25,146,521	23,287,603
Prepayments	12	4,401,528	2,202,662
Current tax assets		2,693,259	2,452,614
Cash and cash equivalents	13	35,850,548	30,256,277
		<u>87,858,569</u>	<u>77,441,098</u>
Current liabilities			
Payables	14	19,210,962	17,191,216
Loans and borrowings	15	12,570,777	14,805,797
Lease liabilities	16	1,496,069	1,437,416
Derivatives	17	363,612	155,313
Contract liabilities	18	2,839,815	2,810,018
Current tax liabilities		393,856	1,027,253
		<u>36,875,091</u>	<u>37,427,013</u>
Net current assets		<u>50,983,478</u>	<u>40,014,085</u>
Non-current liabilities			
Payables	14	0	2,872,728
Loans and borrowings	15	44,474,124	39,181,971
Lease liabilities	16	1,708,677	2,334,416
Deferred tax liabilities	9	8,464,205	7,850,262
Deferred income on government grants	19	791,296	0
		<u>55,438,302</u>	<u>52,239,377</u>
Net assets		<u>160,057,834</u>	<u>146,430,700</u>
Equity			
Share capital	20	248,608,465	231,830,106
Reserves	21	(121,609,700)	(115,907,211)
Retained profits		<u>25,029,792</u>	<u>23,205,712</u>
Equity attributable to owners of the Company		<u>152,028,557</u>	<u>139,128,607</u>
Non-controlling interests	22	8,029,277	7,302,093
Total equity		<u>160,057,834</u>	<u>146,430,700</u>

Consolidated statement of comprehensive income for the financial year ended 30 June 2023

	Note	2023 RM	2022 RM
Revenue	23	107,321,730	121,237,082
Cost of goods sold		(83,126,559)	(90,168,984)
Gross profit		<u>24,195,171</u>	<u>31,068,098</u>
Interest income		169,088	82,315
Other income		1,586,109	1,104,690
Administrative and general expenses		(19,462,200)	(17,370,063)
Finance costs		(2,391,129)	(1,077,457)
Profit before tax	24	<u>4,097,039</u>	<u>13,807,583</u>
Tax expense	26	(1,613,487)	(2,016,213)
Profit for the financial year		<u>2,483,552</u>	<u>11,791,370</u>
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		<u>2,483,552</u>	<u>11,791,370</u>
Profit for the financial year attributable to:-			
- Owners of the Company		1,756,368	10,000,040
- Non-controlling interests	22	<u>727,184</u>	<u>1,791,330</u>
		<u>2,483,552</u>	<u>11,791,370</u>
Comprehensive income for the financial year attributable to:-			
- Owners of the Company		1,756,368	10,000,040
- Non-controlling interests		<u>727,184</u>	<u>1,791,330</u>
		<u>2,483,552</u>	<u>11,791,370</u>
Earnings per share:-	27		
- Basic (sen)		<u>0.18</u>	<u>1.25</u>
- Diluted (sen)		<u>0.18</u>	<u>1.11</u>

Consolidated statement of changes in equity for the financial year ended 30 June 2023

	Non-distributable			Distributable	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Share capital RM	Warrant reserve RM	Consolidation reserve RM	Retained profits RM	RM	RM	RM
Balance at 1 July 2021	78,147,586	7,006,379	0	17,124,379	102,278,344	35,587,190	137,865,534
Acquisition of subsidiaries	0	0	0	0	0	2,713,873	2,713,873
Issue of shares pursuant to exercise of warrants	3,882,520	(1,303,890)	0	0	2,578,630	0	2,578,630
Issue of shares to non-controlling interests	0	0	0	0	0	3,900,000	3,900,000
Dividend to owners of the Company (Note 28)	0	0	0	(3,918,707)	(3,918,707)	0	(3,918,707)
Dividend to non-controlling interests	0	0	0	0	0	(4,000,000)	(4,000,000)
Contributions by/(Distributions to) owners	3,882,520	(1,303,890)	0	(3,918,707)	(1,340,077)	(100,000)	(1,440,077)
Changes in ownership interests in subsidiaries	149,800,000	0	(121,609,700)	0	28,190,300	(32,690,300)	(4,500,000)
Total transactions with owners	153,682,520	(1,303,890)	(121,609,700)	(3,918,707)	26,850,223	(32,790,300)	(5,940,077)
Profit (representing comprehensive income) for the financial year	0	0	0	10,000,040	10,000,040	1,791,330	11,791,370
Balance at 30 June 2022	<u>231,830,106</u>	<u>5,702,489</u>	<u>(121,609,700)</u>	<u>23,205,712</u>	<u>139,128,607</u>	<u>7,302,093</u>	<u>146,430,700</u>

Consolidated statement of changes in equity for the financial year ended 30 June 2023 (cont'd)

		Non-distributable		Distributable (Accumulated losses)/ Retained profits	Equity attributable to owners of the Company	Non- controlling interests	Total equity
	Share capital RM	Warrant reserve RM	Consolidation reserve RM	RM	RM	RM	RM
Balance at 1 July 2022							
- As previously reported	231,830,106	5,702,489	0	(98,403,988)	139,128,607	7,302,093	146,430,700
- Reclassification (Note 36)	0	0	(121,609,700)	121,609,700	0	0	0
- As restated	<u>231,830,106</u>	<u>5,702,489</u>	<u>(121,609,700)</u>	<u>23,205,712</u>	<u>139,128,607</u>	<u>7,302,093</u>	<u>146,430,700</u>
Issue of shares pursuant to exercise of warrants (representing total transactions with owners)	16,778,359	(5,634,777)	0	0	11,143,582	0	11,143,582
Transfer of warrant reserve to retained profits upon expiry of warrants	0	(67,712)	0	67,712	0	0	0
Profit (representing comprehensive income) for the financial year	0	0	0	1,756,368	1,756,368	727,184	2,483,552
Balance at 30 June 2023	<u>248,608,465</u>	<u>0</u>	<u>(121,609,700)</u>	<u>25,029,792</u>	<u>152,028,557</u>	<u>8,029,277</u>	<u>160,057,834</u>

Consolidated statement of cash flows for the financial year ended 30 June 2023

	Note	2023 RM	2022 RM
Cash flows from operating activities			
Profit before tax		4,097,039	13,807,583
Adjustments for:-			
Amortisation of deferred income		(51,767)	0
Depreciation of property, plant and equipment		7,620,686	4,479,003
Depreciation of right-of-use assets		1,976,262	1,842,741
Fair value gains on financial instruments		(101,181)	(69,475)
Gain on disposal of property, plant and equipment		(269,771)	(6,999)
Interest expense		2,391,129	1,077,457
Interest income		(169,088)	(82,315)
Loss on disposal of subsidiary	7	4,593	0
Property, plant and equipment written off		6,859	84,409
Reversal of inventories written down		0	(77,157)
Unrealised gain on foreign exchange		(610,752)	(346,617)
Operating profit before working capital changes		14,894,009	20,708,630
Changes in:-			
Inventories		(524,771)	7,593,071
Receivables		(1,156,378)	(12,900,209)
Prepayments		(1,212,205)	1,348,317
Payables		(1,139,761)	(2,501,515)
Contract liabilities		29,797	(1,347,605)
Derivatives		(155,313)	(7,101)
Cash generated from operations		10,735,378	12,893,588
Tax paid		(2,404,469)	(2,827,412)
Tax refunded		410,459	0
Net cash from operating activities		8,741,368	10,066,176
Cash flows from investing activities			
Acquisition of property, plant and equipment	29	(15,337,667)	(40,335,448)
Acquisition of quoted investments		0	(20,006)
Acquisition of right-of-use assets	29	(75,808)	(5,176,543)
Acquisition of subsidiaries, net of cash acquired		0	(17,712,577)
Disposal of subsidiary, net of cash disposed of	7	(6,093)	0
Grants received		843,063	0
Interest and fund distributions received		830,781	417,714
Proceeds from disposal of property, plant and equipment		269,779	7,000
Proceeds from disposal of quoted investments		116,719	0
Net cash used in investing activities		(13,359,226)	(62,819,860)

