

MMIS BERHAD
[Registration No.: 201901006068 (1315395-W)]
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

30 JUNE 2021

Registered office:
26-1, Lorong Tiara 1A
Bandar Baru Klang
41150 Klang
Selangor Darul Ehsan

Principal place of business:
PT 14495, Persiaran Batu Gajah Perdana 4
Kawasan Perindustrian Batu Gajah Perdana
31000 Batu Gajah
Perak Darul Ridzuan

MMIS BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

30 JUNE 2021

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MMIS BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

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

Principal Activities

The Company is principally engaged in investment holding. The principal activities of its subsidiary are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities of the Company during the financial year. On 3 February 2021, the subsidiary has changed its principal activities from manufacturing, market and sale of precision engineering parts to manufacturing, marketing and sales of precision parts and fabrication of metal and sheet metal.

Financial Results

	Group RM	Company RM
Profit for the financial year, attributable to owners of the Company	<u>5,036,794</u>	<u>77,805</u>

Reserves and Provisions

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

Dividends

Since the end of the last financial year, the Company paid:

	RM
An interim single-tier dividend of RM0.005 per ordinary share in respect of the financial year ended 30 June 2020 declared on 15 November 2019 and paid on 10 December 2019	<u>2,500,000</u>

The Board of Directors does not recommend any final dividend in respect of the current financial year.

Issue of Shares and Debentures

During the financial year, the Company increased its share capital from 500,000,000 ordinary shares to 600,000,000 ordinary shares by way of issuance of 100,000,000 bonus shares which were issued on the basis of one bonus share for every five existing ordinary shares of the Company.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

Options Granted Over Unissued Shares

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

Directors

The Directors in office since the beginning of the financial year until the date of this report are:

Loh Chin Soon*

Low Oo Seng*

Loh Chin Siang*

Law Woo Hock (appointed on 10 September 2021)*

* Director of the Company and its subsidiary

The information required to be disclosed pursuant to Section 253 of the Companies Act 2016 in Malaysia is deemed incorporated herein by such reference to the financial statements of the subsidiary and made a part hereof.

Directors' Interests in Shares

The interests and deemed interests in the shares of the Company and its related corporations (other than wholly-owned subsidiary) of those who were Directors at the end of the financial year (including their spouses or children) according to the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			At 30.06.2021
	At 1.07.2020	Bonus issue	Sold	
Interests in the Company				
<i>Direct interests</i>				
Loh Chin Soon	202,500,000	40,500,000	-	243,000,000
Low Oo Seng	101,250,000	20,250,000	-	121,500,000
Loh Chin Siang	101,250,000	20,250,000	-	121,500,000

Other than those disclosed above, none of the other Directors in office at the end of the financial year had any interest in the shares of the Company or its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 28 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Company was not a party to any arrangement whose objective was to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate during and at the end of the financial year.

Indemnity and Insurance Costs

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM5 million and RM5,900 respectively. No indemnity was given to or insurance effected for auditors of the Company.

Other Statutory Information

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no bad debts to be written off and no allowance for doubtful debts was required; and
 - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of the business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
 - (i) which would render it necessary to write off any bad debts or to make any allowance for doubtful debts in the financial statements of the Group and of the Company; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
 - (iv) which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

Other Statutory Information (Cont'd)

(d) In the opinion of Directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (ii) the result of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Subsidiary

The details of the subsidiary are disclosed in Note 6 to the financial statements.


Auditors

The Auditors, TGS TW PLT (202106000004 (LLP0026851-LCA) & AF 002345), have expressed their willingness to continue in office.

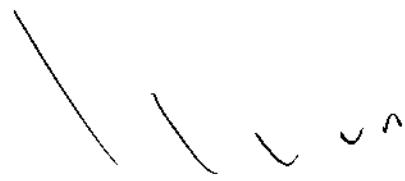
TGS TW PLT (202106000004 (LLP0026851-LCA & AF 002345) has converted from a conventional partnership, T.W. Tan & Co. (AF 002345), to a limited liability partnership on 20 January 2021.

The details of auditors' remuneration are disclosed in Note 24 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 September 2021.



LOH CHIN SOON



LOW OO SENG


MMIS BERHAD
(Incorporated in Malaysia)

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

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 15 to 80 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 September 2021.



LOH CHIN SOON

LOW OO SENG

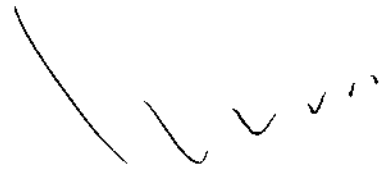
IPOH

MMIS BERHAD
(Incorporated in Malaysia)

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

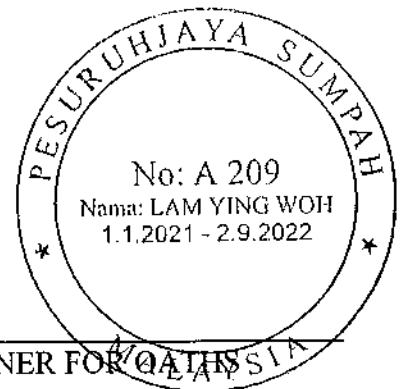
I, LOW OO SENG, being the Director primarily responsible for the financial management of MMIS Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 15 to 80 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the)
abovenamed at Ipoh in the State of Perak)
Darul Ridzuan on 29 September 2021)



LOW OO SENG

Before me,



COMMISSIONER FOR OATHS

23, Jalan Tranchesi,
31450 Menglembu, Ipoh
Perak.

TGS TW PLT
202106000004 (LLP0026851-LCA) & AF002345
(Formerly known as T.W. Tan & Co)
Chartered Accountants
E-5-4, Megan Avenue 1
189, Jalan Tun Razak
50400 Kuala Lumpur
Tel: +603 9771 4326
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MMIS BERHAD

[Registration No.: 201901006068 (1315395-W)]
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MMIS Berhad, which comprise the statements of financial position as at 30 June 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 80.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MMIS BERHAD (CONT'D)

[Registration No.: 201901006068 (1315395-W)]

(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (Cont'd)

Basis for Opinion (Cont'd)

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matter

How we addressed the key audit matters

Revenue recognition

Revenue is dependent on the demand from the main customers for the Group's products which are subject to global economic conditions. We have identified revenue recognition as a key audit matter because the performance of the Group is vulnerable to external factors and is susceptible to external parties expectation and hence, there is a risk that revenue may be misstated.

We assessed the design and implementation of key controls over the recognition of revenue and tested these controls for operating effectiveness.

We checked sales recognised before and after year end on sampling basis to the delivery documents and considered whether the revenue were recognised in the appropriate accounting period.

We compared the revenue recognised to the delivery documents to check the revenue recognised for revenue recognition in the financial year.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MMIS BERHAD (CONT'D)

[Registration No.: 201901006068 (1315395-W)]
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Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matter

Valuation of trade receivable and contract assets

MFRS 9 introduces an expected credit loss ("ECL") impairment model, which required the use of significant assumptions about future economic conditions and credit risk of the customers.

The Group has assessed the allowance for impairment loss of trade receivables and contract assets on an individual basis. We identified the valuation of trade receivables and contract assets as a key audit matter due to significant judgement and the level of uncertainty involved in assessing customer's specific conditions and credit history.

How we addressed the key audit matters

We assessed the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimate the credit loss allowance.

We assessed whether items were correctly categorised in the trade receivables ageing report by comparing individual items therein with sales invoices and other relevant underlying documentation, on a sample basis.

