3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

(a) Subsidiary

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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

Acquisition-related costs are expensed as incurred.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiary (continued)

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

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

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

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

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

(c) Disposal of subsidiary

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Investment in subsidiary in separate financial statements

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

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

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

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

3.3 Property, plant and equipment

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (continued)

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

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

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

Accounting policies applied from 1 July 2019

From 1 July 2019, leased assets (including leasehold land) under finance or operating lease are presented as a financial statements separate line item from 'property, plant and equipment' in the statements of financial position under right-of-use ("ROU") assets. See accounting policy Note 3.12(b) to the financial statements on accounting policies for ROU assets.

Accounting policies applied until 30 June 2019

Until 30 June 2019, leased assets (including leasehold land) under lease arrangement classified as finance lease (refer to accounting policy Note 3.12(i) to the financial statements on finance lease applied until 30 June 2019) are presented as part of property, plant and equipment and is amortised in equal instalments over the period of the lease of 78 years, which expires in year 2092.

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

3.4 Intangible assets

(a) Research and development

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets (continued)

(a) Research and development (continued)

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

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

Directly attributable costs capitalised as part of the intangible asset include costs of employees involved in the development phase of the project and an appropriate portion of relevant overheads.

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

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life of two years.

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

(b) Patents

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

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

(c) Golf club memberships

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

3.6 Impairment of non-financial assets

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

The impairment loss is charged to profit or loss. Impairment losses on goodwill are not reversed. In respect of other non-current and non-financial assets that are subject to amortisation, any subsequent increase in recoverable amount is recognised in profit or loss. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets

(a) Classification

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group and the Company classify its debt instruments.

(i) 'Amortised cost'

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (continued)

(c) Measurement (continued)

(ii) 'FVTPL'

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

(d) Subsequent measurement – Impairment of financial assets

(i) Impairment for debt instruments and financial guarantee contracts

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

The Group and the Company have four types of financial instruments that are subject to the ECL model:

- Trade receivables;
- Other receivables (including non-trade amount due from a subsidiary) and deposits;
- Contract assets; and
- Financial guarantee contracts issued.

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

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

The measurement of ECL reflects:

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (continued)

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

(i) Impairment for debt instruments and financial guarantee contracts (continued)

Simplified approach for trade receivables and contract assets

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

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

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

(ii) Significant increase in credit risk

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

The following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; or
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in operating results of the debtor.

Macroeconomic information (such as Gross Domestic Product ("GDP")) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (continued)

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

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

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

Quantitative criteria

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

Qualitative criteria

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the debtor is insolvent.

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

(iv) Groupings of instruments for ECL measured on collective basis

Collective assessment

To measure ECL, trade receivables and contract assets arising from services rendered in respect of product development have been grouped as a whole based on the shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group and the Company have therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Individual assessment

Trade receivables and contract assets which are in default or credit-impaired are assessed individually. Other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts issued are assessed on individual basis for ECL measurement as credit risk information is obtained and monitored separately.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial assets (continued)

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

(v) Write-off

Trade receivables and contract assets

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

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

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

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

3.8 Financial liabilities

(a) Classification

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial liabilities (continued)

(a) Classification (continued)

(ii) 'Other financial liabilities'

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

(b) Recognition and initial measurement

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

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

(c) Subsequent measurement

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

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

(ii) 'Other financial liabilities'

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

(d) De-recognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another one from the same lender on substantially different term, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Offsetting financial instruments

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

3.10 Derivative financial instruments

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

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

3.11 Financial guarantee contracts

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases - Accounting by lessee

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

Accounting policies applied from 1 July 2019

From 1 July 2019, leases are recognised as ROU asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date).

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

(a) Lease term

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

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

(b) ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases - Accounting by lessee (continued)

Accounting policies applied from 1 July 2019 (continued)

(c) Lease liabilities

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

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

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

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

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

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

(d) Reassessment of lease liabilities

The Group and the Company are also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases - Accounting by lessee (continued)

Accounting policies applied until 30 June 2019

(i) Finance leases

Leases of property, plant and equipment where the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in the statements of financial position as current and non-current liabilities.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each financial period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group or the Company will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group and the Company in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

(ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the lease period.

Initial direct costs incurred in negotiating and arranging operating leases are capitalised as prepayments and recognised in profit or loss on a straight-line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial period in which termination takes place.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Current and deferred taxes

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

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Inventories

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

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

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

3.15 Trade and other receivables

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

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

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

3.16 Cash and cash equivalents

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Trade and other payables

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

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

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

3.18 Borrowings and borrowing costs

(a) Borrowings

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Borrowings and borrowing costs (continued)

(b) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

There is no impact on the measurement of borrowing as there was no modification during the affected period.

3.19 Provisions

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Contingent assets and liabilities

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

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

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

3.21 Share capital

(a) Classifications

Ordinary shares are classified as equity.

(b) Share issue costs

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

(c) Dividend distribution

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

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

(d) Purchase of own shares

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Share capital (continued)

(e) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

3.22 Revenue from contracts with customers

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Revenue from contracts with customers (continued)

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

(a) Sales of goods

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

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

The Group's obligation to transfer goods or services to a customer for which the Group has received consideration in advance from customer is presented as contract liability. A contract liability is also recognised for expected volume discounts granted to customer for future purchases.

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

(b) Services rendered in respect of product development

The Group is involved in product design and development for its customers. The development of products for its customers is highly integrated, not individually distinct and hence they are recognised as a single performance obligation. Revenue from providing such service is recognised progressively over time in which services are rendered.

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

The progress towards performance of services is measured based on one of the following methods that best reflect the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer (eg. surveys of performance completed to date); or
- the Group's efforts or inputs to the satisfaction of the performance obligation (eg. reference to the proportion time incurred up to the end of the reporting period as a percentage of total budgeted time required to complete the project).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Revenue from other sources

Dividend income

Dividend income is recognised when the Group's or the Company's rights to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment at a consequence. Dividend income from financial asset at FVTPL is recognised as part of net gains or net losses of these financial instruments.

3.24 Other income

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

(a) Interest income

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

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

(b) Rental income

Rental income is recognised on an accrual basis in accordance to the terms of the rental agreements or contracts.

(c) Other income

Other income is recognised on an accrued basis unless collectability is uncertain.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Employee benefits

(a) Short term employee benefits

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

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

(b) Post-employment benefits - Defined contribution plans

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

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

3.26 Foreign currencies

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the foreign currency exchange rates approximating those prevailing at the dates of the transactions or valuation where items are re-measured. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of the financial year using the foreign currency exchange rates approximating those prevailing at the reporting date, are recognised in profit or loss. Foreign currency exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance income' or 'finance costs'. All other foreign currency exchange gains and losses are presented in profit or loss on net basis within 'other gains/(losses) - net'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.26 Foreign currencies (continued)

(c) Principal closing rates

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

	GROUP AND COMPANY	
	2020	2019
	RM	RM
Assets:		
1 Euro	4.8050	4.7057
1 US Dollar	4.2800	4.1280
Liabilities		
1 Euro	4.8220	4.7159
1 US Dollar	4.2880	4.1410

3.27 Segment reporting

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

(a) Market risk

(i) Price risks

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Price risks (continued)

Sensitivity analysis

As at 30 June 2020, if the price of the money market fund had been 1.5% (2019: 1.8%) higher/lower, with all other variables held constant, the Group's and the Company's net profit arising from fair value gain would have been approximately RM675,000 (2019: RM977,000) and RM444,000 (2019: RM463,000) respectively higher/lower, as a result of an increase/decrease in the fair value of the quoted funds.

(ii) Foreign currency exchange risk

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

The Group's sales and purchases of goods are mostly denominated in US Dollar ("USD") and Ringgit Malaysia ("RM").

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

Sensitivity analysis

Based on the currency profile of 'receivables and deposits', 'deposits, cash and bank balances' and 'payables and accrued liabilities' as disclosed in Note 19, Note 23 and Note 29 to the financial statements respectively, the sensitivity analysis of foreign currency exchange risk is calculated based on reasonably possible change in foreign currency exchange rates for the major foreign currency transacted by the Group against RM at the end of the financial year. This analysis assumes that all other variables are held constant.

GROUP	Estimated % increase		Impact on (loss)/profit after tax Unfavourable	
	2020	2019	2020	2019
	%	%	RM'000	RM'000
Foreign currency strengthens against RM				
- USD	1.5	1.4	246	39

Conversely, weakening of major foreign currencies against RM by the above percentages would have had equal but opposite effects on the results of the Group shown above on the basis that all other variables remain constant.

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk

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

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

As the outstanding term loan of the Group as at 30 June 2020 stands at RM47,000, the Group's exposure to cash flow interest rate risk is not material to the results of the Group.

(b) Credit risk

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

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

The Group manages its credit risk arising from trade and other receivables through credit quality evaluations, ageing debt collection, and regular monitoring of debtors' account and credit limit.

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

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

The Group applies a provision matrix (i.e. net flow rate method) to derive the expected loss rates for each aging band to be applied to trade receivables and contract assets as at 30 June 2020. The expected loss rates are based on the historical payment profiles of sales over a period of 60 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP growth rate of the affected countries where the customers operate to be the most relevant factor, and accordingly adjust the historical loss rates based on expected changes in the GDP growth rate. No significant changes to estimation techniques or assumptions were made during the reporting period.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

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

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

Based on the above, loss allowance for impairment is measured on either 12 month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ('probability of default') - the likelihood that the debtor would not be able to repay during the contractual period (12-month or lifetime depending on category);
- LGD ('loss given default') - the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') - the outstanding amount that is exposed to default risk.

