



**RHONG KHEN INTERNATIONAL BERHAD**  
[REGISTRATION NO.: 199401017151 (302829-W)]

# ANNUAL REPORT 2023



# TABLE OF CONTENTS

|     |   |
|-----|---|
| 2   | Corporate Information                               |
| 3   | Financial Highlights                                |
| 4   | Management Discussion and Analysis                  |
| 10  | Corporate Profile                                   |
| 12  | Profile of Board of Directors                       |
| 16  | Profile of Key Senior Management                    |
| 18  | Corporate Governance Overview Statement             |
| 33  | Additional Compliance Information                   |
| 35  | Statement on Risk Management and Internal Control   |
| 38  | Audit Committee Report                              |
| 42  | Sustainability Statement                            |
| 51  | Statement of Board of Directors' Responsibilities   |
| 52  | Financial Statements                                |
| 138 | Properties held by the Company and its Subsidiaries |
| 141 | Analysis of Shareholdings                           |
| 143 | Notice of Annual General Meeting                    |
|     | Proxy Form  |



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Dr Norraesah Binti Haji Mohamad**  
Chairman/Independent  
Non-Executive Director

**Mr Lin, Chin-Hung**  
Managing Director

**Mr Toh Seng Thong**  
Non-Independent Non-Executive  
Director

**Madam Lin Chen, Jui-Fen**  
Deputy Executive Chairman/  
Executive Director

**Mr Sandra Segaran A/L Muniandy @ Krishnan**  
Independent Non-Executive  
Director

**Mr Yek Siew Liong**  
Non-Independent Non-Executive  
Director

## COMPANY SECRETARIES

**Mr Yeoh Joe Son**  
(MIA 9238)  
(SSM PC No.: 202008004222)

**Ms Tai Yit Chan**  
(MAICSA 7009143)  
(SSM PC No.: 202008001023)

**Ms Tia Hwei Ping**  
(MAICSA 7057636)  
(SSM PC No.: 202008001687)

## AUDIT COMMITTEE

**Mr Sandra Segaran A/L Muniandy @ Krishnan** (Chairman)  
Independent Non-Executive Director

**Dato' Dr Norraesah Binti Haji Mohamad**  
Independent Non-Executive Director

**Mr Toh Seng Thong**  
Non-Independent Non-Executive  
Director

## NOMINATION COMMITTEE

**Dato' Dr Norraesah Binti Haji Mohamad** (Chairman)  
Independent Non-Executive Director

**Mr Sandra Segaran A/L Muniandy @ Krishnan**  
Independent Non-Executive Director

**Mr Yek Siew Liong**  
Non-Independent Non-Executive  
Director

## REMUNERATION COMMITTEE

**Dato' Dr Norraesah Binti Haji Mohamad** (Chairman)  
Independent Non-Executive Director

**Mr Sandra Segaran A/L Muniandy @ Krishnan**  
Independent Non-Executive Director

**Mr Toh Seng Thong**  
Non-Independent Non-Executive  
Director

## EMPLOYEES' SHARE SCHEME COMMITTEE

**Mr Toh Seng Thong** (Chairman)  
Non-Independent Non-Executive  
Director

**Mr Lin, Chin-Hung**  
Managing Director

**Mr Yeoh Joe Son**  
Group Finance Director

**Mr Fong Toh Wai**  
Group Financial Controller

## PLACE OF INCORPORATION AND DOMICILE

Malaysia

## STOCK EXCHANGE LISTING/ STOCK NAME

**Main Market of Bursa Malaysia Securities Berhad**  
Stock Short Name : RKI  
Stock Code : 7006

## HEAD OFFICE

Lot 3356, Batu 7 ¾  
Jalan Kapar, 42200 Kapar  
Selangor Darul Ehsan, Malaysia  
Telephone : +603-3291 5401  
Facsimile : +603-3291 0048  
Website : www.rkibhd.com

## REGISTERED OFFICE

12th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan, Malaysia  
Telephone : +603-7890 4800  
Facsimile : +603-7890 4650  
Email : boardroom-kl@  
boardroomlimited.com