We checked the key parameters and assumptions of the expected credit loss model adopted by the management, including the basis of segmentation of the accounts receivable based on credit risk characteristic of customers and the historical default data in management's estimated loss allowance.

We reperformed the calculation of the loss allowance as at 30 June 2021 based on the Group's credit loss allowance policies.

We checked cash receipts from debtors subsequent to the reporting date relating to trade receivable balances as at 30 June 2021, on a sample basis.

We checked subsequent billings to contract customers to assess the recoverability of contract assets, on a sample basis.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MMIS BERHAD (CONT'D)**

[Registration No.: 201901006068 (1315395-W)]
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MMIS BERHAD (CONT'D)**

[Registration No.: 201901006068 (1315395-W)]
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MMIS BERHAD (CONT'D)**

[Registration No.: 201901006068 (1315395-W)]
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

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: (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MMIS BERHAD (CONT'D)**

[Registration No.: 201901006068 (1315395-W)]
(Incorporated in Malaysia)

Other Matters

1. The financial statements of the Group and of the Company as at 30 June 2020 were audited by another auditor whose report dated 14 October 2020 expressed an unqualified opinion on the financial statements.
2. 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 purposes. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to be 'TGS'.

TGS TW PLT
202106000004 (LLP0026851-LCA) & AF002345
Chartered Accountants

A handwritten signature in black ink, appearing to be 'OOI POH LIM'.

OOI POH LIM
03087/10/2021 J
Chartered Accountant

KUALA LUMPUR
29 September 2021

MMIS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	15,835,127	12,783,235	-	-
Investment property	5	1,072,937	1,086,678	-	-
Investment in a subsidiary	6	-	-	14,600,000	10,000,000
		<u>16,908,064</u>	<u>13,869,913</u>	<u>14,600,000</u>	<u>10,000,000</u>
Current assets					
Inventories	7	4,543,185	3,104,678	-	-
Trade receivables	8	8,384,558	3,301,302	-	-
Other receivables	9	1,307,970	136,828	-	-
Contract assets	10	1,386,493	2,548,116	-	-
Amount due from a subsidiary	11	-	-	430,000	4,000,000
Tax recoverable		1,869,421	1,369,746	-	-
Deposits, bank and cash balances	12	2,435,068	4,808,871	7,210	1,064,741
Total current assets		<u>19,926,695</u>	<u>15,269,541</u>	<u>437,210</u>	<u>5,064,741</u>
Total assets		<u>36,834,759</u>	<u>29,139,454</u>	<u>15,037,210</u>	<u>15,064,741</u>

MMIS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021 (CONT'D)

		Group		Company	
	Note	2021	2020	2021	2020
		RM	RM	RM	RM
EQUITY					
Share capital	13	14,768,002	14,768,002	14,768,002	14,768,002
Merger deficit		(8,850,000)	(8,850,000)	-	-
Retained earnings	14	14,989,793	9,988,903	261,640	219,739
Total equity		20,907,795	15,906,905	15,029,642	14,987,741
LIABILITIES					
Non-current liabilities					
Lease liabilities	15	1,237,380	2,077,771	-	-
Loan and borrowings	16	6,259,492	4,699,925	-	-
Deferred income	17	180,000	210,000	-	-
Deferred tax liabilities	18	972,000	461,000	-	-
Total non-current liabilities		8,648,872	7,448,696	-	-
Current liabilities					
Lease liabilities	15	834,145	616,653	-	-
Loan and borrowings	16	2,975,339	389,516	-	-
Trade payables	19	2,541,485	577,250	-	-
Other payables	20	927,123	2,200,434	7,568	77,000
Amount due to Directors	21	-	2,000,000	-	-
Total current liabilities		7,278,092	5,783,853	7,568	77,000
Total liabilities		15,926,964	13,232,549	7,568	77,000
Total equity and liabilities		36,834,759	29,139,454	15,037,210	15,064,741

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

MMIS BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Revenue	22	23,757,262	11,693,187	214,065	2,529,207
Cost of sales		(15,062,685)	(5,781,044)	-	-
Gross profit		8,694,577	5,912,143	214,065	2,529,207
Other income		150,918	95,121	-	3,395
Administrative expenses		(2,369,787)	(2,406,228)	(134,512)	(240,057)
Selling and distribution expenses		(283,506)	(192,780)	(1,600)	-
Other expenses		-	(6,622)	-	-
Profit from operation		6,192,202	3,401,634	77,953	2,292,545
Finance costs	23	(332,200)	(337,821)	-	-
Profit before tax	24	5,860,002	3,063,813	77,953	2,292,545
Taxation	25	(823,208)	(456,269)	(148)	-
Profit for the financial year, representing total comprehensive income for the financial year		5,036,794	2,607,544	77,805	2,292,545
Earnings per share					
Basic earnings per share (sen)	26	0.84	0.44		
Diluted earnings per share (sen)	26	*	*		

* The Group has no dilution in their earnings per ordinary share as there are no potential dilutive ordinary shares.

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

MMIS BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

		<u>Non-distributable</u>		<u>Distributable</u>	
	Note	Share Capital RM	Merger Deficit RM	Retained Earnings RM	Total Equity RM
Group					
At 1 July 2020		14,768,002	(8,850,000)	9,988,903	15,906,905
Profit for the financial year, representing total comprehensive income for the financial year		-	-	5,036,794	5,036,794
Transaction with owners:					
Transaction cost related to bonus issue		-	-	(35,904)	(35,904)
At 30 June 2021		<u>14,768,002</u>	<u>(8,850,000)</u>	<u>14,989,793</u>	<u>20,907,795</u>
At 1 July 2019		10,000,002	(8,850,000)	9,881,359	11,031,361
Profit for the financial year, representing total comprehensive income for the financial year		-	-	2,607,544	2,607,544
Transactions with owners:					
Dividends to owners of the Company	27	-	-	(2,500,000)	(2,500,000)
Issuance of shares pursuant to Initial Public Offering ("IPO")		5,000,000	-	-	5,000,000
Transaction cost related to issuance of shares		(232,000)	-	-	(232,000)
At 30 June 2020		<u>14,768,002</u>	<u>(8,850,000)</u>	<u>9,988,903</u>	<u>15,906,905</u>

MMIS BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 (CONT'D)**

			<u>Distributable</u>	
	Note	Share Capital RM	Retained Earnings RM	Total Equity RM
Company				
At 1 July 2020		14,768,002	219,739	14,987,741
Profit for the financial year, representing total comprehensive income for the financial year		-	77,805	77,805
Transaction with owners:				
Transaction cost related to bonus issue		-	(35,904)	(35,904)
At 30 June 2021		<u>14,768,002</u>	<u>261,640</u>	<u>15,029,642</u>
At 1 July 2019		10,000,002	427,194	10,427,196
Profit for the financial year, representing total comprehensive income for the financial year		-	2,292,545	2,292,545
Transactions with owners:				
Dividends to owners of the Company	27	-	(2,500,000)	(2,500,000)
Issuance of shares pursuant to Initial Public Offering ("IPO")		5,000,000	-	5,000,000
Transaction cost related to issuance of shares		(232,000)	-	(232,000)
At 30 June 2020		<u>14,768,002</u>	<u>219,739</u>	<u>14,987,741</u>