Consolidated statement of cash flows for the financial year ended 30 June 2023 (cont'd)

	Note	2023 RM	2022 RM
Cash flows from financing activities			
Acquisition of shares from non-controlling interests		0	(4,500,000)
(Decrease)/Increase in short-term loans and borrowings (net)	29	(4,449,544)	8,577,544
Dividend paid to owners of the Company		0	(3,918,707)
Dividend paid to non-controlling interests		0	(4,000,000)
Drawdown of term loans	29	13,600,054	28,386,723
Interest paid		(2,391,129)	(1,077,457)
Issue of shares pursuant to exercise of warrants		11,143,582	2,578,630
Issue of shares to non-controlling interests		0	3,900,000
Payment of lease liabilities	29	(1,588,559)	(1,480,921)
Repayment of term loans	29	(5,704,852)	(2,805,959)
Withdrawal/(Placement) of term deposits pledged as security (net)		551,514	(62,318)
Net cash from financing activities		<u>11,161,066</u>	<u>25,597,535</u>
Currency translation differences		(8,898)	35,176
Net increase/(decrease) in cash and cash equivalents		6,534,310	(27,120,973)
Cash and cash equivalents brought forward		25,746,779	52,867,752
Cash and cash equivalents carried forward	13	<u>32,281,089</u>	<u>25,746,779</u>

Statement of financial position as at 30 June 2023

	Note	2023 RM	2022 RM
Non-current assets			
Investments in subsidiaries	7	245,028,809	245,063,809
Current assets			
Receivables	11	6,450,000	3,100,000
Prepayments		8,157	14,585
Current tax assets		5,750	0
Cash and cash equivalents	13	6,804,890	3,323,763
		<u>13,268,797</u>	<u>6,438,348</u>
Current liabilities			
Payables	14	3,189,964	4,301,308
Current tax liabilities		0	2,500
		<u>3,189,964</u>	<u>4,303,808</u>
Net current assets		10,078,833	2,134,540
Non-current liabilities			
Payables	14	0	2,872,728
Net assets		<u>255,107,642</u>	<u>244,325,621</u>
Equity			
Share capital	20	248,608,465	231,830,106
Reserves	21	0	5,702,489
Retained profits		6,499,177	6,793,026
Total equity		<u>255,107,642</u>	<u>244,325,621</u>

Statement of comprehensive income for the financial year ended 30 June 2023

	Note	2023 RM	2022 RM
Revenue	23	0	12,000,000
Interest income		179,703	65,499
Other income		5,265	95,210
Administrative and general expenses		(545,616)	(2,120,743)
Finance costs		0	(42,880)
(Loss)/Profit before tax	24	<u>(360,648)</u>	<u>9,997,086</u>
Tax expense	26	(913)	(10,000)
(Loss)/Profit for the financial year		<u>(361,561)</u>	<u>9,987,086</u>
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		<u>(361,561)</u>	<u>9,987,086</u>

Statement of changes in equity for the financial year ended 30 June 2023

	Share capital RM	Non- distributable Warrant reserve RM	Distributable Retained profits RM	Total equity RM
Balance at 1 July 2021	78,147,586	7,006,379	724,647	85,878,612
Issue of shares pursuant to:-				
- Acquisition of shares from non-controlling interests	149,800,000	0	0	149,800,000
- Exercise of warrants	3,882,520	(1,303,890)	0	2,578,630
Dividend to owners of the Company (Note 28)	0	0	(3,918,707)	(3,918,707)
Total transactions with owners	153,682,520	(1,303,890)	(3,918,707)	148,459,923
Profit (representing comprehensive income) for the financial year	0	0	9,987,086	9,987,086
Balance at 30 June 2022	231,830,106	5,702,489	6,793,026	244,325,621
Issue of shares pursuant to exercise of warrants (representing total transactions with owners)	16,778,359	(5,634,777)	0	11,143,582
Transfer of warrant reserve to retained profits upon expiry of warrants	0	(67,712)	67,712	0
Loss (representing comprehensive income) for the financial year	0	0	(361,561)	(361,561)
Balance at 30 June 2023	248,608,465	0	6,499,177	255,107,642

Statement of cash flows for the financial year ended 30 June 2023

	Note	2023 RM	2022 RM
Cash flows from operating activities			
(Loss)/Profit before tax		(360,648)	9,997,086
Adjustments for:-			
Dividend income		0	(12,000,000)
Fair value losses/(gains) on financial instruments		79,574	(95,210)
Gain on disposal of subsidiary		(5,000)	0
Interest expense		0	42,880
Interest income		(179,703)	(65,499)
Operating loss before working capital changes		(465,777)	(2,120,743)
Changes in:-			
Prepayments		6,428	5,215
Payables		(339,461)	378,220
Cash absorbed by operations		(798,810)	(1,737,308)
Tax paid		(9,163)	(7,500)
Net cash used in operating activities		(807,973)	(1,744,808)
Cash flows from investing activities			
Acquisition of shares from non-controlling interests		0	(4,500,000)
Acquisition of subsidiaries		0	(20,800,000)
Capital repayment from subsidiary		0	1,465,000
Dividends received		0	12,000,000
Interest and fund distributions received		305,518	233,629
Net advance to subsidiary		(3,350,000)	(1,000,000)
Proceeds from disposal of subsidiary		40,000	0
Subscription for shares in subsidiaries		0	(9,100,000)
Net cash used in investing activities		(3,004,482)	(21,701,371)
Cash flows from financing activities			
Dividend paid		0	(3,918,707)
Interest paid		0	(42,880)
Issue of shares pursuant to exercise of warrants		11,143,582	2,578,630
Net (repayment to)/advance from subsidiary		(3,850,000)	3,850,000
Net cash from financing activities		7,293,582	2,467,043
Net increase/(decrease) in cash and cash equivalents		3,481,127	(20,979,136)
Cash and cash equivalents brought forward		3,323,763	24,302,899
Cash and cash equivalents carried forward	13	6,804,890	3,323,763

Notes to the financial statements - 30 June 2023

1. General information

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 7.

The registered office of the Company is located at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Penang, Malaysia and its principal place of business is located at No. 1032, Jalan Perindustrian Bukit Minyak, Taman Perindustrian Bukit Minyak, 14100 Simpang Ampat, Penang, Malaysia.

The consolidated financial statements set out on pages 12 to 17 together with the notes thereto cover the Company and its subsidiaries ("Group"). The separate financial statements of the Company set out on pages 18 to 21 together with the notes thereto cover the Company solely.

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

The financial statements were authorised for issue in accordance with a resolution of the directors dated 24 August 2023.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

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

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

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

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

Notes to the financial statements - 30 June 2023

2. Significant accounting policies (cont'd)

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

MFRS (issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 107 and MFRS 7 <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 112 <i>International Tax Reform - Pillar Two Model Rules</i>	1 January 2023

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

2.2 Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. If the assets acquired are not a business, the transaction or other event is accounted for as an asset acquisition.

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

Notes to the financial statements - 30 June 2023

2. Significant accounting policies (cont'd)

2.2 Business combinations (cont'd)

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

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

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

2.3 Basis of consolidation

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

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, and any resulting increase or decrease in equity attributable to owners of the Company is included in consolidation reserve.

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

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7.

Notes to the financial statements - 30 June 2023

2. Significant accounting policies (cont'd)

2.4 Property, plant and equipment (cont'd)

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

Buildings	2% - 10%
Cleanroom facility and equipment	10% - 20%
Computer	40%
Machinery	10% - 25%
Motor vehicles	20%
Office equipment, furniture, fittings and renovation	10% - 33%
Solar equipment	4%
Tools and equipment	10% - 20%

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

2.5 Leases

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

Initial recognition and measurement

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

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

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

Subsequent measurement

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.7.