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

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

Based on management assessment of ECL as at 30 June 2020 and 2019, the identified impairment loss for other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts as at 30 June 2020 and 30 June 2019 was immaterial.

(ii) Reconciliation of loss allowance

There is no loss allowance being recognised for financial assets at amortised cost as at 30 June 2020, i.e. contract assets, other receivables (including non-trade amount due from a subsidiary), deposits and financial guarantee contracts issued.

Trade receivables using simplified approach

The loss allowance for impairment of trade receivables of the Group as at 30 June 2020 and 30 June 2019 is as follows:

	GROUP	
	2020	2019
	RM'000	RM'000
At 1 July	62	0
Increase in loss allowance for impairment	99	62
At 30 June	161	62

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Reconciliation of loss allowance (continued)

2020

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

2019

Based on management assessment on ECL as at 30 June 2019, the Group made a loss allowance taking higher level of likelihood of default into consideration.

Trade receivables which are not secured by any collateral, are individually determined to be impaired at the reporting date if they are in significant financial difficulties and have defaulted on payments. No such trade receivables identified as at financial year end.

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

Trade receivables using simplified approach

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

GROUP As at 30.6.2020	Current	Up to 30 days past due	Total
Expected loss rates	0.0054%	10.50%	
	RM'000	RM'000	RM'000
Gross carrying amount – trade receivables	19,635	1,524	21,159
Loss allowance for impairment			
- ECL loss allowance	(1)	(0)*	(1)
- Specific loss allowance	0	(160)	(160)
Carrying amount (net of loss allowance)	19,634	1,364	20,998

* Amount is less than RM500.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

GROUP As at 30.6.2019	Current	Up to 30 days past due	Total
Expected loss rates	0.0018%	2.5807%	
	RM'000	RM'000	RM'000
Gross carrying amount – trade receivables	2,984	2,402	5,386
Loss allowance for impairment			
- ECL loss allowance	(0)*	(0)*	(0)*
- Specific loss allowance	0	(62)	(62)
Carrying amount (net of loss allowance)	2,984	2,340	5,324

* Amount is less than RM500.

The Group has significant concentration of credit risk in the form of outstanding amount due from 2 customers (2019: 1 customer) representing 97% (2019: 93%) of the total trade receivables as at reporting date. The trade receivables outstanding as at 30 June 2020 have been substantially settled subsequent to the financial year end.

(c) Liquidity risk

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

	Contractual undiscounted cash flows					
GROUP	Within 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	More than 5 years RM'000	Total RM'000	Carrying amount RM'000
2020						
Financial liabilities:						
Payables and accrued liabilities	44,724	0	0	0	44,724	44,724
Hire-purchase and lease liability	904	904	708	55	2,571	2,349
Term loan	47	0	0	0	47	47
Total undiscounted financial obligations	45,675	904	708	55	47,342	47,120
Derivative financial liabilities:						
Gross settled currency forward						
- receipts	6,465	0	0	0	6,465	6,465
- payments	(6,440)	0	0	0	(6,440)	(6,440)
	25	0	0	0	25	25

	Contractual undiscounted cash flows				
GROUP	Within 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Total RM'000	Carrying amount RM'000
2019					
Financial liabilities:					
Payables and accrued liabilities	14,320	0	0	14,320	14,320
Term loan	276	48	0	324	313
Total undiscounted financial obligations	14,596	48	0	14,644	14,633
Derivative financial liabilities:					
Gross settled currency forward					
- receipts	7,026	0	0	7,026	7,026
- payments	(7,041)	0	0	(7,041)	(7,041)
	(15)	0	0	(15)	(15)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Contractual undiscounted cash flows				
COMPANY	On demand*/ within 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Total RM'000	Carrying amount RM'000
2020					
Other payables and accrued liabilities	468	0	0	468	468
Financial guarantee liabilities*	922	875	622	2,419	0
	1,390	875	622	2,887	468

	Contractual undiscounted cash flows				
COMPANY	On demand*/ within 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Total RM'000	Carrying amount RM'000
2019					
Other payables and accrued liabilities	486	0	0	486	486
Financial guarantee liabilities*	276	48	0	324	0
	762	48	0	810	486

* Financial guarantee liabilities

The Company provides unsecured financial guarantees to banks in respect of term loan and hire-purchase facilities granted to a wholly-owned subsidiary. The Company monitors on an ongoing basis the performance of the subsidiary. As at 30 June 2020 and 2019, there was no indication that the subsidiary would default on repayment.

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Capital risk management

The Group's and the Company's objective when managing capital is to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

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

4.3 Fair value estimation

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

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

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

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

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

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

	Level 1 RM'000	Level 2 RM'000	Total RM'000
At 30 June 2020			
GROUP			
Assets			
Short term investments	46,250	0	46,250
Derivative financial instruments	0	60	60
Liabilities			
Derivative financial instruments	0	35	35
COMPANY			
Asset			
Short term investments	30,379	0	30,379
At 30 June 2019			
GROUP			
Assets			
Short term investments	54,588	0	54,588
Derivative financial instruments	0	13	13
Liabilities			
Derivative financial instruments	0	28	28
COMPANY			
Asset			
Short term investments	25,851	0	25,851

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

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

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

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

5.1 Current and deferred taxes

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.2 Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis to write-off their costs to their residual values over their estimated useful lives. The directors estimate the useful life of the assets to be within 2 to 50 years. Changes in the expected level of usage, physical wear and tear and technological development could impact the economic useful lives and the residual values of these assets. Therefore future of depreciation changes could be revised.

5.3 Intangible assets - research and development

Significant judgement is required in identifying and segregating research from the development phase of various internal projects. Costs incurred during the development phase are recognised as intangible assets when all the capitalisation criteria as set out in the accounting policies per Note 3.4(a) to the financial statements are met. All other costs are expensed to profit or loss as incurred.

Management are expected to monitor the status of the internal projects and changes to project status, market demand and technology development will affect the Group's intention and ability to complete and sell the intangible asset and impact the extent of capitalisation and subsequent amortisation.

5.4 Allowance for slow-moving and obsolete inventories

Allowance for slow-moving and obsolete inventories is made based on an analysis of the inventory ageing profile and taking into account the expected product life cycle, consumption and sales patterns of individual item held in inventory. Changes in the inventory ageing profile, the expected product life cycle, level of consumption, market demand and sales profits may result in higher or lower allowance for slow-moving and obsolete inventories.

5.5 Measurement of ECL allowance for impairment of financial assets

The loss allowances for impairment of financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as the expected impact of forward looking information on macroeconomic factors affecting the ability of customers to settle the debts at the reporting date. The Group has identified the Gross Domestic Product ("GDP") growth rate to be the most relevant factor and accordingly adjust the historical loss rates based on the forecasted changes in GDP growth rates released by the government of the affected countries. Any changes to the historical loss rates and GDP growth rates will impact the total loss allowances for impairment to be recognised and the carrying amount of trade and other receivables.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.6 Revenue recognition on services rendered in respect of product development

(a) Estimation on percentage of completion

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

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

(b) Identification of performance obligation

Certain contracts with customers are bundled packages that may include product design, prototype developments, sourcing of raw materials, mass production of products and subsequent product development enhancement. The Group accounts for individual product and services as separate performance obligations if they are distinct promises of goods and services, i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it separately. The Group exercises judgement to identify if products and services within the bundled package are distinct performance obligations.

5.7 Impairment of non-financial assets

Non-financial assets comprising property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Significant judgement is required in the estimation of present value of future cash flows generated by the assets, which involves uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Projected future cash flows are calculated based on historical trends, existing product development projects on hand, with projected mass production timeline general market and economic conditions and other available information. Changes in assumptions can significantly affect the computed value in use and the results of the Group's test for impairment of assets.

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

The Group has property, plant and equipment and intangible assets with aggregate carrying amounts of approximately RM45,832,000 and RM2,436,000 respectively as at 30 June 2020. Management performed impairment assessments on the Group's property, plant and equipment and intangible assets as a result of the existence of an impairment indicator as the Group incurred net loss of RM8,060,000 for the financial year ended 30 June 2020.

Management has assessed the recoverable amounts of the applicable CGU based on discounted cash flows analysis to determine their value in use. Cash flows are projected based on past experience, historical performance and management's expectations of market development and future business performance, taking the COVID-19 pandemic into consideration.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

5.7 Impairment of non-financial assets (continued)

Impairment assessments on property, plant and equipment and intangible assets (continued)

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

(a) Weightage of 20%, 60% and 20% applied to the best, medium and worst case scenarios.
(b) Revenue growth for FY2021 to FY2025 supported by projects, taking the existing product development projects on hand with projected mass production timeline, customers' forecast and orders, end-of-life of the products and historical performance into consideration. Variations in the level of orders and materialisation of development projects to mass production applied to the 3 scenarios.
(c) Operational costs which include production overhead costs, employee benefit costs and other related costs increase in tandem with sales growth but not linear due to continuous automation initiatives for the production processes.
(d) Annual inflation rate of 3%, 4% and 5% applied to the respective scenarios.
(e) Capital expenditure considered for asset replacement throughout the projection period.
(f) Discount rate of 14% is used.
(g) Terminal growth rate of 1% is applied to best case, with 0% for medium and worst case scenarios.

Based on management's assessment, no impairment loss has been identified for the Group's property, plant and equipment and intangible assets. Based on sensitivity analyses performed, reasonable change in the key assumptions applied to a 10% change in revenue and a 5% change in discount rate do not result in an impairment loss.