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

MMIS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

		Group		Company	
	Note	2021	2020	2021	2020
		RM	RM	RM	RM
Cash flows from operating activities					
Profit before tax		5,860,002	3,063,813	77,953	2,292,545
Adjustments for:					
Amortisation of government grant		(30,000)	(30,000)	-	-
Depreciation of:					
- investment property		13,741	13,163	-	-
- property, plant and equipment		771,498	586,983	-	-
Dividend income		(14,065)	(29,207)	(214,065)	(2,529,207)
Property, plant and equipment written off		-	6,622	-	-
Finance costs		332,200	337,821	-	-
Finance income		(36,562)	(20,437)	-	(3,395)
Operating profit/(loss) before working capital changes		6,896,814	3,928,758	(136,112)	(240,057)
Changes in working capital:					
Inventories		(1,438,507)	(2,091,195)	-	-
Trade and other receivables		(6,254,398)	(1,149,793)	-	63,000
Trade and other payables		690,924	1,620,918	(69,432)	(174,734)
Contract assets		1,161,623	(1,800,201)	-	-
Cash generated from/(used in) operations		1,056,456	508,487	(205,544)	(351,791)
Tax paid		(1,101,901)	(1,367,823)	(148)	-
Tax refund		290,018	300,258	-	-
Interest received		36,562	20,437	-	3,395
Net cash from/(used in) operating activities		281,135	(538,641)	(205,692)	(348,396)

MMIS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 (CONT'D)

		Group		Company	
	Note	2021	2020	2021	2020
		RM	RM	RM	RM
Cash flows from investing activities					
Acquisition of property, plant and equipment	4(e)	(3,823,390)	(2,504,091)	-	-
Dividend received		14,065	29,207	14,065	2,529,207
Subscription of shares in a subsidiary		-	-	(4,600,000)	-
Net cash (used in)/from investing activities		<u>(3,809,325)</u>	<u>(2,474,884)</u>	<u>(4,585,935)</u>	<u>2,529,207</u>
Cash flows from financing activities					
Dividend paid to owners of the Company	27	-	(2,500,000)	-	(2,500,000)
Interest paid		(332,200)	(337,821)	-	-
Placement of fixed deposit with licensed banks		(70,842)	(938)	-	-
Proceeds from term loans		2,017,250	2,050,000	-	-
Proceeds from letter of credit		2,073,627	-	-	-
Proceeds from bankers' acceptance		274,672	-	-	-
Proceeds from issuance of shares		-	5,000,000	-	5,000,000
Payments of lease liabilities		(622,899)	(614,248)	-	-
Repayment from/(Advance to) subsidiary		-	-	3,770,000	(3,388,072)
(Repayment to)/Advance from Directors		(2,000,000)	2,000,000	-	-
Repayments of term loans		(220,159)	(2,084,684)	-	-
Share issuance expenses		(35,904)	(232,000)	(35,904)	(232,000)
Net cash from/(used in) financing activities		<u>1,083,545</u>	<u>3,280,309</u>	<u>3,734,096</u>	<u>(1,120,072)</u>

MMIS BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021 (CONT'D)

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Net (decrease)/increase in cash and cash equivalents		(2,444,645)	266,784	(1,057,531)	1,060,739
Cash and cash equivalents at the beginning of the financial year		4,774,955	4,508,171	1,064,741	4,002
Cash and cash equivalents at the end of the financial year		<u>2,330,310</u>	<u>4,774,955</u>	<u>7,210</u>	<u>1,064,741</u>
Cash and cash equivalents at end of the financial year comprises:					
Cash and bank balances	12	2,330,310	3,337,753	7,210	38,177
Short-term funds	12	-	1,437,202	-	1,026,564
Fixed deposits with licensed banks	12	<u>104,758</u>	<u>33,916</u>	<u>-</u>	<u>-</u>
		2,435,068	4,808,871	7,210	1,064,741
Less: Fixed deposits pledged with licensed banks	12	<u>(104,758)</u>	<u>(33,916)</u>	<u>-</u>	<u>-</u>
		<u>2,330,310</u>	<u>4,774,955</u>	<u>7,210</u>	<u>1,064,741</u>

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

MMIS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

1. Corporate Information

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

The principal place of business of the Company is located at PT 14495, Persiaran Batu Gajah Perdana 4, Kawasan Perindustrian Batu Gajah Perdana, 31000 Batu Gajah, Perak Darul Ridzuan.

The registered office of the Company is located at 26-1, Lorong Tiara 1A, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan.

The Company is principally engaged in investment holding. The principal activities of its subsidiary are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities of the Company during the financial year. On 3 February 2021, the subsidiary has changed its principal activities from manufacturing, market and sale of precision engineering parts to manufacturing, marketing and sales of precision parts and fabrication of metal and sheet metal.

2. Basis of Preparation

(a) Statement of compliance

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

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

2. Basis of Preparation (Cont'd)**(a) Statement of compliance (Cont'd)****Adoption of new and amended standards**

During the financial year, the Group and the Company have adopted the following new standards and amendments to standards issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendment to MFRS 16	Covid-19 - Related Rent Concessions 2

The adoption of amendments to MFRSs did not have any significant impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs and amendments to MFRSs that have been issued by MASB but are not yet effective for the Group and the Company:

	Effective dates for financial periods beginning on or after
Amendments to MFRS 9, Interest Rate Benchmark MFRS 139, MFRS 7, Reform - Phase 2 MFRS 4 and MFRS 16	1 January 2021
Amendments to MFRS 16 Covid-19 - Related Rent Concession beyond 30 June 2021	1 April 2021
Amendments to MFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022

2. Basis of Preparation (Cont'd)**(a) Statement of compliance (Cont'd)****Standards issued but not yet effective (Cont'd)**

The Group and the Company have not applied the following new MFRSs and amendments to MFRSs that have been issued by MASB but are not yet effective for the Group and the Company: (Cont'd)

		Effective dates for financial periods <u>beginning on or</u> <u>after</u>
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRSs Standards 2018 - 2020		1 January 2022
<ul style="list-style-type: none"> • Amendments to MFRS 1 • Amendments to MFRS 9 • Amendments to Illustrative Examples accompanying MFRS 16 • Amendments to MFRS 141 		
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above new standards and amendments to standards when they become effective.

The initial application of the above-mentioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Group and of the Company.

2. Basis of Preparation (Cont'd)

(b) Functional and presentation currency

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

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's and of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 Investment Property in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are significant that a property does not qualify as investment property.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Judgements (Cont'd)

Satisfaction of performance obligations in relation to contracts with customers

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulation.

The Group recognises revenue over time in the following circumstances:

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

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Judgements (Cont'd)

Determining the lease term of contracts with renewal and termination options - Group as lessee (Cont'd)

The Group includes the renewal period as part of the lease term for leases of hostel with non-cancellable period included as part of the lease term as these are reasonably certain to include extension options in new leases to provide operational flexibility. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment, right-of-use ("ROU") assets and investment property

The Group regularly reviews the estimated useful lives of property, plant and equipment, ROU assets and investment property based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment, ROU assets and investment property would increase the recorded depreciation and decrease the value of property, plant and equipment, ROU assets and investment property. The carrying amount at the reporting date for property, plant and equipment, ROU assets and investment property are disclosed in Notes 4 and 5 to the financial statements respectively.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 7 to the financial statements.

2. Basis of Preparation (Cont'd)

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Determination of transaction prices

The Group and the Company are required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group and the Company assess the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods are based on invoiced values. Discounts are not considered as they are not only given in rare circumstances.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 30 June 2021, the Group has tax recoverable of RM1,869,421 (2020: RM1,369,746) respectively.

3. Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations under common control are accounted for using the merger method, where the results of entities or businesses under common control are accounted for as if the combination had been effected throughout the current and previous financial periods. The assets, liabilities and reserves of these entities are recorded at their pre-combination carrying amounts or existing carrying amounts are accounted for from the perspective of the common shareholder. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of combination that would otherwise be done under the acquisition method. No new goodwill is recognised as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as reserve on acquisition arising from common control.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments* is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investment in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(I)(i) to the financial statements on impairment of non-financial assets.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiaries is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

If the Group loses control of a subsidiaries, the assets and liabilities of the subsidiaries, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies (Cont'd)

(b) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(1)(i) to the financial statements on impairment of non-financial assets.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

3. Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost of each asset to its residual value over its estimated useful life.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Leasehold lands	Over the remaining lease period of 78 years
Factory building	2%, or over the lease term, if shorter
Plant and machinery	6.67%- 10%
Motor vehicles	10% -20%
Office equipment	10%
Furniture and fittings	10%
Electrical installation	10%
Renovation	10%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

Capital work-in-progress consists of leasehold buildings under construction for intended use as production facilities. The amount is stated at cost until the right-of-use asset is ready for their intended use.

3. Significant Accounting Policies (Cont'd)**(d) Leases****(a) As lessee**

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

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(1)(i) to the financial statements on impairment of non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold lands	Over the remaining lease period of 78 years
Factory building	2%, or over the lease term, if shorter
Plant and machinery	6.67%- 10%
Motor vehicles	10% -20%

Capital work-in-progress consists of leasehold buildings under construction for intended use as production facilities. The amount is stated at cost until the right-of-use asset is ready for their intended use.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

3. Significant Accounting Policies (Cont'd)

(d) Lease (Cont'd)

(a) As lessee (Cont'd)

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

(b) As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group applies MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

3. Significant Accounting Policies (Cont'd)

(d) Lease (Cont'd)

(b) As lessor (Cont'd)

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(e) Investment properties

Investment properties, including right-of-use assets held by lessee, are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates are:

Leasehold land	Over the remaining lease period of 78 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(l)(i) to the financial statements on impairment of non-financial assets.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

3. Significant Accounting Policies (Cont'd)

(f) Financial assets

Financial assets are recognised in the statements 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 asset (unless it is a trade receivable without financing component) is initially measured at fair value plus or minus, for an item not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

The Group and the Company determine the classification of its financial assets at initial recognition, and are not reclassified subsequent to their initial recognition unless the Group and the Company changes their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting following the change in the business model..

(a) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through other comprehensive income ("FVTOCI")

Debt instruments

A debt security is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant Accounting Policies (Cont'd)

(f) Financial assets (Cont'd)

(b) Financial assets at fair value through other comprehensive income ("FVTOCI") (Cont'd)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income on an investment-by-investment basis.

Financial assets categorised as FVTOCI are subsequently measured at fair value, with unrealised gains and losses recognised directly in other comprehensive income and accumulated under fair value reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

The Group and the Company have not designated any financial assets as FVOCI.

(c) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVTOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases or sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

3. Significant Accounting Policies (Cont'd)

(g) Financial liabilities

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) Inventories

Raw material, semi-finished goods and finished goods are stated at the lower of cost and net realisable value.

Cost of raw material and machine tools comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a first-in-first-out basis. Cost of finished goods and semi-finished goods consists of direct material, direct labour and an appropriate proportion of production overheads (based on normal operating capacity) are stated on a first-in-first-out.

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

3. Significant Accounting Policies (Cont'd)

(j) Contract assets

Contract asset is the right to consideration for goods or services transferred to the customers. The Group's contract asset is the excess of revenue recognised over the billings to-date and deposits or advances received from customers.

Where there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract assets' carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers. Contract assets are subject to impairment assessment in accordance of MFRS 9 Financial Instruments.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

(l) Impairment of assets

(i) Non-financial assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

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

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

3. Significant Accounting Policies (Cont'd)

(l) Impairment of assets (Cont'd)

(i) Non-financial assets (Cont'd)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

(ii) Financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables, other receivables and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on their historical credit loss experience and the economic environment.

3. Significant Accounting Policies (Cont'd)

(m) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(n) Provision

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(o) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

3. Significant Accounting Policies (Cont'd)

(o) Employee benefits (Cont'd)

(i) Short-term employee benefits (Cont'd)

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(p) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

(a) Revenue from contracts

The Group recognises revenue from contracts over time when control over the asset has been transferred to the customers. The assets have no alternative use to the Group due to contractual restriction and the Group has an enforceable right to payment for performance completed to date. Revenue from contracts is measured at the transaction price agreed under the contracts.

Revenue is recognised over the period of the contract using the output method to measure the progress towards complete satisfaction of the performance obligations under the contract i.e. based on the level of completion of the physical proportion of contract work to date, certified by customers

3. Significant Accounting Policies (Cont'd)

(p) Revenue recognition (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

(a) Revenue from contracts (Cont'd)

The Group becomes entitled to invoice customers for construction of promised asset based on achieving a series of performance-related milestones (i.e. progress billing). The Group previously has recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the progress billing exceeds the revenue recognised to date, the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in contracts with customers as the period between the recognition of revenue and the progress billing is always less than one year.

(b) Sale of goods

Revenue is recognised based on the price specified in the contract, net of the rebates, discounts and taxes. Under the Group's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue are recognised for those product expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return, so consequently recognises a right to returned goods asset and a corresponding adjustment to the cost of inventories recognised in profit or loss. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

A receivable is recognised by the Group when the goods are delivered as this represents the point in time at which the right to consideration is unconditional, because only the passage of time is required before payment is due. No element of financing is deemed present as the revenue recognised with a credit term of 30 to 90 days, which is consistent with market practice.

(ii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

3. Significant Accounting Policies (Cont'd)

(p) Revenue recognition (Cont'd)

(iii) Interest income

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

(iv) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(q) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

When the grant relates to an expense item, it is 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. Where the grant relates to an asset, it is recognised as deferred income and transferred to profit or loss on a systematic basis over the useful lives of the related asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Where the Group receives non-monetary government grants, the asset and the grant are recorded at nominal amount and transferred to profit or loss on a systematic basis over the life of the depreciable asset by way of a reduced depreciation charge.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3. Significant Accounting Policies (Cont'd)

(r) Borrowing costs (Cont'd)

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

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

(s) Income taxes

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

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

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

3. Significant Accounting Policies (Cont'd)

(t) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(u) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(v) Earning per share

(i) Basic

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(ii) Diluted

Diluted earnings per share is calculated by dividing the net profit for the financial year attributable to common controlling shareholders by the weighted average number of ordinary shares in issue, adjusted for the dilutive effects of all potential ordinary shares to be issued. Diluted earnings per share is not applicable as the Group does not have potential dilutive equity instruments that would give a diluted effect to the basic earnings per share.