2. Significant accounting policies (cont'd)

2.5 Leases (cont'd)

Subsequent measurement (cont'd)

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

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

2.6 Investments in subsidiaries

As required by the Companies Act 2016, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.7.

2.7 Impairment of non-financial assets

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

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

2.8 Inventories

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

2. Significant accounting policies (cont'd)

2.9 Contract assets and contract liabilities

A contract is presented in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 2.10. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

2.10 Financial assets

Financial assets of the Group and the Company consist of quoted investments, receivables, derivatives and cash and cash equivalents.

Initial recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.16). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

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

(i) Amortised cost

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

(ii) Fair value through other comprehensive income

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

2. Significant accounting policies (cont'd)

2.10 Financial assets (cont'd)

Subsequent measurement (cont'd)

(iii) Fair value through profit or loss

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

Impairment

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

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

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

Derecognition

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

2.11 Financial liabilities

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

Initial recognition and measurement

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

Notes to the financial statements - 30 June 2023

2. Significant accounting policies (cont'd)

2.11 Financial liabilities (cont'd)

Subsequent measurement

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

Contingent consideration and derivatives are subsequently measured at fair value through profit or loss. Any gain or loss is recognised in profit or loss.

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

Derecognition

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

2.12 Foreign currency transactions and translation

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

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

2.13 Share capital

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

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

2.14 Warrant reserve

The warrant reserve relates to the portion of proceeds from the rights issue ascribed to the attached warrants. The proceeds are allocated between the share capital and warrant reserve based on the respective fair value of the two types of equity instruments issued. As and when the warrants are exercised, the related balance in the warrant reserve will be transferred to the share capital account.

Notes to the financial statements - 30 June 2023

2. Significant accounting policies (cont'd)

2.15 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

Financial assets and financial liabilities

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

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

The fair values of derivatives and short-term funds are directly measured using their unadjusted market values quoted by financial institutions (i.e. Level 1).

The fair value of contingent consideration is measured using probability-weighted present value technique by discounting the expected future cash flows using the Bank Negara's weighted average lending rate (i.e. Level 2).

Notes to the financial statements - 30 June 2023

2. Significant accounting policies (cont'd)

2.16 Revenue from contracts with customers

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

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

Sale of goods

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

Rendering of services

The Group determines that the transfer of control of promised services generally coincides with the Group's performance as the customer simultaneously receives and consumes the benefits of the performance as the Group performs. Accordingly, revenue from the rendering of services is recognised over time when the services are performed. The Group measures the progress towards complete satisfaction of the performance obligation using an output method, i.e. units delivered.

2. Significant accounting policies (cont'd)

2.17 Other income

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

Interest income for financial assets measured at amortised cost is recognised in profit or loss using the effective interest method. Interest or fund distribution income for financial assets measured at fair value through profit or loss is included in their net fair value gains or losses.

2.18 Government grants

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

2.19 Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

2.20 Borrowing costs

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

2.21 Income taxes

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

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

Notes to the financial statements - 30 June 2023

2. Significant accounting policies (cont'd)

2.21 Income taxes (cont'd)

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

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.22 Cash and cash equivalents

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

3. Judgements and estimation uncertainty

Judgements made in applying accounting policies

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

Sources of estimation uncertainty

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

Impairment of goodwill

Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. The impairment test involves significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc. The carrying amount of goodwill is disclosed in Note 6.

3. Judgements and estimation uncertainty (cont'd)

Sources of estimation uncertainty (cont'd)

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories (Note 10).

Impairment of receivables

The Group and the Company recognise loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 11).

Notes to the financial statements - 30 June 2023

4. Property, plant and equipment

Group

	Freehold land RM	Buildings RM	Cleanroom facility and equipment RM	Computer RM	Machinery RM	Motor vehicles RM	Office equipment, furniture, fittings and renovation RM	Solar equipment RM	Tools and equipment RM	Capital work-in- progress RM	Total RM
Cost											
Balance at 1 July 2021	0	25,346,804	11,700	2,414,577	21,660,762	255,169	3,729,978	0	6,191,145	18,605,980	78,216,115
Acquisition of subsidiaries	1,650,000	451,907	0	48,332	7,603,461	936,661	591,841	0	0	0	11,282,202
Additions	0	9,901,983	1,751,840	589,378	4,112,634	0	652,261	0	268,485	24,124,316	41,400,897
Transfer from right-of-use assets	0	0	0	0	0	758,868	0	0	0	0	758,868
Disposals/Write-offs	0	0	0	(24,011)	(79,840)	0	(466,541)	0	(130,066)	0	(700,458)
Reclassifications	0	24,481,474	0	0	5,637,969	0	7,678,748	0	0	(37,798,191)	0
Balance at 30 June 2022	1,650,000	60,182,168	1,763,540	3,028,276	38,934,986	1,950,698	12,186,287	0	6,329,564	4,932,105	130,957,624
Additions	0	520,319	1,066,305	756,817	3,133,290	0	1,329,746	151,826	295,734	7,096,969	14,351,006
Transfer from right-of-use assets	0	0	0	0	0	873,057	0	0	0	0	873,057
Disposals/Write-offs	0	0	0	(11,399)	(785,023)	(342,002)	(14,500)	0	(1,560)	0	(1,154,484)
Reclassifications	0	557,897	0	25,658	4,748,139	0	664,814	860,348	21,418	(6,878,274)	0
Balance at 30 June 2023	1,650,000	61,260,384	2,829,845	3,799,352	46,031,392	2,481,753	14,166,347	1,012,174	6,645,156	5,150,800	145,027,203

Notes to the financial statements - 30 June 2023

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

	Freehold land RM	Buildings RM	Cleanroom facility and equipment RM	Computer RM	Machinery RM	Motor vehicles RM	Office equipment, furniture, fittings and renovation RM	Solar equipment RM	Tools and equipment RM	Capital work-in- progress RM	Total RM
Accumulated depreciation											
Balance at 1 July 2021	0	1,885,242	870	2,051,395	11,726,127	255,165	1,962,701	0	3,771,772	0	21,653,272
Acquisition of subsidiaries	0	51,907	0	25,012	3,473,518	936,656	257,862	0	0	0	4,744,955
Depreciation	0	791,737	35,397	289,629	2,184,211	0	505,379	0	672,650	0	4,479,003
Transfer from right-of-use assets	0	0	0	0	0	755,079	0	0	0	0	755,079
Disposals/Write-offs	0	0	0	(24,006)	(79,835)	0	(399,168)	0	(113,039)	0	(616,048)
Balance at 30 June 2022	0	2,728,886	36,267	2,342,030	17,304,021	1,946,900	2,326,774	0	4,331,383	0	31,016,261
Depreciation	0	1,520,225	204,403	625,134	3,285,184	3,786	1,373,424	37,113	571,417	0	7,620,686
Transfer from right-of-use assets	0	0	0	0	0	873,055	0	0	0	0	873,055
Disposals/Write-offs	0	0	0	(10,891)	(780,467)	(342,000)	(13,433)	0	(826)	0	(1,147,617)
Balance at 30 June 2023	0	4,249,111	240,670	2,956,273	19,808,738	2,481,741	3,686,765	37,113	4,901,974	0	38,362,385
Carrying amount											
Balance at 1 July 2021	0	23,461,562	10,830	363,182	9,934,635	4	1,767,277	0	2,419,373	18,605,980	56,562,843
Balance at 30 June 2022	1,650,000	57,453,282	1,727,273	686,246	21,630,965	3,798	9,859,513	0	1,998,181	4,932,105	99,941,363
Balance at 30 June 2023	1,650,000	57,011,273	2,589,175	843,079	26,222,654	12	10,479,582	975,061	1,743,182	5,150,800	106,664,818

Notes to the financial statements - 30 June 2023

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

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

	2023 RM	2022 RM
Freehold land	1,650,000	1,650,000
Buildings	53,031,273	54,576,087
Cleanroom facility and equipment	1,309,500	1,457,792
Machinery	10,588,388	6,500,327
Solar equipment	975,061	0
Capital work-in-progress	5,090,800	3,965,178
	<u>72,645,022</u>	<u>68,149,384</u>