## SHARE REGISTRAR

**Securities Services (Holdings) Sdn. Bhd.**  
197701005827 (36869-T)  
Level 7, Menara Milenium  
Jalan Damanlela, Pusat Bandar  
Damansara, Damansara Heights  
50490 Kuala Lumpur  
Malaysia  
Telephone : +603-2084 9000  
Facsimile : +603-2094 9940  
Email : info@sshsb.com.my

## AUDITORS

**Ernst & Young PLT**  
202006000003 (LLP0022760-LCA) &  
AF 0039  
Chartered Accountants  
Level 23A, Menara Milenium  
Jalan Damanlela, Pusat Bandar  
Damansara, Damansara Heights  
50490 Kuala Lumpur  
Malaysia

## PRINCIPAL BANKERS

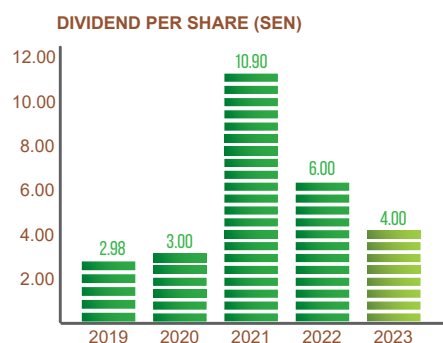
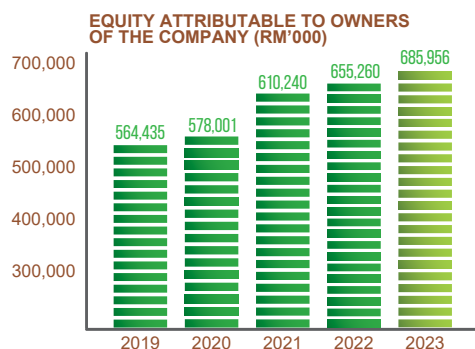
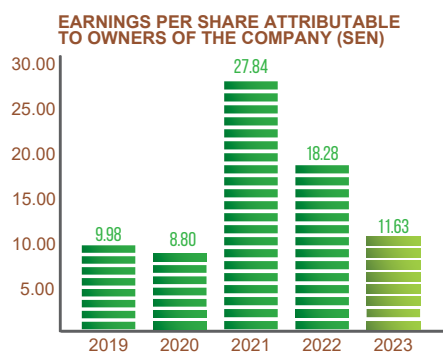
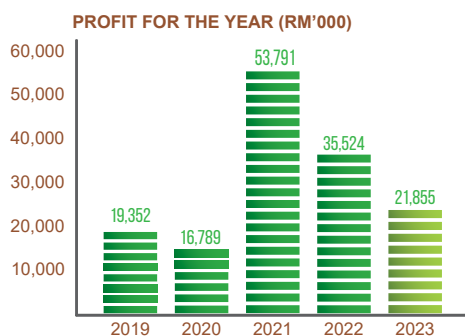
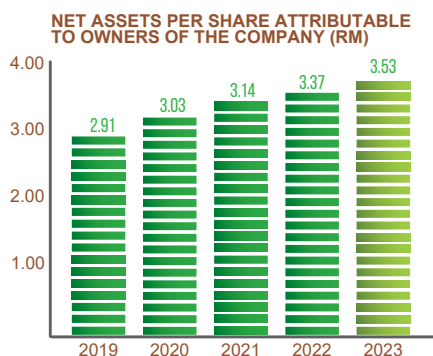
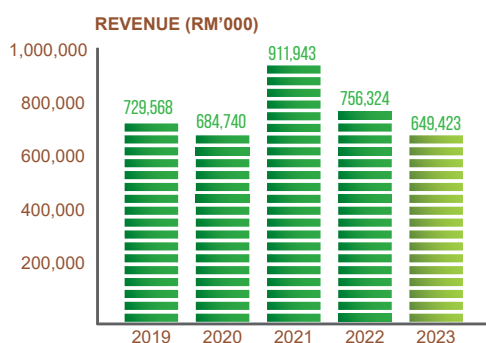
HSBC Bank Malaysia Berhad  
Alliance Bank Malaysia Berhad  
United Overseas Bank (Malaysia)  
Berhad  
OCBC Bank (Malaysia) Berhad  
CTBC Bank Co. Ltd.  
Indovina Bank Ltd.  
Bank Sinopac