4. Property, Plant and Equipment

	Leasehold land RM	Factory building RM	Plant and machinery RM	Motor vehicles RM	Office equipment RM	Furniture and fittings RM	Electrical installation RM	Renovation RM	Capital work in- progress RM	Total RM
Group 2021										
Cost										
At 1 July 2020	2,307,008	2,457,857	8,978,448	1,852,279	378,791	74,198	140,286	186,000	1,438,947	17,813,814
Additions	-	-	2,670,300	314,400	58,755	14,878	13,640	96,674	654,743	3,823,390
Reclassification	-	2,093,690	-	-	-	-	-	-	(2,093,690)	-
At 30 June 2021	2,307,008	4,551,547	11,648,748	2,166,679	437,546	89,076	153,926	282,674	-	21,637,204
Accumulated depreciation										
At 1 July 2020	106,210	209,879	3,749,535	729,501	160,189	24,233	51,032	-	-	5,030,579
Charge for the financial year	27,669	49,157	418,732	188,454	48,386	7,413	13,087	18,600	-	771,498
At 30 June 2021	133,879	259,036	4,168,267	917,955	208,575	31,646	64,119	18,600	-	5,802,077
Carrying amount										
At 30 June 2021	2,173,129	4,292,511	7,480,481	1,248,724	228,971	57,430	89,807	264,074	-	15,835,127

4. Property, Plant and Equipment (Cont'd)

Group (Cont'd) 2020	Leasehold land RM	Factory building RM	Plant and machinery RM	Motor vehicles RM	Office equipment RM	Furniture and fittings RM	Electrical installation RM	Renovation RM	Capital work in- progress RM	Total RM
Cost										
At 1 July 2019	2,307,008	2,457,857	6,893,148	1,853,756	193,128	71,304	125,144	-	15,445	13,916,790
Additions	-	-	2,085,300	2,200	191,553	2,894	15,142	186,000	1,423,502	3,906,591
Written off	-	-	-	(3,677)	(5,890)	-	-	-	-	(9,567)
At 30 June 2020	2,307,008	2,457,857	8,978,448	1,852,279	378,791	74,198	140,286	186,000	1,438,947	17,813,814
Accumulated depreciation										
At 1 July 2019	78,541	160,722	3,460,988	557,572	132,067	17,071	39,580	-	-	4,446,541
Charge for the financial year	27,669	49,157	288,547	171,929	31,067	7,162	11,452	-	-	586,983
Written off	-	-	-	-	(2,945)	-	-	-	-	(2,945)
At 30 June 2020	106,210	209,879	3,749,535	729,501	160,189	24,233	51,032	-	-	5,030,579
Carrying amount										
At 30 June 2020	2,200,798	2,247,978	5,228,913	1,122,778	218,602	49,965	89,254	186,000	1,438,947	12,783,235

4. Property, Plant and Equipment (Cont'd)**(a) Assets pledged as securities to financial institutions**

The net carrying amount of leasehold land and buildings and machineries pledged as securities for bank borrowings amounted to RM2,173,129, RM4,292,511 and RM1,754,667 (2020: RM2,200,798, RM2,247,978 and RM Nil) respectively.

Machineries and motor vehicles with carrying amount of RM2,132,853 and RM950,795 (2020: RM2,406,411 and RM1,120,322) of the Group are pledged as security for the related lease liabilities.

(b) Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:-

	Group	
	2021	2020
	RM	RM
Leasehold land	2,173,129	2,200,798
Leasehold building	4,292,511	2,247,978
Plant and machinery	2,132,853	2,406,411
Motor vehicles	950,795	1,120,322
Capital work in-progress	-	1,438,947
	<u>9,549,288</u>	<u>9,414,456</u>

(c) Additions to the right-of-use assets of the Group during the financial year amounted to RM654,743 (2020: RM1,423,502)**(d) Depreciation charge of right-of-use assets are as follows:-**

	Group	
	2021	2020
	RM	RM
Leasehold land	27,669	27,669
Leasehold building	49,157	49,157
Plant and machinery	189,753	193,421
Motor vehicles	169,527	171,528
	<u>436,106</u>	<u>441,775</u>

4. Property, Plant and Equipment (Cont'd)**(e) Purchase of property, plant and equipment**

The aggregate cost for the property, plant and equipment of the Group during the financial year under loan financing and cash payments are as follows:-

	Group	
	2021	2020
	RM	RM
Aggregate costs	3,823,390	3,906,591
Less: Loan financing	-	(1,402,500)
Cash payments	<u>3,823,390</u>	<u>2,504,091</u>

5. Investment property

	Group	
	2021	2020
	RM	RM
Leasehold land		
At cost		
At 1 July/30 June	<u>1,126,745</u>	<u>1,126,745</u>
Accumulated depreciation		
At 1 July	40,067	26,904
Additions	<u>13,741</u>	<u>13,163</u>
At 30 June	<u>53,808</u>	<u>40,067</u>
Net carrying amount	<u>1,072,937</u>	<u>1,086,678</u>
Fair value of investment property	<u>1,751,358</u>	<u>1,395,001</u>

Fair value of investment property was estimated by the Directors based on internal appraisal of market values of comparable properties. The fair values are within Level 3 of the fair value hierarchy.

The remaining period of the lease term of leasehold land is 78 years (2020: 79 years).

5. Investment property (Cont'd)

- (i) Investment property pledged as securities to financial institution

Investment property of the Group amounting to RM1,072,937 (2020: RM1,086,678) has been pledged to secure banking facilities granted to the subsidiary.

- (ii) Income and expenses recognised in profit or loss

The following are recognised in profit or loss in respect of investment property:

	Group	
	2021	2020
	RM	RM
Rental income	36,000	31,000
Direct operating expense:		
- Income generating investment property	<u>3,010</u>	<u>3,665</u>

6. Investment in a Subsidiary

	Company	
	2021	2020
	RM	RM
Unquoted shares, at cost		
In Malaysia	<u>14,600,000</u>	<u>10,000,000</u>

Details of the subsidiary are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest		Principal activities
		2021 %	2020 %	
Direct Holding:				
Multi Mould Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing and sales of precision parts and fabrication of metal and sheet metal

On 25 May 2021, the Company subscribed additional 4,600,000 ordinary shares allotted by Multi Mould Industries Sdn. Bhd. at RM1.00 each for a total cash consideration of RM4,600,000.

7. Inventories

	Group	
	2021	2020
	RM	RM
Raw materials	942,421	500,168
Semi-finished goods	2,217,326	1,427,351
Finished goods	1,185,557	971,945
Machine tools	197,881	205,214
	<u>4,543,185</u>	<u>3,104,678</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	<u>15,062,685</u>	<u>5,781,044</u>

8. Trade Receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2020: 30 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The following table provide information about the exposure to credit risk and ECLs for trade receivables:

	Gross amount RM	Loss allowance RM	Net amount RM
Group			
2021			
Not past due	6,283,267	-	6,283,267
Past due:			
Less than 30 days	2,101,290	-	2,101,290
	<u>8,384,558</u>	<u>-</u>	<u>8,384,558</u>
2020			
Not past due	2,625,494	-	2,625,494
Past due:			
Less than 30 days	569,674	-	569,674
Less than 60 days	97,779	-	97,779
More than 90 days	8,355	-	8,355
	<u>675,808</u>	<u>-</u>	<u>675,808</u>
	<u>3,301,302</u>	<u>-</u>	<u>3,301,302</u>

8. Trade Receivables (Cont'd)

Trade receivables that are not past due are creditworthy receivables with good payment records with the Group.

As at 30 June 2021, trade receivables of RM2,101,290 (2020: RM675,808) were past due. These relate to a number of independent customers from whom there is no recent history of default.

9. Other Receivables

	Group	
	2021	2020
	RM	RM
Other receivables	27,691	17,791
Deposit	1,181,494	4,280
Prepayment	98,785	114,757
	<u>1,307,970</u>	<u>136,828</u>

Included in deposit are amount of RM81,000 and RM1,034,804 (2020: RM Nil and RM Nil) representing deposit paid for purchase of machinery and cash deposit held by bank for letter of credit respectively.