5. Right-of-use assets

Group

	Leasehold land RM	Buildings RM	Cleanroom facility and equipment RM	Machinery RM	Motor vehicles RM	Tools and equipment RM	Total RM
Balance at 1 July 2021	14,155,011	1,654,086	1,181,299	0	792,874	0	17,783,270
Acquisition of subsidiaries	0	4,144	0	458,708	128,386	0	591,238
Additions	5,645,944	0	0	87,682	148,715	119,000	6,001,341
Remeasurement of lease liabilities	0	934,410	0	0	0	0	934,410
Depreciation	(334,019)	(737,651)	(267,463)	(36,018)	(461,640)	(5,950)	(1,842,741)
Transfer to property, plant and equipment	0	0	0	0	(3,789)	0	(3,789)
Balance at 30 June 2022	19,466,936	1,854,989	913,836	510,372	604,546	113,050	23,463,729
Additions	0	587,473	0	0	509,808	0	1,097,281
Depreciation	(445,820)	(898,463)	(267,464)	(63,267)	(277,448)	(23,800)	(1,976,262)
Transfer to property, plant and equipment	0	0	0	0	(2)	0	(2)
Balance at 30 June 2023	<u>19,021,116</u>	<u>1,543,999</u>	<u>646,372</u>	<u>447,105</u>	<u>836,904</u>	<u>89,250</u>	<u>22,584,746</u>

The Group acquired the rights to use the leasehold land as its principal places of business for 42 to 60 (2022 : 42 to 60) years. It also leases the buildings as factory and staff hostel for 2 to 5 (2022 : 2 to 5) years. The rights to use the cleanroom facility and equipment, machinery, motor vehicles and tools and equipment were acquired under hire purchase financing whereby ownership will be transferred by the end of the lease terms of 3 to 5 (2022 : 3 to 5) years.

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

Notes to the financial statements - 30 June 2023

6. Goodwill

Group

	2023 RM	2022 RM
Balance at 1 July	34,377,957	17,147,367
Acquisition of subsidiaries	0	17,230,590
Balance at 30 June	<u>34,377,957</u>	<u>34,377,957</u>

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

	2023 RM	2022 RM
Rapid Growth Technology Sdn. Bhd.	17,147,367	17,147,367
Keenness Precision Engineering Sdn. Bhd.	5,925,512	5,925,512
Top Degree (M) Sdn. Bhd.	11,305,078	11,305,078
	<u>34,377,957</u>	<u>34,377,957</u>

The recoverable amounts of the CGUs were determined based on their value in use calculated using cash flow projections. The cash flow projections were based on the most recent financial budgets/forecasts approved by management which covered a period of 5 years. A growth rate of 0% was used to extrapolate the cash flow projections beyond the 5 years covered by the financial budgets/forecasts. A discount rate of 13.29% (2022 : 18.03%) per annum was applied to the cash flow projections.

Barring any unforeseen circumstances, management believes that no reasonably possible change in the above key assumptions would cause the carrying amounts of the CGUs to materially exceed their recoverable amount.

7. Investments in subsidiaries

Company

	2023 RM	2022 RM
Unquoted shares - at cost	246,120,025	246,155,025
Impairment losses	(1,091,216)	(1,091,216)
	<u>245,028,809</u>	<u>245,063,809</u>

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2023	2022	
T-Venture Industries (M) Sdn. Bhd.	Malaysia	100%	100%	Manufacture of moulded plastic products

Notes to the financial statements - 30 June 2023

7. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2023	2022	
Rapid Growth Technology Sdn. Bhd. ("RGTSB")	Malaysia	100%	100%	Manufacture and sale of air freshener dispensers, hygiene care products and plastic parts
RGT Industries Sdn. Bhd.	Malaysia	100%	100%	Design, manufacture and sale of moulded plastic products to various industries together with secondary processes
Top Degree (M) Sdn. Bhd.	Malaysia	70%	70%	Design, manufacture and sale of machinery, high precision parts and related accessories
Keenness Precision Engineering Sdn. Bhd.	Malaysia	70%	70%	Precision machining and tooling for moulds and machine parts
AKnight Resources Sdn. Bhd.	Malaysia	0%	100%	Inactive

Subsidiary of RGTSB

Rapid Growth Industries Sdn. Bhd.	Malaysia	100%	100%	Inactive
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Disposal of subsidiary

In August 2022, the Company disposed of its entire equity interest in AKnight Resources Sdn. Bhd. for cash consideration of RM40,000. The effects of the disposal on the consolidated statement of cash flows are as follows:-

	Group RM
Cash and cash equivalents	46,093
Payables	(1,500)
Net assets disposed of	44,593
Loss on disposal	(4,593)
Cash consideration received	40,000
Cash and cash equivalents disposed of	(46,093)
Disposal of subsidiary, net of cash disposed of	(6,093)

Notes to the financial statements - 30 June 2023

8. Investments

Group

	2023 RM	2022 RM
Quoted unit trust - at fair value	<u>0</u>	<u>108,230</u>

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

9. Deferred tax assets and deferred tax liabilities

	2023 RM	Group 2022 RM
Balance at 1 July	(7,085,549)	(5,138,951)
Acquisition of subsidiaries	0	(870,150)
Deferred tax income/(expense) relating to origination and reversal of temporary differences	448,194	(1,124,535)
Recognition of previously unrecognised deferred tax assets	0	330,000
Deferred tax liabilities underprovided in prior year	(941,713)	(281,913)
Balance at 30 June	<u>(7,579,068)</u>	<u>(7,085,549)</u>
Disclosed as:-		
- Deferred tax assets	885,137	764,713
- Deferred tax liabilities	<u>(8,464,205)</u>	<u>(7,850,262)</u>
	<u>(7,579,068)</u>	<u>(7,085,549)</u>
In respect of:-		
- (Taxable)/Deductible temporary differences of:-		
- Property, plant and equipment	(7,218,068)	(5,648,549)
- Right-of-use assets	(2,977,000)	(4,071,000)
- Inventories	3,000	3,000
- Financial instruments	(30,000)	(31,000)
- Lease liabilities	868,000	1,185,000
- Unused capital allowances	834,000	626,000
- Unused tax losses	941,000	851,000
	<u>(7,579,068)</u>	<u>(7,085,549)</u>

As at 30 June 2023, the Group and the Company have unused tax losses amounting to RM14,618,000 (2022 : RM14,618,000) for which no deferred tax assets have been recognised. The unused tax losses can be carried forward until the year of assessment 2028.

Notes to the financial statements - 30 June 2023

10. Inventories

Group	2023 RM	2022 RM
Raw materials	10,573,867	11,452,827
Work-in-progress	5,772,563	2,129,077
Finished goods	2,651,298	5,248,273
Goods-in-transit	768,985	411,765
	<u>19,766,713</u>	<u>19,241,942</u>

11. Receivables

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Trade receivables	24,567,577	22,807,499	0	0
Other receivables	578,944	480,104	0	0
Amount due from subsidiary	0	0	6,450,000	3,100,000
	<u>25,146,521</u>	<u>23,287,603</u>	<u>6,450,000</u>	<u>3,100,000</u>

Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 30 June 2023, there were 2 (2022 : 2) major groups of customers that individually accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM14,214,767 (2022 : RM12,588,276). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	Group	
	2023 RM	2022 RM
Malaysia	5,455,612	4,667,868
Other Asian countries	5,661,113	6,799,447
North America	6,411,381	6,424,973
Europe	6,846,304	4,888,743
Others	193,167	26,468
	<u>24,567,577</u>	<u>22,807,499</u>

Notes to the financial statements - 30 June 2023

11. Receivables (cont'd)

Trade receivables (cont'd)

The credit terms of trade receivables range from 30 to 130 days. The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:-

	Group	
	2023 RM	2022 RM
Not past due	18,518,445	18,151,241
1 to 30 days past due	3,576,308	4,167,383
31 to 60 days past due	1,687,267	278,228
61 to 90 days past due	711,118	138,444
More than 90 days past due	74,439	72,203
	<u>24,567,577</u>	<u>22,807,499</u>

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Based on the low historical observed default rates (adjusted for forward-looking estimates), the expected credit losses on trade receivables are not considered to be material and hence, have not been recognised.