6 REVENUE

	GROUP		COMPANY	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Revenue from contract with customers:				
- Sales of goods at invoiced value less returns	154,182	135,076	0	0
- Service charges on contract works	83	133	0	0
- Services rendered in respect of product development	6,725	3,763	0	0
	160,990	138,972	0	0
Timing of revenue recognition for revenue from contract with customers:				
- Point in time	155,018	135,223	0	0
- Over time	5,972	3,749	0	0
	160,990	138,972	0	0
Revenue from other sources:				
- Dividend income	0	0	8,000	12,000

6 REVENUE (CONTINUED)

Unsatisfied long-term performance obligations

For contracts that exceeded one year, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the financial year is approximately RM86,000 (2019: RM591,000) of which the Group expects to recognise as revenue in the financial year ending 30 June 2021.

During the financial year ended 30 June 2020, the Group has recognised revenue from contracts with customers amounting to approximately RM126,000 (2019: RM262,000) that was included in the contract liability at the beginning of the reporting period.

7 EMPLOYEE BENEFIT COSTS

	GROUP		COMPANY	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration				
Directors of the Company:				
- fees	495	495	363	363
- allowances	84	84	0	0
- salaries and bonus	1,534	1,514	0	0
- defined contribution retirement plan	308	304	0	0
- other short term employee benefits	131	131	0	0
	2,552	2,528	363	363
Directors of the subsidiary:				
- salaries and bonus	503	494	0	0
- defined contribution retirement plan	96	94	0	0
- other short term employee benefits	41	41	0	0
	640	629	0	0
Other employees:				
- salaries, wages and bonus	23,865	19,754	0	0
- defined contribution retirement plan	2,069	1,815	0	0
- other short term employee benefits	1,502	1,231	0	0
Total other staff costs	27,436	22,800	0	0
Total employee benefit costs	30,628	25,957	363	363
Monetary value of benefits in-kind other than cash given to:				
- directors of the Company	77	63	0	0
- directors of the subsidiary who are not directors of the Company	37	32	0	0
	114	95	0	0

The number of employees of the Group at the end of the financial year is 774 (2019: 697). There is no employee employed by the Company.

8 OTHER GAINS – NET

	GROUP		COMPANY	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net foreign currency exchange gains:				
- realised	400	103	0	0
- unrealised	325	2	0	0
Fair value gains on derivative financial instruments	40	173	0	0
Gains on disposal of property, plant and equipment	53	99	0	0
Short term investments:				
- gains on disposal	93	166	10	12
- fair value gains (Note 22)	1,292	1,975	858	765
	2,203	2,518	868	777

9 (LOSS)/PROFIT FROM OPERATIONS

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

	GROUP		COMPANY	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- statutory audit	150	180	62	62
- other assurance services	6	6	6	6
- other services	29	69	5	5
Interest income	(623)	(1,091)	(0)*	(2)
Research expenses	220	336	0	0
Property, plant and equipment:				
- written off	0 *	2	0	0
Depreciation of ROU assets (Note 14)	111	0	0	0
Allowance for slow-moving and obsolete inventories	19	21	0	0
Bad debt written off	4	9	0	0
Addition/(Reversal) of provision for warranties (Note 30)	7	(80)	0	0
Lease expense for:				
- short term leases (included in 'employee benefit cost')	160	154	0	0
- low-value assets (included in 'maintenance and upkeep expenses')	27	28	0	0

* Amount is less than RM500.

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

10 FINANCE COSTS

	GROUP	
	2020	2019
	RM'000	RM'000
Interest on:		
- term loans	10	26
- hire-purchase	41	3
- lease interest	19	0
	70	29

11 TAX CREDIT/(EXPENSE)

	GROUP		COMPANY	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- current financial year	(0)*	(273)	(0)*	(0)*
- over/(under) accrual in previous financial year	0 *	(239)	0 *	0 *
	(0)*	(512)	(0)*	(0)*
Deferred tax credit (Note 17):				
- current financial year	2,539	636	0	0
- over accrual in previous financial year	0	261	0	0
	2,539	897	0	0
Tax credit/(expense)	2,539	385	(0)*	(0)*

* Amount is less than RM500.

11 TAX CREDIT/(EXPENSE) (CONTINUED)

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

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loss/(Profit) before tax	10,599	935	(8,103)	(12,111)
Tax calculated at the Malaysian income tax rate of 24% (2019: 24%)	2,544	224	(1,945)	(2,907)
Tax effects of:				
- expenses not deductible for tax purposes	(415)	(445)	(183)	(160)
- income not subject to tax	332	515	2,128	3,067
- expenses eligible for double deductions	78	69	0	0
- over/(under) accrual of current tax in previous financial year	0 *	(239)	0 *	(0)*
- over accrual of deferred tax in previous financial year	0	261	0	0
Tax credit/(expense)	2,539	385	(0)*	(0)*

* Amount is less than RM500.

The Group has the following unutilised capital allowances and unused tax losses which can be utilised to set off against future taxable income:

	GROUP	
	2020 RM'000	2019 RM'000
Unutilised capital allowances – no expiry date	15,364	6,048
Unused tax losses – expiring YA 2027	4,813	0

12 LOSS PER SHARE

Basic loss per share of the Group is calculated by dividing the net loss for the financial year by the weighted average number of ordinary shares in issue during the financial year excluding ordinary shares purchased by the Company and hold as treasury shares (Note 25).

	GROUP	
	2020	2019
Net loss for the financial year attributable to owners of the Company (RM'000)	(8,060)	(550)
Weighted average number of ordinary shares in issue during the financial year ('000)	384,993	387,565
Basic loss per share (sen)	(2.09)	(0.14)

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

13 PROPERTY, PLANT AND EQUIPMENT

GROUP	Long term leasehold land	Building on long term leasehold land	Factory extension	Moulds, plant and machinery	Furniture, fittings, equipment and electrical installation	Motor vehicles	Capital work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COST								
At 1 July 2019	5,681	21,559	1,233	29,577	12,804	2,124	604	73,582
Impact of adoption of MFRS 16 (Note 14)	(5,681)	0	0	0	0	0	0	(5,681)
	0	21,559	1,233	29,577	12,804	2,124	604	67,901
Additions	0	0	251	1,042	2,409	0	10,257	13,959
Reclassifications	0	2,238	0	7,696	889	0	(10,823)	0
Disposals	0	0	0	(0)*	(0)*	0	0	(0) *
Written off	0	0	0	(0)*	(47)	0	0	(47)
At 30 June 2020	0	23,797	1,484	38,315	16,055	2,124	38	81,813
ACCUMULATED DEPRECIATION								
At 1 July 2019	397	5,277	657	13,907	7,972	1,723	0	29,933
Impact of adoption of MFRS 16 (Note 14)	(397)	0	0	0	0	0	0	(397)
	0	5,277	657	13,907	7,972	1,723	0	29,536
Depreciation	0	710	91	2,904	1,585	395	0	5,685
Disposals	0	0	0	0	0	0	0	0
Written off	0	0	0	0	(47)	0	0	(47)
At 30 June 2020	0	5,987	748	16,811	9,510	2,118	0	35,174
ACCUMULATED IMPAIRMENT LOSSES								
At 1 July 2019/ 30 June 2020	0	0	0	596	211	0	0	807
CARRYING AMOUNT								
At 30 June 2020	0	17,810	736	20,908	6,334	6	38	45,832

* Amount is less than RM500.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Long term leasehold land	Building on long term leasehold land	Factory extension	Moulds, plant and machinery	Furniture, fittings, equipment and electrical installation	Motor vehicles	Capital work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COST								
At 1 July 2018	5,681	21,559	1,089	25,004	11,301	2,124	10	66,768
Additions	0	0	144	1,343	1,032	0	4,301	6,820
Reclassifications	0	0	0	3,230	477	0	(3,707)	0
Disposals	0	0	0	(0)*	(0)*	0	0	(0) *
Written off	0	0	0	(0)*	(6)	0	0	(6)
At 30 June 2019	5,681	21,559	1,233	29,577	12,804	2,124	604	73,582
ACCUMULATED DEPRECIATION								
At 1 July 2018	325	4,803	594	11,572	5,923	1,298	0	24,515
Depreciation	72	474	63	2,335	2,053	425	0	5,422
Disposals	0	0	0	0	0	0	0	0
Written off	0	0	0	0	(4)	0	0	(4)
At 30 June 2019	397	5,277	657	13,907	7,972	1,723	0	29,933
ACCUMULATED IMPAIRMENT LOSSES								
At 1 July 2018/ 30 June 2019	0	0	0	596	211	0	0	807
CARRYING AMOUNT								
At 30 June 2019	5,284	16,282	576	15,074	4,621	401	604	42,842

* Amount is less than RM500.

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	COST			ACCUMULATED DEPRECIATION			CARRYING AMOUNT
	At 01.07.2019	Additions	At 30.06.2020	At 01.07.2019	Depreciation	At 30.06.2020	At 30.06.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Furniture, fittings, equipment and electrical installation	21	0	21	21	0	21	0 *

COMPANY	COST			ACCUMULATED DEPRECIATION			CARRYING AMOUNT
	At 01.07.2018	Additions	At 30.06.2019	At 01.07.2018	Depreciation	At 30.06.2019	At 30.06.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Furniture, fittings, equipment and electrical installation	21	0	21	14	7	21	0 *

* Amount is less than RM500.