10. Contract Assets

The contract assets primarily related to the Group's right to consideration for work performed but not yet billed at the reporting date for its manufacturing activities. The contract assets will be transferred to trade receivables when the rights become unconditional.

11. Amount Due from a Subsidiary

Amount due from a subsidiary with non-interest bearing are unsecured, non-trade in nature and repayable on demand.

12. Deposits, Bank and Cash balances

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Cash and bank balances	2,330,310	3,337,753	7,210	38,177
Short-term funds, at fair value through profit or loss	-	1,437,202	-	1,026,564
Fixed deposits with licensed banks	104,758	33,916	-	-
Total deposits, bank cash balances	<u>2,435,068</u>	<u>4,808,871</u>	<u>7,210</u>	<u>1,064,741</u>

Short-term funds represents investments in high liquid money market instruments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Fixed deposits with licensed banks of the Group amounting to RM104,758 (2020: RM33,916) are pledged as security for bank guarantee purposes granted to the subsidiary.

The effective interest rates and maturities of fixed deposits of the Group as at the end of the reporting period 1.50% (2020: 1.95%) per annum and 1 month (2020: 1 months) respectively.

13. Share Capital

	Group and Company			
	Number of ordinary shares		Amount	
	2021	2020	2021	2020
	Units	Units	RM	RM
Issued and fully paid:				
At 1 July	500,000,000	450,000,000	14,768,002	10,000,002
Bonus issue	100,000,000	-	-	-
Issuance of shares pursuant to Initial Public Offering ("IPO")	-	50,000,000	-	5,000,000
Transaction costs related to share issuance	-	-	-	(232,000)
At 30 June	<u>600,000,000</u>	<u>500,000,000</u>	<u>14,768,002</u>	<u>14,768,002</u>

During the financial year, the Company increased its shares capital from 500,000,000 ordinary shares to 600,000,000 ordinary shares by way of issuances of 100,000,000 bonus shares which were issued on the basis of one bonus share for every five existing shares.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

14. Retained Earnings

The entire retained earnings of the Group and of the Company are available for distribution as single-tier dividends.

15. Lease Liabilities

	Group	
	2021	2020
	RM	RM
Analysed as:		
Repayable within twelve months	834,145	616,653
Repayable after twelve months	1,237,380	2,077,771
	<u>2,071,525</u>	<u>2,694,424</u>

The maturity analysis of lease liabilities of the Group the end of the reporting period:

	Group	
	2021	2020
	RM	RM
Within one year	933,112	730,067
Later than two years and not later than five years	<u>1,293,787</u>	<u>2,227,401</u>
	2,226,899	2,957,468
Less: Future finance charges	<u>(155,374)</u>	<u>(263,044)</u>
Present value of lease liabilities	<u>2,071,525</u>	<u>2,694,424</u>

The Group leases motor vehicles and machinery. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The weighted average incremental borrowing rate applied to lease liabilities ranged from 4.41% - 7.60% (2020: 4.41% - 7.60%).

16. Loan and borrowing

	Group	
	2021	2020
	RM	RM
Non-current		
Term loans	<u>6,259,492</u>	<u>4,699,925</u>
Current		
Term loans	627,040	389,516
Bankers' acceptance	274,672	-
Letter of credit	<u>2,073,627</u>	<u>-</u>
	<u>2,975,339</u>	<u>389,516</u>
	<u>9,234,831</u>	<u>5,089,441</u>

The term loans, bankers' acceptance and letter of credit are secured by the following:

- (i) First party legal charge over the land and buildings, investment property and machinery of the Group as disclosed in Notes 4 and 5 to the financial statements; and
- (ii) Corporate guarantee by the Company.

The average effective interest rates per annum are as follows:

	Group	
	2021	2020
	%	%
Term loans	3.25% - 5.45%	3.50% - 3.75%
Bankers' acceptance	1.90%	-
Letter of credit	<u>1.20%</u>	<u>-</u>

17. Deferred Income

	Group	
	2021	2020
	RM	RM
Government grant		
At beginning of the financial year	210,000	240,000
Amortised during the financial year	(30,000)	(30,000)
At end of the financial year	<u>180,000</u>	<u>210,000</u>

The Group received a government grant in year 2018 which was conditional upon the purchase of a specific machinery. The grant was granted up to 50% of the total machinery cost and the Group commenced the usage of the machinery in year 2018. The grant is being amortised over the useful life of the machinery. The amortisation of the grant is recognised as other income in profit or loss.

18. Deferred Tax Liabilities

	Group	
	2021	2020
	RM	RM
At 1 July	461,000	237,000
Recognised in profit or loss	587,467	321,647
Over provision in prior years	(76,467)	(97,647)
At 30 June	<u>972,000</u>	<u>461,000</u>

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group	
	2021	2020
	RM	RM
Deferred tax liabilities	1,070,021	461,000
Deferred tax assets	(98,021)	-
	<u>972,000</u>	<u>461,000</u>

18. Deferred Tax Liabilities (Cont'd)

The components and movements of deferred tax liabilities and assets are as follows:

	Group	
	2021	2020
	RM	RM
Deferred tax liabilities		
Accelerated capital allowances		
At 1 July	461,000	237,000
Recognised in profit or loss	685,488	321,647
Over provision in prior years	(76,467)	(97,647)
At 30 June	<u>1,070,021</u>	<u>461,000</u>
Deferred tax assets		
Unutilised reinvestment allowance		
At 1 July	-	-
Recognised in profit or loss	(98,021)	-
At 30 June	<u>(98,021)</u>	<u>-</u>

19. Trade Payables

Credit terms of trade payables of the Group are 30 to 90 days (2020: 30 to 90 days) depending on the terms of the contracts.

20. Other Payables

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Other payables	399,837	1,690,851	-	-
Accruals	521,286	500,919	7,568	77,000
Deposits	6,000	8,664	-	-
	<u>927,123</u>	<u>2,200,434</u>	<u>7,568</u>	<u>77,000</u>

21. Amount Due to Directors

Amount due to Directors are unsecured, non-interest bearing, non-trade in nature, and repayable on demand. The amount was fully paid during the financial year ended 30 June 2021.

22. Revenue

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Revenue from contracts with customers:				
Manufacturing of precision engineering parts	21,069,927	8,843,543	-	-
Processing and enhancement of materials provided by customers	1,386,492	272,321	-	-
Precision engineering parts with no alternative use and has an enforceable right to payment for performance completed to date	1,286,778	2,548,116	-	-
	<u>23,743,197</u>	<u>11,663,980</u>	<u>-</u>	<u>-</u>
Other revenue				
Dividend income	14,065	29,207	214,065	2,529,207
	<u>23,757,262</u>	<u>11,693,187</u>	<u>214,065</u>	<u>2,529,207</u>
Timing of revenue recognition				
At a point in time	21,069,927	8,843,543	-	-
Over time	2,673,270	2,820,437	-	-
Total revenue from contracts with customers	<u>23,743,197</u>	<u>11,663,980</u>	<u>-</u>	<u>-</u>

23. Finance Costs

	Group	
	2021	2020
	RM	RM
Interest expenses on:		
- Term loans	217,019	197,432
- Bankers' acceptance	395	-
- Letter of credit	3,005	-
- Lease liabilities	111,781	140,389
	<u>332,200</u>	<u>337,821</u>

24. Profit before Tax

Profit before tax is derived after charging/(crediting) amongst other, the following items:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Auditors' remuneration	30,000	30,000	5,000	5,000
Depreciation of property, plant and equipment	771,498	586,983	-	-
Depreciation of investment property	13,741	13,163	-	-
Listing expenses	-	165,823	-	165,823
Property, plant and equipment written off	-	6,622	-	-
Lease expenses relating to short-term lease (Note b)	10,200	4,160	-	-
Amortisation of government grant	(30,000)	(30,000)	-	-
Interest income	(36,562)	(20,437)	-	(3,395)
Government wages subsidies (Note a)	(4,850)	-	-	-
Rental income	(36,000)	(31,000)	-	-

- (a) The Group was entitled to a wage subsidy programme introduced by the government of Malaysia in response to the COVID-19 pandemic during the financial year.