Amount due from subsidiary

The amount due from subsidiary is unsecured, bearing interest at 4.83% (2022 : 3.89%) per annum and repayable on demand.

12. Prepayments

Group	2023 RM	2022 RM
Prepayments for acquisition of property, plant and equipment	1,899,451	912,790
Prepayments for operating expenses	2,502,077	1,289,872
	<u>4,401,528</u>	<u>2,202,662</u>

Notes to the financial statements - 30 June 2023

13. Cash and cash equivalents

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash and bank balances	4,911,135	10,616,992	292,226	286,914
Term deposits	3,569,459	4,120,973	0	0
Short-term funds - at fair value	27,369,954	15,518,312	6,512,664	3,036,849
	<u>35,850,548</u>	<u>30,256,277</u>	<u>6,804,890</u>	<u>3,323,763</u>

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

The term deposits have been pledged as security for credit facilities granted to the Group and are not freely available for use.

The effective interest rates of term deposits as at 30 June 2023 ranged from 2.25% to 2.40% (2022 : 1.55% to 1.85%) per annum.

Short-term funds represent highly liquid investments in money market funds managed by financial institutions that invest in low-risk instruments, and are readily redeemable with insignificant risk of changes in value. Their fair values were directly measured using the unadjusted market values quoted by the financial institutions (i.e. Level 1).

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

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash and cash equivalents	35,850,548	30,256,277	6,804,890	3,323,763
Bank overdrafts	0	(388,525)	0	0
Term deposits pledged as security	(3,569,459)	(4,120,973)	0	0
	<u>32,281,089</u>	<u>25,746,779</u>	<u>6,804,890</u>	<u>3,323,763</u>

14. Payables

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Trade payables	11,202,738	10,813,515	0	0
Other payables	4,930,107	6,377,701	111,847	451,308
Amount due to subsidiary	0	0	0	3,850,000
	<u>16,132,845</u>	<u>17,191,216</u>	<u>111,847</u>	<u>4,301,308</u>
Contingent consideration - at fair value	3,078,117	2,872,728	3,078,117	2,872,728
	<u>19,210,962</u>	<u>20,063,944</u>	<u>3,189,964</u>	<u>7,174,036</u>

Notes to the financial statements - 30 June 2023

14. Payables (cont'd)

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Disclosed as:-				
- Current liabilities	19,210,962	17,191,216	3,189,964	4,301,308
- Non-current liabilities	0	2,872,728	0	2,872,728
	<u>19,210,962</u>	<u>20,063,944</u>	<u>3,189,964</u>	<u>7,174,036</u>

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

Trade and other payables

The credit terms of trade and other payables range from 7 to 120 days.

Amount due to subsidiary

The amount due to subsidiary was unsecured, bearing interest at 3.89% per annum and repayable on demand.

Contingent consideration

This represents the balance contingent consideration payable to vendors of Top Degree (M) Sdn. Bhd. and Keenness Precision Engineering Sdn. Bhd. pursuant to share sale agreements.

15. Loans and borrowings

Group	2023 RM	2022 RM
Secured		
Banker acceptances	0	1,682,544
Bank overdrafts	0	388,525
Revolving credits	3,700,000	6,000,000
Term loans	52,916,901	45,021,699
Unsecured		
Banker acceptances	428,000	895,000
	<u>57,044,901</u>	<u>53,987,768</u>
Disclosed as:-		
- Current liabilities	12,570,777	14,805,797
- Non-current liabilities	44,474,124	39,181,971
	<u>57,044,901</u>	<u>53,987,768</u>

Secured loans and borrowings are secured against certain property, plant and equipment (Note 4) and right-of-use assets (Note 5).

The effective interest rates of loans and borrowings as at 30 June 2023 ranged from 4.25% to 4.65% (2022 : 2.26% to 6.89%) per annum.

Notes to the financial statements - 30 June 2023

15. Loans and borrowings (cont'd)

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

Term loans are repayable over 4 to 25 years. The repayment analysis is as follows:-

	2023 RM	2022 RM
Gross loan instalments:-		
- Within 1 year	10,596,421	7,205,468
- 1 to 5 years	39,391,027	36,088,686
- After 5 years	15,208,012	8,317,507
Total contractual undiscounted cash flows	65,195,460	51,611,661
Future finance charges	(12,278,559)	(6,589,962)
Present value of term loans	<u>52,916,901</u>	<u>45,021,699</u>

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

16. Lease liabilities

Group

	2023 RM	2022 RM
Gross lease liabilities:-		
- Within 1 year	1,607,548	1,581,305
- 1 to 5 years	1,792,763	2,456,959
Total contractual undiscounted cash flows	3,400,311	4,038,264
Future finance charges	(195,565)	(266,432)
Present value of lease liabilities	<u>3,204,746</u>	<u>3,771,832</u>
Disclosed as:-		
- Current liabilities	1,496,069	1,437,416
- Non-current liabilities	1,708,677	2,334,416
	<u>3,204,746</u>	<u>3,771,832</u>

The incremental borrowing rates applied to lease liabilities as at 30 June 2023 ranged from 3.50% to 7.93% (2022 : 3.50% to 7.93%) per annum.

17. Derivatives

Group

	2023 RM	2022 RM
Forward exchange contracts - at fair value	<u>363,612</u>	<u>155,313</u>

Notes to the financial statements - 30 June 2023

17. Derivatives (cont'd)

Forward exchange contracts are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 30 June 2023, the Group had contracts with financial institutions due within 1 year to deal with the following currencies at contractual forward rates:-

	2023		2022	
	To buy	To sell	To buy	To sell
Contract I	RM10,339,000	USD2,300,000	RM6,365,000	USD1,450,000
Contract II	<u>0</u>	<u>0</u>	<u>JPY73,240,000</u>	<u>RM2,520,000</u>

The fair values of forward exchange contracts were directly measured using their unadjusted market values quoted by the financial institutions (i.e. Level 1).

18. Contract liabilities

Group	2023 RM	2022 RM
Balance at 1 July	2,810,018	569,237
Acquisition of subsidiaries	0	3,588,386
Revenue recognised from opening contract liabilities	(2,810,018)	(4,157,623)
Excess of consideration over revenue recognised	<u>2,839,815</u>	<u>2,810,018</u>
Balance at 30 June	<u>2,839,815</u>	<u>2,810,018</u>

As disclosed in Note 2.16, the Group generally satisfies its performance obligations at a point in time upon delivery of goods. Any consideration received or due in advance before a performance obligation is satisfied is presented as contract liability.

19. Deferred income on government grants

Group	2023 RM	2022 RM
Balance at 1 July	0	0
Grants related to property, plant and equipment	843,063	0
Amortisation	<u>(51,767)</u>	<u>0</u>
Balance at 30 June	<u>791,296</u>	<u>0</u>

The Group received grants from the local government for purchase of certain machinery. The grants covered 50% of the machinery costs subject to the limits approved by the local government.