Included in property, plant and equipment of the Group are assets acquired under hire-purchase arrangement as follows:

	GROUP	
	2020	2019
	RM'000	RM'000
Plant and machinery:		
- additions during the financial year	2,998	0
- carrying amount at financial year end	2,827	2,268
Purchase of property, plant and equipment		
Additions during the financial year	13,959	6,820
Add:		
- payments made in current financial year related to purchases made in previous financial year	283	236
Less:		
- purchases included in other payables (Note 29)	(805)	(283)
- purchases made under hire-purchase facilities	(1,666)	0
Cash paid	11,771	6,773

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

14.1 Amounts recognised in the statement of financial position

GROUP	Long term leasehold land RM'000	Factory equipment RM'000	Total RM'000
COST			
At 1 July 2019, as previously reported	0	0	0
Impact of adoption of MFRS 16	5,681	195	5,876
At 1 July 2019, as restated	5,681	195	5,876
Additions	0	0	0
At 30 June 2020, as restated	5,681	195	5,876
ACCUMULATED DEPRECIATION			
At 1 July 2019, as previously reported	0	0	0
Impact of adoption of MFRS 16	397	0	397
At 1 July 2019, as restated	397	0	397
Depreciation for the financial year	72	39	111
At 30 June 2020	469	39	508
CARRYING AMOUNT			
At 1 July 2019, as restated	5,284	195	5,479
At 30 June 2020	5,212	156	5,368

In the previous financial year, the Group classified the leasehold land as long term leasehold land under finance lease in 'property, plant and equipment'. Upon adoption of MFRS 16 on 1 July 2019, the long term leasehold land has been reclassified as part of right-of-use assets.

14.2 Amounts recognised in the statement of comprehensive income

The Group leases factory equipment e.g. liquid nitrogen storage tank for a lease period of 4 years, with an option to further renew for 4 years.

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

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

14.3 Amounts recognised in the statement of cash flows

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

14.4 Nature of the Group's leasing activities

(a) Leasehold land

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

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

(b) Factory equipment – liquid nitrogen storage tank

The Group also leases factory equipment e.g. liquid nitrogen storage tank for the gas supply for the production purpose.

Restriction or covenants by leases

Rental contracts entered by the Group and the Company are typically made for fixed periods of 1 to 5 years and 1 to 3 years respectively, but certain rental contracts have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants except for the security interest in the leased asset is held by the lessors. These leased assets cannot be used as security for borrowing purpose.

15 INTANGIBLE ASSETS

	GROUP			
	Patents	Development costs	Golf club memberships	Total
	RM'000	RM'000	RM'000	RM'000
COST				
At 1 July 2019	900	5,028	119	6,047
Additions	236	1,083	0	1,319
At 30 June 2020	1,136	6,111	119	7,366
ACCUMULATED AMORTISATION				
At 1 July 2019	26	4,415	0	4,441
Amortisation	43	444	2	489
At 30 June 2020	69	4,859	2	4,930
CARRYING AMOUNT				
At 30 June 2020	1,067	1,252	117	2,436
COST				
At 1 July 2018, as previously reported	617	4,354	0	4,971
Transition adjustment relating to MFRS 9	0	0	119	119
A 1 July 2018, as restated	617	4,354	119	5,090
Additions	283	674	0	957
At 30 June 2019	900	5,028	119	6,047
ACCUMULATED AMORTISATION				
At 1 July 2018	3	3,924	0	3,927
Amortisation	23	491	0	514
At 30 June 2019	26	4,415	0	4,441
CARRYING AMOUNT				
At 30 June 2019	874	613	119	1,606

15 INTANGIBLE ASSETS (CONTINUED)

Intangible assets of the Group comprise patents and development costs incurred on in-house developed products that meet the capitalisation criteria. All expenditure relating to research activities of approximately RM220,000 (2019: RM336,000) are recognised as an expense in the profit or loss as incurred.

	GROUP	
	2020	2019
Remaining amortisation period (year):		
- patents	6 - 17	7 - 18
- development costs	1	1 - 2
- golf club memberships	70 - 73	71 - 74

16 INVESTMENT IN A SUBSIDIARY

16.1 Details of investments

	COMPANY	
	2020	2019
	RM'000	RM'000
Investment in a subsidiary, at cost	50,000	50,000

16.2 Details of the subsidiary

Name of Company	Country of incorporation	Effective interest as at 30 June 2020 %	Effective interest as at 30 June 2019 %	Principal activities
Salutica Allied Solutions Sdn. Bhd.	Malaysia	100	100	Comprises vertical integration processes covering product design and development, and manufacturing of mobile communication products, wireless electronics and lifestyle devices.

17 DEFERRED TAX ASSETS/(LIABILITIES)

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

	GROUP	
	2020	2019
	RM'000	RM'000
Subject to income tax:		
Deferred tax assets/(liabilities)	2,436	(103)

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

	GROUP	
	2020	2019
	RM'000	RM'000
At 1 July	(103)	(1,000)
Credited/(Charged) to profit or loss (Note 11)		
- property, plant and equipment	(724)	(276)
- intangible assets	(98)	(143)
- right-of-use assets	(37)	0
- provisions and allowances	8	(136)
- unutilised capital allowances	2,235	1,452
- unused tax losses	1,155	0
	2,539	897
At 30 June	2,436	(103)

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

	GROUP	
	2020	2019
	RM'000	RM'000
Subject to income tax:		
Deferred tax assets (before offsetting):		
- provisions and allowances	215	207
- unutilised capital allowances	3,687	1,452
- unused tax losses	1,155	0
	5,057	1,659
Offsetting	(2,621)	(1,659)
Deferred tax assets (after offsetting)	2,436	0

17 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	GROUP	
	2020	2019
	RM'000	RM'000
Deferred tax liabilities (before offsetting):		
- property, plant and equipment	(2,236)	(1,512)
- intangible assets	(348)	(250)
- right-of-use assets	(37)	0
	(2,621)	(1,762)
Offsetting	2,621	1,659
Deferred tax liabilities (after offsetting)	0	(103)
Deferred tax assets/(liabilities)		
- Deferred tax assets/(liabilities) to be settled within 12 months	548	0
- Deferred tax assets/(liabilities) to be settled after 12 months	1,888	(103)
	2,436	(103)

18 INVENTORIES

	GROUP	
	2020	2019
	RM'000	RM'000
Raw materials	24,797	17,850
Work in progress	7,336	12,217
Finished goods	25,774	4,255
	57,907	34,322
Less: Allowance for slow-moving and obsolete inventories	(19)	(21)
	57,888	34,301

The cost of inventories recognised as an expense and included in the Group's profit or loss amounted to approximately RM154,502,000 (2019: RM129,559,000).

Included in raw materials are inward goods in transit amounting to approximately RM2,132,000 (2019: RM3,274,000).

19 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables	21,159	5,386	0	0
Less: Loss allowance for impairment	(161)	(62)	0	0
	20,998	5,324	0	0
Contract assets in relation to services rendered for product development	270	319	0	0
	21,268	5,643	0	0
Other receivables	1,044	394	0	0
Input tax receivables	0	158	0	0
Derivative financial assets - foreign currency exchange forward contracts (Note 20)	60	13	0	0
Deposits	72	67	1	1
Prepayments	2,436	2,507	10	10
	3,612	3,139	11	11
	24,880	8,782	11	11

Credit terms of trade receivables of the Group vary from 15 to 75 days (2019: 15 to 75 days).

Included in prepayments are:

	GROUP	
	2020 RM'000	2019 RM'000
- levy for foreign workers	416	372
- life insurance premium of key management	1,042	1,227
- advance payments for purchase of inventories	4	76

The currency profile of receivables and deposits are as follows:

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
US Dollar	21,345	5,641	0	0
Ringgit Malaysia	1,099	624	1	1
Euro	0	5	0	0
Other	0	5	0	0
	22,444	6,275	1	1

20 DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP	
	2020	2019
	RM'000	RM'000
Derivative financial instruments		
Assets (Note 19)	60	13
Liabilities (Note 29)	35	28

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

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

			GROUP	
	Currency bought	Currency sold	2020 RM'000	2019 RM'000
Foreign currency forward exchange contracts	RM	USD	6,465	7,026

21 RELATED PARTY DISCLOSURES

21.1 Related parties and relationship

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

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

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

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

21.2 Related party balance

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

21 RELATED PARTY DISCLOSURES (CONTINUED)

21.3 Significant related party transactions

	GROUP		COMPANY	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Consultation fees paid/payable to:				
- a person connected with certain directors of the Company	19	25	0	0
Payment of expense on behalf by a subsidiary	0	0	0	9
Payment of expense on behalf for a subsidiary	0	0	14	0
Repayment of amount due from a subsidiary	0	0	4,000	4,000

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

21.4 Key management compensation

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

	GROUP		COMPANY	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Directors' fees	495	495	363	363
Salaries and other short term employee benefits	2,552	2,521	0	0
Defined contribution plan expenses	450	444	0	0
	3,497	3,460	363	363
Monetary value of benefits-in-kind	132	110	0	0

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

22 SHORT TERM INVESTMENTS

	GROUP		COMPANY	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Investments in unit trust quoted in Malaysia, at fair value	46,250	54,588	30,379	25,851

The short term investments as at 30 June 2020 and 30 June 2019 are in respect of investments in an Islamic money market fund.

The quoted market prices of the Islamic money market fund as at 30 June 2020 is RM1.00 (2019: RM1.00).