24. Profit before Tax (Cont'd)

- (b) The Group leases workers hostel and copier machines with remaining contract terms less than 1 year. These leases are short-term and/or leases of low value items. The Group has elected not to recognise right-of-use assets and lease liabilities of these leases.

25. Taxation

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Tax expenses recognised in profit or loss				
<u>Current tax</u>				
- Current tax	220,534	147,013	-	-
- Under provision in prior financial years	91,674	85,256	148	-
	<u>312,208</u>	<u>232,269</u>	<u>148</u>	<u>-</u>
<u>Deferred tax (Note 18)</u>				
- Origination and reversal of temporary differences	587,467	321,647	-	-
- Over provision in prior financial years	(76,467)	(97,647)	-	-
	<u>511,000</u>	<u>224,000</u>	<u>-</u>	<u>-</u>
	<u>823,208</u>	<u>456,269</u>	<u>148</u>	<u>-</u>

25. Taxation (Cont'd)

A reconciliation of income tax expenses applicable to profit before tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Profit before tax	5,860,002	3,063,813	77,953	2,292,545
At Malaysian statutory tax rate of 24% (2020: 24%)	1,406,401	735,315	18,709	550,211
Expenses not deductible for tax purposes	137,159	122,534	32,667	57,614
Income not subject to tax	(10,576)	(15,025)	(51,376)	(607,825)
Utilisation of reinvestment allowances	(603,760)	(329,524)	-	-
Deferred tax asset not utilised in respect of reinvestment allowance	(98,021)	-	-	-
Other tax incentive	(23,202)	(44,640)	-	-
	808,001	468,660	-	-
Under provision of current tax in prior financial years	91,674	85,256	148	-
Over provision of deferred tax in prior financial years	(76,467)	(97,647)	-	-
Tax expense for the financial year	823,208	456,269	148	-

The Group have unutilised reinvestment allowance of RM408,421 (2020: RM Nil) available for carry forward, to offset against future taxable profits. The said amounts are subject to approval by the tax authorities.

26. Earnings Per Share**(a) Basic earnings per share**

The basic earnings per share are calculated based on the consolidated profit for the financial year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2021	2020
	RM	RM
Profit attributable to owners of the parent	<u>5,036,794</u>	<u>2,607,544</u>
Weighted average number of ordinary shares in issue:		
Issued ordinary shares at beginning of the financial year	500,000,000	450,000,000
Bonus issue	100,000,000	100,000,000
Shares issued during the financial year	-	40,821,918
	<u>600,000,000</u>	<u>590,821,918</u>
Basic earnings per ordinary share (in sen)	<u>0.84</u>	<u>0.44</u>

(b) Diluted earnings per share

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

27. Dividends

	Company	
	2021	2020
	RM	RM
Dividends recognised as distribution to ordinary shareholders of the Company:		
In respect of the financial year ended 30 June 2020		
- Interim single-tier dividend of RM0.005 per ordinary share	<u>-</u>	<u>2,500,000</u>

The Board of Directors do not recommend any final dividend in respect of the current financial year.

28. Staff Costs

	Group	
	2021	2020
	RM	RM
Salaries and other emoluments	5,034,897	4,027,132
Social security contributions	52,314	37,756
Defined contribution plans	391,349	320,730
Other employee benefit	3,584	3,584
	<u>5,482,144</u>	<u>4,389,202</u>

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Group during the financial year as below:

	Group	
	2021	2020
	RM	RM
Director of the Company		
Salaries and other emoluments	858,190	808,950
Social security contributions	2,440	2,440
Defined contribution plans	73,756	73,368
Other employee benefit	3,584	3,584
	<u>937,970</u>	<u>888,342</u>

29. Reconciliation of Liabilities Arising from Financing Activities

The table below show the details changes in the liabilities of the Group arising from financing activities:

	At 1 July 2020 RM	Financing cash flows (i) RM	<u>Non-cash changes</u> Dividend payable RM	At 30 June 2021 RM
Group				
Lease liabilities	2,694,424	(622,899)	-	2,071,525
Term loans	5,089,441	1,797,091	-	6,886,532
Letter of credit	-	2,073,627	-	2,073,627
Bankers' acceptance	-	274,672	-	274,672
Amount due to Directors	2,000,000	(2,000,000)	-	-
	<u>9,783,865</u>	<u>1,522,491</u>	<u>-</u>	<u>11,306,356</u>

	At 1 July 2019 RM	Financing cash flows (i) RM	<u>Non-cash changes</u> Acquisition of property plant and equipment RM	At 30 June 2020 RM
Group				
Lease liabilities	3,308,672	(614,248)	-	2,694,424
Term loans	3,721,625	(34,684)	1,402,500	5,089,441
Amount due to Directors	-	2,000,000	-	2,000,000
	<u>7,030,297</u>	<u>1,351,068</u>	<u>1,402,500</u>	<u>9,783,865</u>

- (i) The cash flows from term loans, lease liabilities and amount due to Directors make up the net amount of proceeds from or repayments of borrowings in the statements of cash flows.

30. Related Party Disclosures**(a) Identifying related parties**

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group and of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Company is as follows:

	Company	
	2021	2020
	RM	RM
Transactions with subsidiary		
- Dividend receivable	200,000	2,500,000

(c) Compensation of key management personnel

The compensation of key management personnel is same as the Directors' remuneration as disclosed in Note 28 to the financial statements.

31. Segment Information

Segmental information is not presented as the Group is primarily engaged in the manufacturing and sales of precision parts and fabrication of metal and sheet metal in Malaysia.

No disclosure on geographical segment information as the Group operates predominantly in Malaysia.

Revenue from two customers (2020: two customers) amounting to RM22.0 million (2020: RM9.3 million) arising from sales precision parts and fabrication of metal and sheet metal.

32. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of the financial instruments are measured, and how income and expenses, including fair values gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	At amortised cost RM	At FVTPL RM	Total RM
2021			
Financial Assets			
Group			
Trade receivables	8,384,558	-	8,384,558
Other receivables	1,209,185	-	1,209,185
Deposits, bank and cash balances	2,435,068	-	2,435,068
	<u>12,028,811</u>	<u>-</u>	<u>12,028,811</u>
Company			
Amount due from a subsidiary	430,000	-	430,000
Deposits, bank and cash balances	7,210	-	7,210
	<u>437,210</u>	<u>-</u>	<u>437,210</u>