Notes to the financial statements - 30 June 2023

20. Share capital

	No. of ordinary shares with no par value	RM
Issued and fully paid		
Balance at 1 July 2021	652,767,856	78,147,586
Issue of shares pursuant to exercise of warrants	25,786,300	3,882,520
Issue of shares pursuant to acquisition of shares from non-controlling interests	267,500,000	149,800,000
Balance at 30 June 2022	946,054,156	231,830,106
Issue of shares pursuant to exercise of warrants	111,435,822	16,778,359
Balance at 30 June 2023	<u>1,057,489,978</u>	<u>248,608,465</u>

21. Reserves

	Group		Company	
	2023 RM	2022 RM (Restated)	2023 RM	2022 RM
Warrant reserve	0	5,702,489	0	5,702,489
Consolidation reserve	(121,609,700)	(121,609,700)	0	0
	<u>(121,609,700)</u>	<u>(115,907,211)</u>	<u>0</u>	<u>5,702,489</u>

Warrant reserve

Group and Company

	No. of warrants	RM
Balance at 1 July 2021	138,561,224	7,006,379
Exercise of warrants	(25,786,300)	(1,303,890)
Balance at 30 June 2022	112,774,924	5,702,489
Exercise of warrants	(111,435,822)	(5,634,777)
Transfer to retained profits upon expiry of warrants	(1,339,102)	(67,712)
Balance at 30 June 2023	<u>0</u>	<u>0</u>

In April 2018, the Company undertook a renounceable rights issue of 348,797,448 new ordinary shares at RM0.10 per share together with 174,398,724 free detachable warrants.

The salient features of the warrants are as follows:-

- (i) The warrants are detachable and separately tradable.
- (ii) Each warrant entitles the holder to subscribe for 1 new ordinary share in the Company at an exercise price of RM0.10.
- (iii) The warrants are exercisable over a period of 5 years until 14 May 2023.
- (iv) The exercise price of the warrants may be adjusted in accordance with the terms and conditions set out in the Deed Poll governing the warrants.

Notes to the financial statements - 30 June 2023

21. Reserves (cont'd)

Consolidation reserve

This represents the decrease in equity arising from the changes in ownership interests in subsidiaries as disclosed in Note 36.

22. Non-controlling interests ("NCI")

Group

	Accumulated NCI		(Loss)/Profit allocated to NCI	
	2023	2022	2023	2022
	RM	RM	RM	RM
Rapid Growth Technology Sdn. Bhd. and its subsidiary	0	0	0	698,980
RGT Industries Sdn. Bhd.	0	0	0	404,130
Top Degree (M) Sdn. Bhd.	4,012,672	4,416,061	(403,389)	331,343
Keenness Precision Engineering Sdn. Bhd.	4,016,605	2,886,032	1,130,573	356,877
	<u>8,029,277</u>	<u>7,302,093</u>	<u>727,184</u>	<u>1,791,330</u>

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

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest held by NCI		Principal activity
		2023	2022	
Top Degree (M) Sdn. Bhd. ("TDSB")	Malaysia	30%	30%	Design, manufacture and sale of machinery, high precision parts and related accessories
Keenness Precision Engineering Sdn. Bhd. ("KPSB")	Malaysia	30%	30%	Precision machining and tooling for moulds and machine parts

Notes to the financial statements - 30 June 2023

22. Non-controlling interests ("NCI") (cont'd)

The summarised financial information (before inter-company eliminations) of the above subsidiaries is as follows:-

	TDSB RM	KPSB RM
2023		
Non-current assets	16,224,864	11,806,090
Current assets	14,358,450	10,870,620
Current liabilities	(9,756,956)	(1,755,165)
Non-current liabilities	(7,450,781)	(7,532,860)
Net assets	13,375,577	13,388,685
Revenue	19,897,204	8,755,835
(Loss)/Profit (representing comprehensive income)	(1,344,627)	3,768,580
Net cash (used in)/from operating activities	(1,912,474)	3,236,741
Net cash used in investing activities	(7,042,533)	(1,899,192)
Net cash from financing activities	3,609,232	2,615,054
Net cash (outflow)/inflow	<u>(5,345,775)</u>	<u>3,952,603</u>
2022		
Non-current assets	10,698,604	10,440,987
Current assets	15,512,557	5,471,927
Current liabilities	(8,115,937)	(1,466,476)
Non-current liabilities	(3,375,020)	(4,826,333)
Net assets	14,720,204	9,620,105
Revenue	16,087,342	3,140,119
Profit (representing comprehensive income)	1,104,477	1,189,590
Net cash from operating activities	1,614,779	87,418
Net cash used in investing activities	(8,653,002)	(4,213,020)
Net cash from financing activities	12,786,787	5,343,793
Net cash inflow	<u>5,748,564</u>	<u>1,218,191</u>

23. Revenue

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Revenue from contracts with customers:-				
- Sale of goods	98,648,266	118,189,432	0	0
- Rendering of services	8,673,464	3,047,650	0	0
	107,321,730	121,237,082	0	0
Other source of revenue:-				
- Dividend income	0	0	0	12,000,000
	<u>107,321,730</u>	<u>121,237,082</u>	<u>0</u>	<u>12,000,000</u>

Notes to the financial statements - 30 June 2023

23. Revenue (cont'd)

Disaggregation of revenue from contracts with customers

	Group	
	2023 RM	2022 RM
Major products/services:-		
- Engineered polymer products	78,751,062	102,106,340
- Automated machinery	13,773,329	10,681,922
- Precision engineering	14,797,339	8,448,820
	<u>107,321,730</u>	<u>121,237,082</u>
Geographical areas:-		
- Malaysia	33,723,746	21,864,355
- Other Asian countries	13,712,740	11,146,022
- North America	35,232,132	67,980,833
- Europe	24,276,767	19,999,110
- Others	376,345	246,762
	<u>107,321,730</u>	<u>121,237,082</u>
Timing of revenue recognition:-		
- Over time	8,673,464	3,047,650
- At a point in time	98,648,266	118,189,432
	<u>107,321,730</u>	<u>121,237,082</u>

24. Profit/(Loss) before tax

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Profit/(Loss) before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Statutory:-				
- Current year	182,200	172,700	60,000	60,000
- Prior year	7,000	0	0	0
- Non-statutory	26,000	32,000	26,000	20,000
Depreciation of property, plant and equipment	7,620,686	4,479,003	0	0
Depreciation of right-of-use assets	1,976,262	1,842,741	0	0
Employee benefits expense (Note 25)	28,390,346	21,725,702	148,460	134,170
Fair value losses on financial instruments mandatorily measured at fair value through profit or loss	0	0	79,574	0

Notes to the financial statements - 30 June 2023

24. Profit/(Loss) before tax (cont'd)

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Fee expense for financial instruments not measured at fair value through profit or loss	59,865	75,799	72	429
Interest expense for financial liabilities not measured at fair value through profit or loss	2,217,215	912,219	0	42,880
Interest expense for lease liabilities	173,914	165,238	0	0
Lease expense relating to:-				
- Short-term leases	126,096	115,434	0	0
- Leases of low-value assets (other than short-term leases)	18,872	17,148	0	0
Loss on disposal of subsidiary	4,593	0	0	0
Property, plant and equipment written off	6,859	84,409	0	0
and crediting:-				
Amortisation of deferred income	51,767	0	0	0
Fair value gains on financial instruments mandatorily measured at fair value through profit or loss	100,037	76,938	0	95,210
Gain on disposal of property, plant and equipment	269,771	6,999	0	0
Gain on disposal of subsidiary	0	0	5,000	0
Gain on foreign exchange:-				
- Realised	429,028	644,727	0	0
- Unrealised	610,752	346,617	0	0
Interest income for financial assets measured at amortised cost	169,088	82,315	179,703	65,499
Reversal of inventories written down	0	77,157	0	0

Notes to the financial statements - 30 June 2023

25. Employee benefits expense (including directors' remuneration)

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Directors of the Company:-				
- Fees	138,000	118,000	138,000	118,000
- Other short-term employee benefits	1,125,172	1,440,853	10,460	16,170
- Defined contribution plans	107,443	135,617	0	0
- Government grants under Wage Subsidy Programme	0	(3,600)	0	0
	1,370,615	1,690,870	148,460	134,170
Directors of subsidiaries:-				
- Fees	48,000	48,000	0	0
- Other short-term employee benefits	1,330,128	1,025,939	0	0
- Defined contribution plans	152,072	99,169	0	0
- Government grants under Wage Subsidy Programme	0	(1,200)	0	0
	1,530,200	1,171,908	0	0
Other employees:-				
- Short-term employee benefits	23,516,248	17,882,134	0	0
- Defined contribution plans	2,096,517	1,598,353	0	0
- Government grants:-				
- Wage Subsidy Programme	0	(523,589)	0	0
- Others	(123,234)	(93,974)	0	0
	25,489,531	18,862,924	0	0
	<u>28,390,346</u>	<u>21,725,702</u>	<u>148,460</u>	<u>134,170</u>