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

	GROUP		COMPANY	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 July	54,588	60,863	25,851	19,336
Purchases during the financial year	60,580	58,660	11,880	13,950
Disposals during the financial year	(70,210)	(66,910)	(8,210)	(8,200)
Fair value gains (Note 8)	1,292	1,975	858	765
At 30 June	46,250	54,588	30,379	25,851

23 DEPOSITS, CASH AND BANK BALANCES

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

	GROUP		COMPANY	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks	2,000	24,200	0	0
Cash and bank balances	1,836	2,878	24	87
	3,836	27,078	24	87
Less: Fixed deposits with maturity period more than 3 months (unencumbered)	0	(24,200)	0	0
	3,836	2,878	24	87

Certain of the Group's and the Company's fixed deposits and bank balances totalling RM2,024,000 and RM24,000 (2019: RM184,000 and RM87,000) are placed with a licensed Islamic bank as at 30 June 2020.

During the financial year, the Group had uplifted fixed deposits held with a licensed bank totalled approximately RM24.2 million due to the less favourable fixed deposit interest rates as compared to returns from short term investment.

23 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Ringgit Malaysia	2,528	24,822	24	87
US Dollar	1,305	2,254	0	0
Others	3	2	0	0
	3,836	27,078	24	87

	GROUP	
	2020 %	2019 %
Weighted average effective interest rate at the reporting date is as follows:		
- deposits with licensed banks	2.35	3.75

	GROUP	
	2020 Days	2019 Days
The range of maturity periods of the deposits with licensed banks from the reporting date are as follows:		
- unencumbered	92	181 - 184

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

24 SHARE CAPITAL

	GROUP AND COMPANY			
	2020		2019	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
ISSUED AND FULLY PAID-UP				
Ordinary shares with no par value:				
At 1 July/30 June	388,000	91,802	388,000	91,802

25 TREASURY SHARES

In the previous financial year, the shareholders of the Company, by an ordinary resolution passed at the Extraordinary General Meeting held on 13 July 2018, approved the Company's plan to purchase its own shares up to a maximum of 10% of total number of issued shares of the Company. The directors of the Company are committed in enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders. The above resolution passed was subsequently reviewed and passed at the annual general meetings of the Company held on 26 November 2018 and 22 November 2019 respectively.

On 18 December 2018, the Company repurchased 815,000 of its ordinary shares from the open market for approximately RM300,000. The average price paid for these shares repurchased was RM0.368 per share.

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

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

	GROUP AND COMPANY				
			Cost per share		
	Number of shares '000	Cost RM'000	Low RM	High RM	Average cost per share RM
At 1 July 2019	815	300			0.368
Repurchased during the financial year:					
1 July 2019	1,228	386	0.305	0.320	0.314
2 July 2019	967	305	0.315	0.320	0.316
	2,195	691			
At 30 June 2020	3,010	991			0.329
At 1 July 2018	0	0			0
Repurchased during the financial year:					
18 December 2018	815	300	0.368	0.368	0.368
At 30 June 2019	815	300			0.368

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

As at 30 June 2020, the number of outstanding ordinary shares in issue after the setting off treasury shares against equity was 384,990,000 (2019: 387,185,000) ordinary shares.

26 RETAINED PROFITS

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

27 BORROWINGS

	GROUP	
	2020	2019
	RM'000	RM'000
CURRENT:		
- term loan	47	265
- hire-purchase and lease liability (Note 28)	785	0
	832	265
NON-CURRENT:		
- term loan	0	48
- hire-purchase and lease liability (Note 28)	1,564	0
	1,564	48
TOTAL BORROWINGS (UNSECURED):		
- term loan	47	313
- hire-purchase and lease liability (Note 28)	2,349	0
	2,396	313

The term loan which is denominated in Ringgit Malaysia, is repayable by 60 instalments and has remaining instalments payable of 2 months as at 30 June 2020 (2019: 14).

The term loan of the Group is guaranteed by the Company.

The term loan of the Group as at 30 June 2020 carries an effective interest rate of 4.51% (2019: 5.51%) per annum. The interest expenses on the term loan are calculated based on floating interest rates which may be varied from time to time at the bank's discretion.

The maturity profile of borrowings is analysed as follows:

	GROUP	
	2020	2019
	RM'000	RM'000
Term loan:		
Not later than 1 year	47	265
Later than 1 year but not later than 2 years	0	48
	47	313

28 HIRE-PURCHASE AND LEASE LIABILITY

	GROUP	
	2020 RM'000	2019 RM'000
At 1 July 2019, as previously reported	0	0
Effect of adoption of MFRS 16 (Note 35.3)	195	0
At 1 July 2019, as restated	195	0
Additions during the financial year	2,398	0
Interest charged during the financial year	60	0
Repayment	(304)	0
At 30 June	2,349	0
Future minimum hire-purchase and lease liability payments:		
- payable within one year	904	0
- payable later than one year but not later than five years	1,612	0
- payable later than five years	55	0
	2,571	0
Less: Finance charges	(222)	0
	2,349	0
Present value of hire-purchase and lease liability:		
CURRENT:		
- payable within one year	785	0
NON-CURRENT:		
- payable later than one year but not later than five years	1,512	0
- payable later than five years	52	0
	2,349	0

Hire-purchase creditors and finance lease liability are denominated in Ringgit Malaysia. The effective interest rates are as follows:

	GROUP	
	2020 %	2019 %
- hire-purchase	5.96	Nil
- finance lease liability	5.94	Nil

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

29 PAYABLES AND ACCRUED LIABILITIES

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade payables	39,801	11,402	0	0
Other payables	1,667	647	0	0
Accrued liabilities	3,256	2,271	468	486
Derivative financial liabilities – foreign currency exchange forward contracts (Note 20)	35	28	0	0
Provision for warranties (Note 30)	60	54	0	0
	5,018	3,000	468	486
Deferred revenue	86	0	0	0
Contract liabilities	2,953	248	0	0
	47,858	14,650	468	486

Credit terms of trade and other payables granted to the Group vary from 14 to 90 days (2019: 14 to 90 days) from the invoice date.

Included in other payables of the Group are in respect of purchase of property, plant and equipment of approximately RM805,000 (2019: RM283,000).

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

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
US Dollar	38,218	10,560	0	0
Ringgit Malaysia	6,523	3,730	468	486
Euro	17	58	0	0
Others	1	0 *	0	0
	44,759	14,348	468	486

* Amount is less than RM500.

30 PROVISION FOR WARRANTIES

	GROUP	
	2020	2019
	RM'000	RM'000
At 1 July	54	141
Charge/(Write back) during the financial year	7	(80)
Utilised during the financial year	(1)	(7)
At 30 June	60	54

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

31 DIVIDENDS

	COMPANY	
	2020	2019
	RM'000	RM'000
Paid		
In respect of the financial year ended 30 June 2020, on 384,990,000 ordinary shares:		
- First interim single-tier tax exempt dividend of 0.6 sen per share, declared on 20 August 2019 and paid on 30 September 2019. (2019: First interim single-tier tax exempt dividend of 0.6 sen per share on 388,000,000 ordinary shares declared on 28 August 2018 and paid on 28 September 2018)	2,310	2,328
- Second interim single-tier tax exempt dividend 0.6 sen per share declared on 22 November 2019 and paid on 18 December 2019. (2019: Second interim single-tier tax exempt dividend of 0.6 sen per share on 388,000,000 ordinary shares declared on 26 November 2018 and paid on 20 December 2018)	2,310	2,328
- Third interim single-tier tax exempt dividend of 0.6 sen per share declared on 24 February 2020 and paid on 27 March 2020. (2019: Third interim single-tier tax exempt dividend of 0.6 sen per share on 387,185,000 ordinary shares declared on 25 February 2019 and paid on 29 March 2019)	2,310	2,323
- (2019: Fourth interim single-tier tax exempt dividend of 0.6 sen per share on 387,185,000 ordinary shares declared on 27 May 2019 paid on 28 June 2019)	0	2,323
	6,930	9,302
Dividends per share		
- gross	0.018	0.024

The directors do not recommend the payment of any final dividend in respect of the financial year ended 30 June 2020 and 2019.

32 THE ANALYSIS OF MOVEMENTS IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Movements in cash flow		Non-cash changes		
GROUP - 2020	Note	As at 01.07.2019 RM'000	Repayment RM'000	Interest paid RM'000	Addition RM'000	Interest expenses RM'000	As at 30.06.2020 RM'000
Term loan	27	313	(266)	(10)	0	10	47
Hire-purchase and lease liability	28	0	(244)	(60)	2,593	60	2,349

			Movements in cash flow		Non-cash changes	
GROUP - 2019	Note	As at 01.07.2018 RM'000	Repayment RM'000	Interest paid RM'000	Interest expenses RM'000	As at 30.06.2019 RM'000
Term loan	27	563	(250)	(26)	26	313
Hire-purchase creditors	28	291	(291)	(3)	3	0

33 CAPITAL COMMITMENTS

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

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Capital expenditure commitments:				
Approved and contracted for	423	2,395	0	0

34 OPERATING LEASE COMMITMENTS (2019 ONLY)

The Group leases various office equipments under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases arrangements in respect of property, plant and equipment from the reporting date to the expiry of the leases are as follows:

	2019 RM'000
Not later than 1 year	27
Later than 1 year but not later than 5 years	29
	56

As disclosed in Note 35 to the financial statements, the Group and the Company have adopted MFRS 16 on 1 July 2019. These lease payments have been recognised as ROU assets and lease liabilities as at 1 July 2019 and presented on the statements of financial position as at 30 June 2020, except for short-term or low value leases.

35 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF MFRS 16 'LEASES'

For all contracts entered into before 1 July 2019 and that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease', the Group has not reassessed if such contracts contain leases under MFRS 16.

The Group as a lessee

35.1 Leases classified as operating leases under MFRS 117

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 July 2019.