# FINANCIAL HIGHLIGHTS

| Five Years Financial Highlights                                 | 2023<br>RM'000    | 2022<br>RM'000 | 2021<br>RM'000 | 2020<br>RM'000    | 2019<br>RM'000    |
|---|-------------------|----------------|----------------|-------------------|-------------------|
| Revenue   | 649,423           | 756,324        | 911,943        | 684,740           | 729,568           |
| Profit for the year   | 21,855            | 35,524         | 53,791         | 16,789            | 19,352            |
| Profit for the year attributable to owners of the Company       | 22,587            | 35,524         | 53,791         | 16,789            | 19,352            |
| Equity attributable to owners of the Company                    | 685,956           | 655,260        | 610,240        | 578,001           | 564,435           |
| Net assets per share attributable to owners of the Company (RM) | 3.53              | 3.37           | 3.14           | 3.03 <sup>#</sup> | 2.91 <sup>#</sup> |
| Earnings per share attributable to owners of the Company (Sen)  | 11.63             | 18.28          | 27.84          | 8.80 <sup>#</sup> | 9.98 <sup>#</sup> |
| Dividend per share (Sen)  | 4.00 <sup>*</sup> | 6.00           | 10.90          | 3.00 <sup>#</sup> | 2.98 <sup>#</sup> |
| Dividend amount   | 7,770             | 11,659         | 21,187         | 5,715             | 5,768             |

\* The Company had on 12 May 2023 paid the first interim single-tier dividend of 1.0 sen per ordinary share. The final single-tier dividend of 3.0 sen per ordinary share was recommended by the Board of Directors and is subject to shareholders' approval at the forthcoming Annual General Meeting.

# For comparative purpose, net assets and earnings per share attributable to owners of the Company and dividend per share have been adjusted to reflect the bonus issue of 1 bonus share for every 1 existing ordinary share which was completed on 16 March 2021.



# MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis compares the Group's financial condition and results of operations for the financial year 2023 ("FY2023") with financial year 2022 ("FY2022").

## 1) Overview of the Group's Business and Operations

Rhong Khen International Berhad ("the Group" or "the Company" or "RKIB") is an integrated household furniture manufacturer specialises in the manufacturing and sale of wooden household furniture and components particularly rubber-wood furniture for export markets. About 50% of raw materials of the Group are rubber wood based with the remaining being poplar, pine wood and other wood-based materials. The Group's manufacturing activities are operated from its three (3) factories in Malaysia, two (2) factories in Vietnam and one (1) factory in Thailand with total workforce of approximately 4,200 workers.

| Name of subsidiaries                      | Country of incorporation | Principal activities  | Total site area (square feet) |
|---|--------------------------|---|-------------------------------|
| Latitude Tree Furniture Sdn. Bhd.         | Malaysia                 | Manufacture and sale of wooden furniture and components       | 507,751                       |
| Rhong Khen Timbers Sdn. Bhd.              | Malaysia                 | Manufacture and sale of wooden furniture parts and components | 1,545,324                     |
| Rhong Khen Industries Sdn. Bhd.           | Malaysia                 | Manufacture and sale of decorative wood panels and papers     | 332,939                       |
| Latitude Tree Vietnam Joint Stock Company | Vietnam                  | Manufacture and sale of wooden furniture and components       | 889,120                       |
| RK Resources Co., Ltd.                    | Vietnam                  | Manufacture and sale of wooden furniture and components       | 3,943,757                     |
| Grob Holz Company Limited                 | Thailand                 | Manufacture and sale of wooden furniture parts and components | 869,024                       |
| Total                                     |                          |   | 8,087,915                     |

Macroeconomic uncertainties and escalating inflationary pressures resulted FY2023 another challenging and difficult year for the Group as orders from our major market, United States ("US") fell sharply from Quarter 3 FY2023 due to over-inventoried situation in US after borders reopening. Furthermore, the downturn in US housing market isn't ending anytime soon, mortgage rates are set to stay elevated and hence, affecting demand for furniture in US. Consequentially, the Group recorded higher manufacturing costs during the financial year under review as a result of low orders environment and margin compression as discounts were given to our customers to boost shipments and retain orders.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 2) Financial Performance Review