The estimated money value of benefits received or receivable by directors otherwise than in cash is as follows:-

	Group	
	2023 RM	2022 RM
Directors of the Company	63,918	73,400
Directors of subsidiaries	46,108	20,742
	<u>110,026</u>	<u>94,142</u>

Notes to the financial statements - 30 June 2023

26. Tax expense

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Tax based on results for the year:-				
- Current tax	1,411,575	898,690	6,664	10,000
- Deferred tax	(448,194)	794,535	0	0
	<u>963,381</u>	<u>1,693,225</u>	<u>6,664</u>	<u>10,000</u>
Tax (over)/under provided in prior year:-				
- Current tax	(291,607)	41,075	(5,751)	0
- Deferred tax	941,713	281,913	0	0
	<u>1,613,487</u>	<u>2,016,213</u>	<u>913</u>	<u>10,000</u>

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

	Group		Company	
	2023 %	2022 %	2023 %	2022 %
Applicable tax rate	24.00	24.00	(24.00)	24.00
Non-deductible expenses	17.60	6.63	26.18	3.87
Non-taxable income	(1.63)	(0.02)	(0.33)	(27.77)
Tax incentives claimed	(16.46)	(12.36)	0.00	0.00
Decrease in unrecognised deferred tax assets	0.00	(5.99)	0.00	0.00
Average effective tax rate	<u>23.51</u>	<u>12.26</u>	<u>1.85</u>	<u>0.10</u>

27. Earnings per share

Group

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

	2023	2022
Profit for the financial year attributable to owners of the Company (RM)	<u>1,756,368</u>	<u>10,000,040</u>
Number of shares in issue as at 1 July	946,054,156	652,767,856
Effect of shares issued	<u>47,741,258</u>	<u>150,373,843</u>
Weighted average number of shares for computing basic earnings per share	993,795,414	803,141,699
Number of shares under warrants deemed to have been issued for no consideration	<u>0</u>	<u>95,252,316</u>
Weighted average number of shares for computing diluted earnings per share	<u>993,795,414</u>	<u>898,394,015</u>

Notes to the financial statements - 30 June 2023

27. Earnings per share (cont'd)

	2023	2022
Basic earnings per share (sen)	<u>0.18</u>	<u>1.25</u>
Diluted earnings per share (sen)	<u>0.18</u>	<u>1.11</u>

28. Dividends

Group and Company

	2023 RM	2022 RM
Interim single tier dividend of 0.6 sen per share in respect of the financial year ended 30 June 2022	<u>0</u>	<u>3,918,707</u>

In August 2023, the Company declared an interim single tier dividend of 0.6 sen per share amounting to RM6,344,940 in respect of the financial year ending 30 June 2024. The dividend is payable in September 2023.

29. Notes to consolidated statement of cash flows

Group

Acquisition of property, plant and equipment

	2023 RM	2022 RM
Cost of property, plant and equipment acquired (Note 4)	14,351,006	41,400,897
Cost prepaid in current year (Note 12)	1,899,451	912,790
Cost prepaid in prior year (Note 12)	(912,790)	(1,978,239)
Net cash disbursed	<u>15,337,667</u>	<u>40,335,448</u>

Acquisition of right-of-use assets

	2023 RM	2022 RM
Cost of right-of-use assets acquired (Note 5)	1,097,281	6,001,341
Acquisition by means of leases	(1,021,473)	(299,798)
Cost prepaid in prior year	0	(525,000)
Net cash disbursed	<u>75,808</u>	<u>5,176,543</u>

Notes to the financial statements - 30 June 2023

29. Notes to consolidated statement of cash flows (cont'd)

Short-term loans and borrowings

	2023 RM	2022 RM
Balance at 1 July	8,577,544	0
Net cash flow changes	(4,449,544)	8,577,544
Balance at 30 June:-		
- Banker acceptances (Note 15)	428,000	2,577,544
- Revolving credits (Note 15)	3,700,000	6,000,000
	<u>4,128,000</u>	<u>8,577,544</u>

Term loans

	2023 RM	2022 RM
Balance at 1 July	45,021,699	17,846,945
Acquisition of subsidiaries	0	1,593,990
Drawdowns	13,600,054	28,386,723
Repayments	(5,704,852)	(2,805,959)
Balance at 30 June (Note 15)	<u>52,916,901</u>	<u>45,021,699</u>

Lease liabilities

	2023 RM	2022 RM
Balance at 1 July	3,771,832	3,561,482
Acquisition of subsidiaries	0	457,063
Acquisition of right-of-use assets	1,021,473	299,798
Remeasurement from reassessment or lease modifications	0	934,410
Payments	(1,588,559)	(1,480,921)
Balance at 30 June (Note 16)	<u>3,204,746</u>	<u>3,771,832</u>

The total cash outflow for leases is as follows:-

	2023 RM	2022 RM
Operating activities		
Lease expense recognised in profit or loss (Note 24)	144,968	132,582
Investing activities		
Acquisition of right-of-use assets	75,808	5,176,543
Financing activities		
Interest portion of lease liabilities (Note 24)	173,914	165,238
Principal portion of lease liabilities	<u>1,588,559</u>	<u>1,480,921</u>
	<u>1,983,249</u>	<u>6,955,284</u>

Notes to the financial statements - 30 June 2023

30. Related party disclosures

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

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Key management personnel compensation:-				
- Short-term employee benefits	3,200,974	3,125,496	148,460	134,170
- Defined contribution plans	311,939	282,618	0	0
	3,512,913	3,408,114	148,460	134,170
Acquisition of 40% equity interests in subsidiary from directors and other related parties	0	149,800,000	0	149,800,000
Interest charged by subsidiary	0	0	0	42,880
Interest charged to subsidiary	0	0	179,227	61,138

31. Segment reporting

Group

Operating segments

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

- (i) Engineered polymer products - Design, manufacture and sale of high precision engineered polymer products including full assembly and related accessories
- (ii) Factory automation and precision engineering - Design, manufacture and sale of automated machinery, high precision metal parts, components and related accessories

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

Notes to the financial statements - 30 June 2023

31. Segment reporting (cont'd)

Operating segments (cont'd)

	Engineered polymer products RM	Factory automation and precision engineering RM	Unallocated non-operating segments RM	Total RM
2023				
Statement of financial position				
Segment assets	176,263,629	69,288,801	6,818,797	252,371,227
Included in the measure of segment assets are:-				
- Additions to non-current assets	5,967,126	9,481,161	0	15,448,287
Segment liabilities	63,791,923	25,331,506	3,189,964	92,313,393
Statement of comprehensive income				
Segment profit/(loss)	13,848	3,021,782	(552,078)	2,483,552
Included in the measure of segment profit/(loss) are:-				
- External revenue	78,751,062	28,570,668	0	107,321,730
- Interest and fund distribution income	521,678	182,812	126,291	830,781
- Non-cash income	383,636	297,540	0	681,176
- Interest expense	1,989,949	401,180	0	2,391,129
- Depreciation	7,428,084	2,168,864	0	9,596,948
- Other non-cash expenses	379,548	1,091	205,389	586,028
- Tax expense	636,996	975,578	913	1,613,487

Notes to the financial statements - 30 June 2023

31. Segment reporting (cont'd)

Operating segments (cont'd)

	Engineered polymer products RM	Factory automation and precision engineering RM	Unallocated non-operating segments RM	Total RM
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2022

Statement of financial position

Segment assets	175,014,473	57,692,737	3,389,880	236,097,090
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Included in the measure of segment assets are:-

- Additions to non-current assets	35,938,837	24,271,251	0	60,210,088
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Segment liabilities	70,158,588	16,176,024	3,331,778	89,666,390
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Statement of comprehensive income