Under the simplified retrospective transition method, on a lease-by-lease basis, the Group chose to measure its ROU assets using the amount equal to the lease liability, adjusted by the amount of any previously prepaid or accrued lease payments related to that lease recognised in the statements of financial position immediately before the date of initial application ('DIA') (i.e. 1 July 2019).

The Group's accounting policies on leases after the adoption of MFRS 16 are as disclosed in Note 3.12 to the financial statements.

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the Standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

35 CHANGES IN ACCOUNTING POLICIES UPON ADOPTION OF MFRS 16 'LEASES' (CONTINUED)

The Group as a lessee (continued)

35.2 Leases classified as finance leases under MFRS 117

For long term leasehold land previously classified as finance lease and presented as 'property, plant and equipment', the Group reclassified the carrying amount of the lease asset immediately before transition which was measured applying MFRS 117 as the carrying amount of the ROU asset at the DIA. As this lease was fully prepaid by the Group, no corresponding lease liability was recognised.

35.3 Adjustments to the statements of financial position as at 1 July 2019

The effects of adoption of MFRS 16 on the Group's statement of financial position as at 1 July 2019 are as follows:

GROUP	As previously reported under MFRS 117 RM'000	Effect of adoption of MFRS 16 RM'000	As restated under MFRS 16 RM'000
Property, plant and equipment (Note 13)	42,842	(5,284)	37,558
Right-of-use assets (Note 14)	0	5,479	5,479
Lease liability (Note 28)	0	(195)	(195)

Retained profits as at 1 July 2019 was not adjusted upon the adoption of MFRS 16 as the impact of RM3,000 is not material.

35.4 Measurement of lease liabilities on 1 July 2019

The weighted average lessee's incremental borrowing rate applied to the lease liabilities of the Group on 1 July 2019 was 5.94% per annum.

The reconciliation between the operating lease commitments previously disclosed in the Group's financial statements as at 30 June 2019 by applying MFRS 117 to the lease liabilities recognised at 1 July 2019 is as follows:

	GROUP RM'000
Operating lease commitments disclosed as 30 June 2019	56
Less:	
Short-term leases recognised on a straight-line basis as expense	(56)
Lease liabilities recognised as at 1 July 2019 (Note 28)	195
	195
Of which are:	
- Current lease liabilities	32
- Non-current lease liabilities	163
	195

36 FINANCIAL INSTRUMENTS

36.1 Classification of financial instruments

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets at amortised cost				
Receivables and deposits	22,384	6,104	1	1
Amount due from a subsidiary	0	0	19,000	23,000
Deposits, cash and bank balances	3,836	27,078	24	87
	26,220	33,182	19,025	23,088
Financial assets at fair value through profit or loss				
Short term investments	46,250	54,588	30,379	25,851
Derivative financial assets	60	13	0	0
	46,310	54,601	30,379	25,851
Total financial assets	72,530	87,783	49,404	48,939
Financial liabilities at amortised cost				
Payables and accrued liabilities (exclude contract liabilities)	44,724	14,320	468	486
Hire-purchase and lease liability	2,349	0	0	0
Term loan	47	313	0	0
	47,120	14,633	468	486
Financial liability at fair value through profit or loss				
Derivative financial instruments	35	28	0	0
Total financial liabilities	47,155	14,661	468	486

36.2 Fair value of financial instruments

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

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

37 SEGMENT REPORTING

The Group operates in Malaysia under one business segment:

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

37.1 Analysis of results and financial position

	Consumer electronics	
	2020	2019
	RM'000	RM'000
GROUP:		
Revenue from contracts with customers:		
Timing of revenue recognition		
- At a point in time	155,018	135,223
- Overtime	5,972	3,749
	160,990	138,972
RESULTS		
LOSS FROM OPERATIONS	(10,529)	(906)
Finance costs	(70)	(29)
LOSS BEFORE TAX	(10,599)	(935)
Tax credit	2,539	385
NET LOSS FOR THE FINANCIAL YEAR	(8,060)	(550)
OTHER INFORMATION		
Segment assets	186,490	169,197
Unallocated assets	5,004	2,790
TOTAL ASSETS	191,494	171,987
Segment liabilities	50,254	14,963
unallocated liabilities	0	103
TOTAL LIABILITIES	50,254	15,066
Capital expenditure	13,959	6,820
Included in loss from operations are:		
- interest income	623	1,091
- depreciation of property, plant and equipment	(5,685)	(5,422)
- depreciation of ROU assets	(111)	0
- amortisation of intangible assets	(489)	(514)
- fair value gains on short term investments	1,292	1,975
- loss allowance for impairment of trade receivables	(99)	(62)

Unallocated assets include income tax recoverable and deferred tax assets.

37 SEGMENT REPORTING (CONTINUED)

37.2 Analysis of revenue by region

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

	GROUP	
	2020 RM'000	2019 RM'000
North America	120,579	85,020
Asia (excluding Malaysia)	18,582	34,289
Europe	18,091	17,185
Australia (including New Zealand, Oceania)	2,431	1,478
Malaysia	1,301	991
Africa (including Middle East)	6	9
	160,990	138,972

For the current financial year, the revenue of 1 (2019: 1) customer contributed more than 10% of the total revenue of the Group amounting to RM150,169,000 (2019: RM124,139,000).

Other than United States of America which contributed more than 90% (2019: >80%) of the revenue derive from North America, the other countries that contributed to significant portion of revenue of the Group are Netherlands and China, where their revenue made up of approximately 96% (2019: 93%) and 67% (2019: 63%) of the respective sales of Europe and Asia regions.

All non-current assets of the Group are located in Malaysia.

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

38 EVENTS WHICH OCCURRED DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

38.1 The outbreak of Covid-19 spreading across the world had the World Health Organisation ("WHO") declared it a pandemic in March 2020. It has a far wider economic implications when many international borders were closed or declared partial lockdowns resulting in many economies grinding to a halt. The Board of Directors are of the opinion that the Covid-19 outbreak may affect business performance and financial position of the Group and of the Company mainly because of the travel restrictions imposed by many countries globally which results in delay for product development activities and delivery of products to customers.

38 EVENTS WHICH OCCURRED DURING AND SUBSEQUENT TO THE FINANCIAL YEAR (CONTINUED)

The Group had to scale down operations in between March and April 2020 due to the Movement Control Orders imposed by the Government of Malaysia. As a result, there were some delays in production and shipments in the affected months but impact to the results of the Group is not material. The directors of the Group are monitoring the situation closely and continue to assess the impact on the Group's operation as the situation develops after the financial year end. Based on the preliminary assessment carried out by the directors, they are of the view that no going concern risk is expected from the Group within the next 12 months from the date of approval for issuance of this set of financial statements, no impairment is expected for both financial and non-financial assets including inventories and no significant cost cutting measures or reduction in the budgeted capital expenditure are planned or initiated.

As no vaccine is found at the moment to treat Covid-19 and the potential for second and third waves of infections are still looming, the financial impact of the Covid-19 to the Group cannot be reasonably estimated at this juncture. The directors will continue to monitor the situations and proactively mitigate the financial impact, wherever applicable, to the Group and the Company.

38.2 In view of the economic uncertainties arising from Covid-19 pandemic, on 15 September 2020, the Company proposed the establishment of a dividend reinvestment plan ("DRP") which will provide its shareholders with an option to elect to reinvest in whole or in part, their cash dividend, which includes any interim, final, special or other types of cash dividend in new ordinary shares in the Company. The Company will seek the necessary shareholders' approval in the upcoming Annual General Meeting of the Company in November 2020.

39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 12 October 2020.

Total number of Issued Shares	:	388,000,000 ordinary shares
Total number of Treasury Shares	:	3,010,000 ordinary shares
Total number of Issued Shares net of Treasury Shares	:	384,990,000 ordinary shares
Issued Share Capital	:	RM38,800,000
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share
Number of shareholders	:	3,078

LIST OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
Name	**Size of Holdings**	**%(#)**	**Size of Holdings**	**%(#)**
Blue Ocean Enlightenment Sdn. Bhd. ("**BOE**")	214,500,000	55.72	–	–
Lim Chong Shyh	–	–	214,500,000 [1]	55.72
			8,853,000 [2]	2.30
Joshua Lim Phan Yih	–	–	214,500,000 [1]	55.72
			8,853,000 [2]	2.30
Joel Lim Phan Hong	–	–	214,500,000 [1]	55.72

Note:

1. Deemed interested by virtue of shareholdings in BOE pursuant to Section 8 of the Companies Act, 2016 (the "Act").
2. Deemed interested by virtue of shareholdings in Genius Thinkers Sdn. Bhd. ("GT") pursuant to Section 8 of the Act.

DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Name	**Size of Holdings**	**%(#)**	**Size of Holdings**	**%(#)**
Chia Chee Hoong	1,200,000	0.31	–	–
Low Teng Lum	700,000	0.18	30,000 [3]	0.01
Leow Chan Khiang	700,000	0.18	–	–
Chan Shook Ling	6,100,000	1.58	–	–
Lim Chong Shyh	–	–	214,500,000 [1]	55.72
			8,853,000 [2]	2.30
Joshua Lim Phan Yih	–	–	214,500,000 [1]	55.72
			8,853,000 [2]	2.30
Joel Lim Phan Hong	–	–	214,500,000 [1]	55.72

Note:

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

ANALYSIS BY SIZE OF HOLDINGS

No. of Holders	Size of Holdings	Total Holdings (#)	%(#)
9	1 - 99	208	0.00
280	100 – 1,000	159,700	0.04
1,420	1,001 – 10,000	8,730,501	2.27
1,159	10,001 – 100,000	40,419,200	10.50
209	100,001 to less than 5% of issued shares	121,180,391	31.47
1	5% and above of issued shares	214,500,000	55.72
3,078	**TOTAL**	**384,990,000**	**100.00**

LIST OF THIRTY LARGEST SHAREHOLDERS

No.	Name	No. of shares held	%(#)
1.	BLUE OCEAN ENLIGHTENMENT SDN. BHD.	214,500,000	55.72
2.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)*	10,000,000	2.60
3.	GENIUS THINKERS SDN. BHD.	8,853,000	2.30
4.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)*	7,000,000	1.82
5.	CHAN SHOOK LING	6,100,000	1.58
6.	TAN BOOI CHARN	6,000,000	1.56
7.	GOH BEE CHIN @ OOI BEE CHIN	3,694,800	0.96
8.	CHIN SEEN CHOON	3,000,000	0.78
9.	HO KEAT SOONG	2,794,000	0.73
10.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN. BHD. *PRINCIPAL ISLAMIC ASSET MANAGEMENT SDN. BHD.* *FOR LEMBAGA TABUNG HAJI*	2,500,000	0.65
11.	WONG YOON CHEE	2,418,800	0.63
12.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *LIM KOK KHONG (AA0039387)*	2,100,000	0.54
13.	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. *ICAPITAL.BIZ BERHAD*	1,700,200	0.44
14.	HO YIT LIN @ HO YUET LING	1,590,000	0.41
15.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TEOH HUI PENG (8076778)*	1,550,000	0.40
16.	LEMBAGA TABUNG HAJI	1,382,000	0.36
17.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YONG THIAN FOOK (7004124)*	1,300,000	0.34

LIST OF THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of shares held	%(#)
18.	CHIA CHEE WAI	1,250,000	0.32
19.	KHO BOON FOCK	1,228,000	0.32
20.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR CHIA CHEE HOONG*	1,200,000	0.31
21.	TEO YONG MONG	1,200,000	0.31
22.	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR YU AH SING @ YEO AH SING*	1,150,000	0.30
23.	LIM BOON LIAT	1,100,000	0.29
24.	TNEOH KIAN CHAI	1,007,100	0.26
25.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *CIMB BANK FOR LIM WEE YEE (PBCL-0G0111)*	1,000,000	0.26
26.	KONG KOK CHOY	1,000,000	0.26
27.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TAN OIY POW (8045795)*	900,000	0.23
28.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KWEE SOW FUN*	832,000	0.22
29.	LOW JOO GEIK	816,700	0.21
30.	HO CHANG TIH	811,700	0.21
	TOTAL	**289,978,300**	**75.32**

Note:

(#) Excludes a total of 3,010,000 ordinary shares bought back by the Company and held as Treasury Shares as at 1 October 2020.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting ("8th AGM") of **SALUTICA BERHAD** ("**Salutica**" or the "**Company**") will be held at M Place, M Roof Hotel & Residences, Jalan Dato Lau Pak Kuan, Taman Ipoh, 31400 Ipoh, Perak Darul Ridzuan on Monday, 23 November 2020 at 10.30 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 together with the Directors' and the Auditors' Reports thereon. ***Please refer to Explanatory Note 1***

2. To approve the payment of Directors' fees of RM495,000.00 for the financial year ended 30 June 2020. ***Ordinary Resolution 1***

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

   (i) Mr. Chia Chee Hoong ***Ordinary Resolution 2***

   (ii) Ms. Chan Shook Ling ***Ordinary Resolution 3***

4. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 30 June 2021 and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 4***

AS SPECIAL BUSINESS

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

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

   "THAT, pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the Constitution of the Company and the approvals from Bursa Malaysia Securities Berhad ("Bursa Securities") and any relevant governmental/regulatory authorities (if any), the Directors of the Company be and are hereby authorised to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions, for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued during the preceding 12 months does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being; AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued from Bursa Securities; AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier unless revoked or varied by an ordinary resolution of the Company at a general meeting."

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

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

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

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

("Proposed Renewal of Share Buy-Back Authority").

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

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

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

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

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

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

(i) To cancel all or part of the Purchased Shares;

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

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

(iv) To resell all or part of the treasury shares;

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

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

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

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

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

7. **PROPOSED ESTABLISHMENT OF A DIVIDEND REINVESTMENT PLAN WHICH WILL PROVIDE SHAREHOLDERS OF SALUTICA WITH AN OPTION TO ELECT TO REINVEST IN WHOLE OR IN PART, THEIR CASH DIVIDEND, WHICH INCLUDES ANY INTERIM, FINAL, SPECIAL OR OTHER TYPES OF CASH DIVIDEND IN NEW ORDINARY SHARES IN SALUTICA ("PROPOSED DRP")** ***Ordinary Resolution 7***

"THAT subject to the Act, the Constitution of the Company, the Main Market Listing Requirements of Bursa Securities and approvals of the relevant regulatory authorities for the Proposed DRP having being obtained to the extent permitted by law:

(i) the Proposed DRP which shall upon such terms and conditions as the Board of Directors of Salutica ("**Board**"), at its sole absolute discretion, deem fit be and is hereby approved; and

(ii) the Board be and is hereby authorised;

(a) to establish and implement the Proposed DRP;

(b) to determine, at its sole and absolute discretion, whether the Proposed DRP will apply to any dividends (whether interim, final, special or any other types of cash dividend) ("**Dividend(s)**") declared and/or approved by the Company;

(c) to issue and allot such number of new ordinary shares in Salutica ("**Salutica Shares**") from time to time, at such price, subject to such terms and conditions pursuant to the Proposed DRP ("**New Shares**"), to the shareholders who elect to invest their dividend in New Shares; and

(d) to sign and execute all documents, to do all acts, deeds and things and to enter into all transactions, arrangements and agreements as may be necessary and expedient in order to give full effect to the Proposed DRP and to implement, finalise and complete the Proposed DRP with full power to assent to any conditions, variations, modifications and/or amendments in any manner, including amendments, modifications, suspension and termination of the Proposed DRP, as the Board may, in its absolute discretion, deem fit and in the best interest of the Company and/or as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts, for and on behalf of the Company;

AND THAT the New Shares shall, upon issuance and allotment, rank equally in all respects with the existing Salutica Shares in issue, save and except that the holders of New Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid for which the entitlement date precedes the date of issuance and allotment of the New Shares."

8. **ISSUANCE OF NEW SHARES PURSUANT TO THE PROPOSED DRP THAT PROVIDES THE SHAREHOLDERS OF THE COMPANY WITH THE OPTION TO ELECT TO REINVEST THEIR DIVIDENDS IN NEW SHARES ("ISSUANCE OF NEW SHARES PURSUANT TO THE PROPOSED DRP")** ***Ordinary Resolution 8***

"THAT subject to the passing of Ordinary Resolution 7, and the approvals of all relevant regulatory authorities or parties being obtained, where required, approval be and is hereby given to the Board to allot and issue such number of New Shares from time to time as may be required to be allotted and issued pursuant to the Proposed DRP until the conclusion of the Company's next annual general meeting, upon terms and conditions and to such persons as the Board may, in its absolute discretion, deem fit and in the best interest of the Company;

THAT the issue price of the said New Shares, which will be determined and fixed by the Board on the price-fixing date to be determined, shall not be at more than 10% discount to the 5-day volume weighted average market price ("**VWAP**") of Salutica Shares immediately preceding the price-fixing date, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price at the material time;

AND THAT the Board be and is hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds and undertakings and to execute, sign and deliver for and on behalf of the Company, all such documents and impose such terms and conditions or delegate all or any part of its powers as may be necessary or expedient in order to implement, finalise and give full effect to the Issuance of New Shares pursuant to the Proposed DRP, with full power to assent to any conditions, modifications, variations and/or amendments including amendments, modifications, suspension and termination of the Proposed DRP as the Board may, in its absolute discretion, deem fit and in the best interest of the Company and/or as may be imposed or agreed to by any other relevant authorities."

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

BY ORDER OF THE BOARD

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

Ipoh
23 October 2020

Notes on the appointment of Proxy

1. For the purpose of determining who shall be entitled to attend and vote at the forthcoming 8th AGM of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 16 November 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend the AGM or appoint a proxy to attend, speak and vote on his/her/its behalf.

2. A member entitled to attend, participate, speak and vote at the 8th AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.

3. A member of the Company who is entitled to attend and vote at the 8th AGM of the Company may appoint not more than two (2) proxies to attend and vote instead of the member at the 8th AGM.

4. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.

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

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

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

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

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

   (ii) By electronics means via Tricor System, TIIH Online
   The proxy form can be electronically lodged with the Company's Share Registrar via TIIH Online at https://tiih.online. Kindly refer to the Administrative Details for the 8th AGM on the procedures for electronic lodgement of proxy form via TIIH Online.

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

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

11. Last date and time for lodging the proxy form is 21 November 2020, Saturday at 10.30 a.m.

12. Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:
    a. Identity card (NRIC) (Malaysian), or
    b. Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
    c. Passport (Foreigner).

13. For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. Alternatively, please bring the ORIGINAL certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.

    The certificate of appointment of authorised representative should be executed in the following manner:

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

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

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

14. It is important that you read the Administrative Details for the conduct of the 8th AGM.

15. Shareholders are advised to check the Company's website at www.salutica.com and announcements from time to time for any changes to the administration of the 8th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

Explanatory Notes on the Ordinary Business

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

2. **Ordinary Resolution 1**
   Directors' Fees for the Financial Year Ended 30 June 2020

   The proposed Ordinary Resolution 1 is to facilitate the payment of Directors' fees for the Group for the financial year ended 30 June 2020.