32. Financial Instruments**(a) Classification of financial instruments (Cont'd)**

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	At amortised cost RM	At FVTPL RM	Total RM
2021 (Cont'd)			
Financial Liabilities			
Group			
Loan and borrowings	9,234,831	-	9,234,831
Trade payables	2,541,485	-	2,541,485
Other payables	927,123	-	927,123
	<u>12,703,439</u>	<u>-</u>	<u>12,703,439</u>
Company			
Other payables	<u>7,568</u>	<u>-</u>	<u>7,568</u>
2020			
Financial Assets			
Group			
Trade receivables	3,301,302	-	3,301,302
Other receivables	22,071	-	22,071
Deposits, bank and cash balances	3,371,669	1,437,202	4,808,871
	<u>6,695,042</u>	<u>1,437,202</u>	<u>8,132,244</u>
Company			
Amount due from a subsidiary	4,000,000	-	4,000,000
Deposits, bank and cash balances	38,177	1,026,564	1,064,741
	<u>4,038,177</u>	<u>1,026,564</u>	<u>5,064,741</u>

32. Financial Instruments (Cont'd)**(a) Classification of financial instruments (Cont'd)**

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	At amortised cost RM	At FVTPL RM	Total RM
2020 (Cont'd)			
Financial Liabilities			
Group			
Loan and borrowings	5,089,441	-	5,089,441
Trade payables	577,250	-	577,250
Other payables	2,200,434	-	2,200,434
Amount due to Directors	2,000,000	-	2,000,000
	<u>9,867,125</u>	<u>-</u>	<u>9,867,125</u>
Company			
Other payables	<u>77,000</u>	<u>-</u>	<u>77,000</u>

(b) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's and of the Company's operations whilst managing its credit, liquidity, interest rate and foreign currency risks. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative transactions.

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from loans to a subsidiary. There are no significant changes as compared to previous financial year.

The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposits with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans to its subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

At each reporting date, the Group and the Company assess whether any of the receivables are credit impaired

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

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk.

There are no significant changes as compared to previous financial year.

As at the end of the financial year, the Group had 2 customers (2020: 2 customers) that owed the Group total of RM8,381,118 (2020: RM1,245,468) and accounted for approximately 99% (2020: 95%) of all the receivables outstanding.

32. Financial Instruments (Cont'd)**(b) Financial risk management objectives and policies (Cont'd)****(ii) Liquidity risk**

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group and the Company finance their liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM	More than 1 years RM	Total contractual cash flows RM	Total carrying amount RM
2021				
Group				
<u>Non-derivative</u>				
<u>financial</u>				
<u>liabilities</u>				
Trade payables	2,541,485	-	2,541,485	2,541,485
Other payables	927,123	-	927,123	927,123
Lease liabilities	933,112	1,293,787	2,226,899	2,071,525
Loan and borrowing	3,219,691	7,527,745	10,747,436	9,234,831
	<u>7,621,411</u>	<u>8,821,532</u>	<u>16,442,943</u>	<u>14,774,964</u>
Company				
<u>Non-derivative</u>				
<u>financial</u>				
<u>liabilities</u>				
Other payables	<u>7,568</u>	<u>-</u>	<u>7,568</u>	<u>7,568</u>

32. Financial Instruments (Cont'd)**(b) Financial risk management objectives and policies (Cont'd)****(ii) Liquidity risk (Cont'd)**

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. (Cont'd)

	On demand or within 1 year RM	More than 1 years RM	Total contractual cash flows RM	Total carrying amount RM
2020				
Group				
<u>Non-derivative</u>				
<u>financial</u>				
<u>liabilities</u>				
Trade payables	577,250	-	577,250	577,250
Other payables	2,200,434	-	2,200,434	2,200,434
Lease liabilities	730,067	2,227,401	2,957,468	2,694,424
Loan and borrowing	566,820	5,794,277	6,361,097	5,089,441
Amount due to Directors	2,000,000	-	2,000,000	2,000,000
	<u>6,074,571</u>	<u>8,021,678</u>	<u>14,096,249</u>	<u>12,561,549</u>
Company				
<u>Non-derivative</u>				
<u>financial</u>				
<u>liabilities</u>				
Other payables	<u>77,000</u>	<u>-</u>	<u>77,000</u>	<u>77,000</u>

(iii) Market risks**(a) Interest rate risk**

The Group's fixed rate deposits placed with licensed banks and borrowing are exposed to a risk of change in its fair value due to changes in interest rates. The Group's variable rate borrowing are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Interest rate risk (Cont'd)

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

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

	Group	
	2021	2020
	RM	RM
Fixed rate instruments		
Financial asset	104,758	33,916
Financial liability	(2,071,525)	(2,694,424)
	<u>(1,966,767)</u>	<u>(2,660,508)</u>
Floating rate instruments		
Financial liability	<u>(9,234,831)</u>	<u>(5,089,441)</u>

Interest rate risk sensitivity analysisFair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

32. Financial Instruments (Cont'd)**(b) Financial risk management objectives and policies (Cont'd)****(iii) Market risks (Cont'd)****(a) Interest rate risk (Cont'd)****Interest rate risk sensitivity analysis (Cont'd)**Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group's profit before tax by RM92,348 (2020: RM50,894) respectively, arising mainly as a result of higher/lower interest expenses on floating rate instruments. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(b) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD").

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Denominated in
	USD
	RM
Group	
2021	
Other receivables	56,410
Loan and borrowings	(2,073,627)
	<u>(2,017,217)</u>

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(b) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's profit before tax for the financial year to a reasonably possible change in the USD exchange rates against the functional currencies of the Group, with all other variables held constant.

		Group 2021
	Change in currency rate	Effect on profit before tax RM
USD	Strengthened 10%	(201,722)
	Weakened 10%	<u>201,722</u>

(c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long-term floating rate loans approximate their fair value as the loans will be re-priced to market interest rate on or near reporting date.

It was not practicable to estimate the fair value of investment in unquoted equity due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

32. Financial Instruments (Cont'd)**(c) Fair value of financial instruments (Cont'd)**

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value		Total fair value	Total carrying amount
	Level 2 RM	Total RM	RM	RM
Group				
2020				
Financial assets				
Short-term funds	1,437,202	1,437,202	1,437,202	1,437,202
Company				
2020				
Financial assets				
Short-term funds	1,026,564	1,026,564	1,026,564	1,026,564

(i) Policy on transfer between levels

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

There were no transfers between levels during the current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

32. Financial Instruments (Cont'd)**(c) Fair value of financial instruments (Cont'd)****(iv) Level 3 fair value**

Level 3 fair value for the financial assets and liabilities are estimated using unobservable inputs.

33. Capital Management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Company monitors capital using a gearing ratio. The Group's and the Company's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	Group		Company	
	2021	2020	2021	2020
	RM	RM	RM	RM
Lease liabilities (Note 15)	2,071,525	2,694,424	-	-
Loan and borrowings (Note 16)	9,234,831	5,089,441	-	-
Less: Deposits, bank and cash balances (Note 12)	(2,435,068)	(4,808,871)	(7,210)	(1,064,741)
Net debts	<u>8,871,288</u>	<u>2,974,994</u>	<u>(7,210)</u>	<u>(1,064,741)</u>
Total equity	<u>20,907,795</u>	<u>15,906,905</u>	<u>15,029,642</u>	<u>14,987,741</u>
Gearing ratio (times)	<u>0.42</u>	<u>0.19</u>	<u>*</u>	<u>*</u>

* The gearing ratio is not applicable as the Group and the Company have sufficient cash and cash equivalents to settle the liabilities as at the end of the financial year.

33. Capital Management (Cont'd)

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

34. Capital Commitment

	Group	
	2021	2020
	RM	RM
Authorised and contracted for:		
- Property, plant and equipment	600,221	654,743

35. Contingent liabilities

	Company	
	2021	2020
	RM	RM
Secured:		
Corporate guarantee extended to financial institution in respect of subsidiary's banking facilities	6,886,532	-

36. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 September 2021.