|   | <b>FY2023<br/>(RM'000)</b> | <b>FY2022<br/>(RM'000)</b> | <b>Variance<br/>(RM'000)</b> | <b>Variance<br/>(%)</b> |
|---|----------------------------|----------------------------|------------------------------|-------------------------|
| <b>Items of Statements of Comprehensive Income:</b> |                            |                            |                              |                         |
| Revenue   | 649,423                    | 756,324                    | (106,901)                    | (14.1)                  |
| Gross profit  | 79,844                     | 105,537                    | (25,693)                     | (24.3)                  |
| Other income  | 7,025                      | 5,959                      | 1,066                        | 17.9                    |
| Operating costs                                     | (55,781)                   | (60,079)                   | (4,298)                      | (7.2)                   |
| Finance costs                                       | (3,232)                    | (2,605)                    | 627                          | 24.1                    |
| Profit before tax                                   | 27,856                     | 48,812                     | (20,956)                     | (42.9)                  |
| Profit for the year                                 | 21,855                     | 35,524                     | (13,669)                     | (38.5)                  |
| <b>Items of Statements of Financial Position:</b>   |                            |                            |                              |                         |
| Non-current assets                                  | 354,682                    | 340,582                    | 14,100                       | 4.1                     |
| Current assets                                      | 458,035                    | 607,617                    | (149,582)                    | (24.6)                  |
| Total liabilities                                   | 127,003                    | 292,939                    | (165,936)                    | (56.6)                  |
| <b>Items of Statements of Cash Flows:</b>           |                            |                            |                              |                         |
| Net cash flows generated from operating activities  | 115,768                    | 26,596                     | 89,172                       | 335.3                   |
| Net cash flows used in investing activities         | (24,485)                   | (27,903)                   | (3,418)                      | (12.2)                  |
| Net cash flows used in financing activities         | (114,564)                  | (20,533)                   | 94,031                       | 458.0                   |
| Cash and cash equivalents at end of the year        | 153,144                    | 170,466                    | (17,322)                     | (10.2)                  |

#### 2.1) Review of Items of Statements of Comprehensive Income

Revenue information based on the geographical location of the operations of the Group is as follows:

|          | <b>FY2023<br/>(RM'000)</b> | <b>FY2022<br/>(RM'000)</b> | <b>Variance<br/>(RM'000)</b> | <b>Variance<br/>(%)</b> |
|----------|----------------------------|----------------------------|------------------------------|-------------------------|
| Malaysia | 128,922                    | 154,349                    | (25,427)                     | (16.5)                  |
| Vietnam  | 504,439                    | 584,185                    | (79,746)                     | (13.7)                  |
| Thailand | 16,062                     | 17,790                     | (1,728)                      | (9.7)                   |
| Total    | 649,423                    | 756,324                    | (106,901)                    | (14.1)                  |

The Group recorded revenue of RM649.4 million for FY2023, representing a decrease of 14.1% as compared to FY2022.

Revenue from Malaysia operation declined by 16.5% was mainly due to lower sales recorded by all plants in FY2023 compared to FY2022 due to lower shipments to US and lower demand from local market. For Vietnam operation, revenue declined by 13.7% mainly due to lower demand and shipments to US. Revenue from Thailand operation decreased by 9.7% in FY2023 compared to FY2022 mainly due to lower orders received from both local and export markets.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 2) Financial Performance Review (cont'd)

#### 2.1) Review of Items of Statements of Comprehensive Income (cont'd)

Correspondingly, the Group's gross profit declined by 24.3% from RM105.5 million in FY2022 to RM79.8 million in FY2023. The decrease in gross profit was mainly due to decrease in revenue, margin compression as discounts were given to our customers to boost shipments in FY2023, rising cost of raw materials as well as higher operating and labour costs as a result of reduced production output across all divisions of the Group.

Other income increased by 17.9% from RM6.0 million in FY2022 to RM7.0 million in FY2023 mainly due to higher interest income received resulting from higher placement in deposits with licensed banks and higher interest rate in FY2023.

The Group's operating costs comprised selling and distribution expenses, administrative expenses and other expenses. The Group's total operating costs amounted to RM55.8 million in FY2023 and were 7.2% lower than FY2022 mainly due to lower selling and distribution expenses in line with lower revenue recorded and net fair value gain on derivative and investment securities of RM1.4 million recorded in FY2023 compared to net fair value loss on derivative and investment securities of RM1.5 million recorded in FY2022.