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

   Mr. Chia Chee Hoong and Ms. Chan Shook Ling, who are standing for re-election as Directors and being eligible, have offered themselves for re-election at the Eighth Annual General Meeting.

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

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

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

Explanatory Notes on the Special Business

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

This proposed Ordinary Resolution, seeking a renewal of the general mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate may involve but not limited to share swaps or fund raising activities, including but not limited to further placement of shares for the purpose of funding the Company's future investment project(s), working capital, repayment of bank borrowings, acquisition(s) and/or for issuance of shares as settlement of purchase consideration.

As at the date of this Notice, the Company did not allot any shares pursuant to the mandate granted to the Directors at the Seventh Annual General Meeting held on 22 November 2019 as there were no requirements for such fund raising activities.

Bursa Malaysia Securities Berhad had via a letter dated 16 April 2020 allowed listed issuers to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of not more than 20% of the total number of issued shares (excluding treasury shares) for issue of securities ("20% General Mandate"), which may be utilised to issue new securities until 31 December 2021. In light of the economic challenges brought about by the global Coronavirus Disease (Covid-19) pandemic, the Board of Directors is of the opinion that the 20% General Mandate is useful for the Company to meet its financial needs during the period covered and therefore, it is in the best interest of the Company and its shareholders. Should the 20% General Mandate be exercised, the Directors will utilise the proceeds raised for working capital or such other applications they may in their absolute discretion deem fit.

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

This proposed Ordinary Resolution 6, if passed, will allow the Company to purchase its own shares through Bursa Securities up to 10% of the total number of issued shares of the Company.

3. **Ordinary Resolution 7**
Proposed DRP

This proposed Ordinary Resolution 7, is to seek shareholders' approval on the proposed establishment of a dividend reinvestment plan.

4. **Ordinary Resolution 8**
Issuance of New Shares pursuant to the Proposed DRP

This proposed Ordinary Resolution 8, if passed, will give the Company the authority to the Board to allot New Shares under the DRP in respect of any Dividends declared and/or approved by the Company and subsequently, until the conclusion of the next AGM.

Please refer to Circular/Statement to Shareholders dated 23 October 2020 for further information on Ordinary Resolutions 6, 7 and 8.

STATEMENT ACCOMPANYING NOTICE OF EIGHTH ANNUAL GENERAL MEETING

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

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

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

ADMINISTRATIVE DETAILS
FOR THE CONDUCT OF THE 8TH AGM

1. Safety measures in light of the COVID-19 pandemic

For the conduct of the 8th AGM, the Company wishes to advise the shareholders that the Company will be taking precautionary measures in line with the Standard Operating Procedures ("SOP") issued by Majlis Keselamatan Negara ("MKN") dated 6 August 2020 and any revisions that may be made from time to time by MKN and/or the relevant authorities.

All attendees will be required to wear face mask, undergo temperature check and make a health declaration prior to entering the meeting venue. The Company and/or M Roof Hotel reserves the right to deny entry to anyone with a temperature of 37.5 degrees Celsius or higher and/or showing symptoms of respiratory illness such as coughing and sneezing.

In accordance with the SOP dated 6 August 2020, the capacity of the meeting venue must be sufficient to allow seating arrangement with physical distancing of one metre.

Therefore, if you are unwell, you are strongly advised to appoint a proxy or the Chairman of the meeting to attend and vote on your behalf at the 8th AGM.

2. Pre-registration to attend the AGM

Pursuant to the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020 and revised on 15 July 2020, shareholders are required to register ahead of the 8th AGM to allow the Company to make the necessary arrangements in relation to the meeting i.e. infrastructure, logistics and meeting venue(s) to accommodate the meeting participants.

Please read and **follow the procedures to pre-register your physical attendance at the 8th AGM** via the TIIH Online website at https://tiih.online:

- Login to TIIH Online website with your user name (i.e. e-mail address) and password under the "**e-Services**". If you have not registered as a user of TIIH Online, please refer to the tutorial guide posted on the homepage for assistance to sign up.
- Select the corporate event: "**(REGISTRATION) SALUTICA 8th AGM**".
- Read and agree to the Terms & Conditions and confirm the Declaration.
- Select "**Register for Physical Attendance at Meeting Venue**".
- Review your registration and proceed to register.
- System will send an e-mail to notify that your registration for Physical Attendance at Meeting Venue is received and will be verified.
- After verification of your registration against the General Meeting Record of Depositors, the system will send you an e-mail **after 21 November 2020** to approve or reject your registration to attend physically at the Meeting Venue.

3. Eligibility to attend based on the Record of Depositors

Only a shareholder whose name appears on the Record of Depositor as at **16 November 2020** shall be entitled to attend or appoint proxy(ies) to attend and/or vote on his/her behalf.

4. Registration on the day of the 8th AGM

Registration will start at 9:00 a.m. at M Place, M Roof & Hotel & Residences, Jalan Dato Lau Pak Kuan, Taman Ipoh, 31400 Ipoh, Perak Darul Ridzuan.

Original MyKad or passport is required to be presented during registration for verification.

Upon verification of your MyKad or passport and signing of attendance list, you will be given an identification wristband to enter the meeting room. There will be no replacement of wristband in the event that it is lost or misplaced.

Please note that you will only be allowed to enter the meeting hall if you are wearing the identification wristband.

You will not be allowed to register on behalf of another person even with the original MyKad or passport of that person.

Please vacate the registration area immediately after registration to prevent congestion. If you have any enquiry, please proceed to the Help Desk counter located near the registration area.

5. Appointment of Proxy

A shareholder who is unable to attend the 8th AGM on 23 November 2020 may appoint proxy and indicate the voting instructions in the proxy form. Please deposit the proxy form with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

For individual shareholders, you have the option of submitting the proxy form electronically via TIIH Online at https://tiih.online. Please follow the procedures to submit your proxy form electronically which are summarised below:

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

The last date and time for lodging the proxy form is **Saturday**, **21 November 2020** at **10:30 a.m**.

6. Communication Guidance

Shareholders are advised to check the Company's website at www.salutica.com and announcements from time to time for any changes to the administration of the 8th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

7. Enquiry

If you have any enquiries prior to the meeting, you may contact the Share Registrar at:

Tricor Investor & Issuing House Services Sdn. Bhd. Unit 32-01, Level 32, Tower A Vertical Business Suite No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Malaysia		***Telephone Number***
	General Line	603 - 2783 9299
	Mr. Tee Yee Loon	603 - 2783 9242
	En. Zulkifli Bin Mohd Yusof	603 - 2783 9249
	Fax Number	603 - 2783 9222
	Email	is.enquiry@my.tricorglobal.com

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

PROXY FORM

CDS Account Number

No of Shares Held

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

of

_____
(Full Address)

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

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

*and / or

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

or failing him, the Chairperson of the Meeting, as *my/our proxy/proxies to vote for *me/us and on *my/our behalf at the Eighth Annual General Meeting ("8th AGM") of the Company to be held at M Place, M Roof Hotel & Residences, Jalan Dato Lau Pak Kuan, Taman Ipoh, 31400 Ipoh, Perak Darul Ridzuan on **Monday**, **23 November 2020** at **10.30 a.m.** or any adjournment thereof, and to vote as indicated below:

Resolution	Agenda	FOR	AGAINST
1	To approve the payment of Directors' fees		
2	To re-elect Mr. Chia Chee Hoong as Director		
3	To re-elect Ms. Chan Shook Ling as Director		
4	To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors and to authorise the Directors to fix their remuneration		
5	Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016		
6	Proposed Renewal of Share Buy-Back Authority		
7	Proposed Dividend Reinvestment Plan ("DRP")		
8	Issuance of New Shares pursuant to the Proposed DRP		

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

Signed this _____ day of _____ 2020

_____
Signature/Common Seal of Member^

** Delete whichever is inapplicable*

^ Manner of execution:

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

Notes:

1. For the purpose of determining who shall be entitled to attend and vote at the forthcoming 8th AGM of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 16 November 2020. Only a member whose name appears on this Record of Depositors shall be entitled to attend the AGM or appoint a proxy to attend, speak and vote on his/her/its behalf.

2. A member entitled to attend, participate, speak and vote at the 8th AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.

3. A member of the Company who is entitled to attend and vote at the 8th AGM of the Company may appoint not more than two (2) proxies to attend and vote instead of the member at the 8th AGM.

4. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.

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

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

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

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

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

   (ii) By electronics means via Tricor System, TIIH Online
   The proxy form can be electronically lodged with the Company's Share Registrar via TIIH Online at https://tiih.online. Kindly refer to the Administrative Details for the 8th AGM on the procedures for electronic lodgement of proxy form via TIIH Online.

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

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

11. Last date and time for lodging the proxy form is 21 November 2020, Saturday at 10.30 a.m.

12. Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:
    a. Identity card (NRIC) (Malaysian), or
    b. Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
    c. Passport (Foreigner).

13. For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please deposit the ORIGINAL certificate of appointment of authorised representative with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. Alternatively, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.

14. It is important that you read the Administrative Details for the conduct of the 8th AGM.

15. Shareholders are advised to check the Company's website at www.salutica.com and announcements from time to time for any changes to the administration of the 8th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

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Stamp

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

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

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

3 Jalan Zarib 6, Kawasan Perindustrian Zarib,
31500 Lahat, Ipoh, Perak, Malaysia

T +(605) 320 6800 **E** invest@salutica.com.my

www.salutica.com