Segment profit/(loss)	11,496,499	2,337,631	(2,042,760)	11,791,370
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Included in the measure of segment profit/(loss) are:-

- External revenue	102,106,340	19,130,742	0	121,237,082
- Interest and fund distribution income	133,627	91,890	192,197	417,714
- Non-cash income	300,070	124,006	0	424,076
- Interest expense	1,029,196	48,261	0	1,077,457
- Depreciation	5,830,031	491,713	0	6,321,744
- Other non-cash expenses	107,300	170,415	72,920	350,635
- Tax expense/(income)	2,033,549	(27,336)	10,000	2,016,213

Geographical information

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

	External revenue	
	2023 RM	2022 RM
Malaysia	33,723,746	21,864,355
Other Asian countries	13,712,740	11,146,022
North America	35,232,132	67,980,833
Europe	24,276,767	19,999,110
Others	376,345	246,762
	<u>107,321,730</u>	<u>121,237,082</u>

Notes to the financial statements - 30 June 2023

31. Segment reporting (cont'd)

Major customers

For the financial year ended 30 June 2023, there was 1 (2022 : 1) major group of customers under common control from the engineered polymer products segment that contributed 10% or more of the Group's total revenue and the total revenue generated from this major group of customers amounted to RM47,313,112 (2022 : RM80,725,690).

32. Contractual commitments

Group

	2023 RM	2022 RM
Acquisition of property, plant and equipment	1,514,000	7,802,000
Acquisition of right-of-use assets	0	387,000
	<u>1,514,000</u>	<u>8,189,000</u>

33. Financial guarantee contracts

Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions and trade suppliers for credit facilities granted to certain subsidiaries up to a total limit of RM101,839,000 (2022 : RM89,541,000). The total utilisation of these credit facilities as at 30 June 2023 amounted to RM63,281,000 (2022 : RM30,699,000). No maturity analysis is presented for the financial guarantee contracts as the entire amount could be called at any time in the event of default by the subsidiaries.

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.11. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

34. Financial risk management

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

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

Notes to the financial statements - 30 June 2023

34. Financial risk management (cont'd)

Credit risk

The Group's exposure to credit risk arises mainly from receivables, derivative contracts and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 33.

The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 11. As the Group only deals with reputable financial institutions, the credit risk associated with derivative contracts and deposits placed with them is low.

Liquidity risk

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

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

Currency risk

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

	Group Denominated in USD	
	2023 RM	2022 RM
Receivables	18,935,843	17,964,422
Cash and cash equivalents	275,281	4,922,185
Payables	(3,953,337)	(3,942,740)
	<u>15,257,787</u>	<u>18,943,867</u>

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

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

Notes to the financial statements - 30 June 2023

34. Financial risk management (cont'd)

Currency risk (cont'd)

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

	Group	
	Increase/ (Decrease) in profit 2023 RM	Increase/ (Decrease) in profit 2022 RM
Appreciation of USD against RM by 3% (2022 : 2%)	347,878	287,947
Depreciation of USD against RM by 3% (2022 : 2%)	<u>(347,878)</u>	<u>(287,947)</u>

Interest rate risk

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

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

	Group	
	2023 RM	2022 RM
Fixed rate instruments		
Financial assets	3,569,459	4,120,973
Financial liabilities	(7,332,746)	(6,349,376)
Floating rate instruments		
Financial liabilities	<u>(52,916,901)</u>	<u>(51,410,224)</u>

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

	Group	
	Increase/ (Decrease) in profit 2023 RM	Increase/ (Decrease) in profit 2022 RM
Increase in interest rates by 24 (2022 : 10) basis points	(96,520)	(39,072)
Decrease in interest rates by 24 (2022 : 10) basis points	<u>96,520</u>	<u>39,072</u>

Notes to the financial statements - 30 June 2023

35. Capital management

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

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

	Group	
	2023 RM	2022 RM
Loans and borrowings	57,044,901	53,987,768
Lease liabilities	3,204,746	3,771,832
Total interest-bearing debts	60,249,647	57,759,600
Total equity	160,057,834	146,430,700
Total capital	220,307,481	204,190,300
Debt-to-equity ratio	38%	39%

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

36. Reclassification of comparative information

Group

The following comparative information has been reclassified:-

	As previously reported RM	Reclassification RM	As restated RM
Consolidated statement of financial position as at 30 June 2022 (extract)			
(Accumulated losses)/Retained profits	(98,403,988)	121,609,700	23,205,712
Consolidation reserve	0	(121,609,700)	(121,609,700)

During the financial year ended 30 June 2022, the Group acquired from non-controlling interests ("NCI") the following:-

- (i) remaining 40% equity interest in Rapid Growth Technology Sdn. Bhd. ("RGTSB") satisfied entirely via issuance of 267,500,000 new ordinary shares in the Company at market value of RM0.56 per share totalling RM149,800,000; and
- (ii) remaining 30% equity interest in RGT Industries Sdn. Bhd. ("RISB") for cash consideration of RM4,500,000.

Notes to the financial statements - 30 June 2023

36. Reclassification of comparative information (cont'd)

The effects of the changes in ownership interests on the equity attributable to owners of the Company were as follows:-

	RGTSB RM	RISB RM	Total RM
Amount by which NCI were adjusted	32,030,280	660,020	32,690,300
Consideration paid	(149,800,000)	(4,500,000)	(154,300,000)
Decrease in equity attributable to owners of the Company	(117,769,720)	(3,839,980)	(121,609,700)

The decrease in equity of RM121,609,700 was previously debited to retained profits, resulting in a closing deficit (i.e. accumulated losses) of RM98,403,988 as at 30 June 2022. As the Group has been consistently reporting annual profits and closing retained profits since the financial year ended 30 June 2019, the directors are of the opinion that to segregate the decrease in equity to a separate component (within equity) would result in the financial statements providing more reliable and relevant information about the Group's historical performance. Accordingly, the decrease in equity of RM121,609,700 has been reclassified to "consolidation reserve".

RGT Berhad
198101004909 (71024-T)
(Incorporated in Malaysia)

Detailed income statement for the financial year ended 30 June 2023

	2023 RM	2022 RM
REVENUE	0	12,000,000
OTHER INCOME		
Fair value gains on financial instruments	0	95,210
Gain on disposal of subsidiary	5,000	0
Interest income	179,703	65,499
Sundry income	265	0
	184,968	160,709
EXPENSES		
Administrative and general expenses	545,616	2,120,743
Finance costs	0	42,880
	(545,616)	(2,163,623)
(LOSS)/PROFIT BEFORE TAX	(360,648)	9,997,086

This statement is prepared for management purposes only and does not form part of the audited financial statements of the Company.

Detailed income statement for the financial year ended 30 June 2023

	2023 RM	2022 RM
ADMINISTRATIVE AND GENERAL EXPENSES		
Employee benefits expense		
Directors' remuneration:-		
Fees	138,000	118,000
Salaries and allowances	7,500	13,500
Training expenses	2,960	2,670
	148,460	134,170
Accommodation	737	0
Advertisement	7,470	7,021
Auditors' remuneration:-		
- Statutory	60,000	60,000
- Non-statutory	26,000	0
Bank charges	72	429
Consultation fee	0	36,000
Courier charges	3,358	3,094
Exhibition expenses	32,384	0
Gift and donation	3,950	35,000
Fair value losses on financial instruments	79,574	0
Filing fee	500	0
Insurance	8,594	6,719
Listing expense	0	40,000
Printing and stationery	31,457	41,532
Professional fee	97,846	1,715,745
Secretarial fee	14,400	16,243
Share registrar fee	10,700	12,000
Staff welfare	7,700	0
Tax fee	6,000	6,000
Telephone charges	592	422
Travelling expense	5,822	6,368
	<u>545,616</u>	<u>2,120,743</u>
FINANCE COSTS		
Interest on advance	<u>0</u>	<u>42,880</u>