Finance costs increased by 24.1% from RM2.6 million in FY2022 to RM3.2 million in FY2023. The surge was due to increase in cost of borrowings in FY2023 compared to FY2022.

Profit before tax of the Group amounted to RM27.9 million in FY2023, representing a decline of 42.9% from RM48.8 million in FY2022. The decrease was in line with the decrease in gross profit and higher finance costs in FY2023 compared to FY2022.

Profit for the year of the Group amounted to RM21.9 million in FY2023, representing a decrease of 38.5% from RM35.5 million in FY2022 was in line with decrease in profit before tax and reversal of over provision of tax expense of RM3.0 million in prior years in FY2023.

#### 2.2) Review of Items of Statements of Financial Position

Non-current assets increased by 4.1% to RM354.7 million as at 30 June 2023 from RM340.6 million as at 30 June 2022. The increase was mainly due to additions of property, plant and equipment ("PPE") and investment properties during the financial year.

Current assets decreased by 24.6% to RM458.0 million as at 30 June 2023 as compared to RM607.6 million as at 30 June 2022. The decrease was mainly attributable to the decrease in inventories, trade and other receivables and investment securities balances. The decrease in inventories by RM102.0 million was mainly due to raw materials, work-in-progress and finished goods inventories decreased by RM38.9 million, RM26.1 million and RM37.0 million respectively resulted from lower purchases of raw materials and lower production output across all division in Quarter 4 FY2023 as compared to Quarter 4 FY2022. Trade and other receivables decreased by RM39.3 million was due to lower trade receivables of RM27.4 million and lower other receivables of RM11.9 million respectively. Lower trade receivables balance was in line with lower sales registered in Quarter 4 FY2023 as compared to Quarter 4 FY2022. Lower other receivables were mainly contributed by lower import duty and other indirect taxes receivable of RM8.6 million. The decrease in investment securities balance was due to lower placement in investment securities in FY2023 as compared to FY2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

**2) Financial Performance Review (cont'd)****2.2) Review of Items of Statements of Financial Position (cont'd)**

As at 30 June 2023, total liabilities decreased by 56.6% to RM127.0 million from RM292.9 million as at 30 June 2022. The decrease was mainly attributable to the decrease in trade and other payables and loans and borrowings. Trade and other payables decreased by RM64.1 million mainly due to lower trade payables from RM93.0 million as at 30 June 2022 to RM33.5 million as at 30 June 2023. The decrease was in tandem with the decrease in purchases of raw materials in Quarter 4 FY2023 as compared to Quarter 4 FY2022. Loans and borrowings decreased by RM96.9 million mainly due to lower utilisation of short-term bank borrowings in FY2023.

**2.3) Review of Items of Statements of Cash Flows**

The Group registered net cash flows generated from operating activities of RM115.8 million for FY2023 as compared to RM26.6 million for FY2022. The increase was mainly due to lower inventories of RM109.2 million, lower trade and other receivables of RM42.7 million offset with lower trade and other payables of RM67.5 million.

Net cash flows used in investing activities was RM24.5 million for FY2023, mainly derived from purchase of PPE of RM21.9 million, purchase of investment properties of RM1.8 million and placement of deposits with licensed banks of RM28.1 million offset with interest received of RM3.0 million and net proceeds from withdrawal of investment securities of RM24.1 million.

Net cash flows used in financing activities of RM114.6 million for FY2023 was mainly due to net repayment of loans and borrowings of RM100.1 million, placement of deposits placed as securities for bank borrowings and guarantees of RM1.7 million, purchase of treasury shares of RM0.9 million and payment of dividends amounting to RM11.7 million.

Overall, cash and cash equivalents decreased by RM17.3 million to RM153.1 million as at 30 June 2023, mainly attributable to net cash flows generated from operating activities which was offset with net cash flows used in investing and financing activities.

**2.4) Capital Expenditure**

In FY2023, total capital expenditure incurred by the Group was RM23.7 million and the breakdown is as follows:

| Category of capital expenditure | RM'000        |
|---------------------------------|---------------|
| Plant and machinery             | 9,226         |
| Buildings                       | 3,076         |
| Buildings under construction    | 9,175         |
| Investment properties           | 1,800         |
| Others                          | 398           |
| <b>Total</b>                    | <b>23,675</b> |



## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### 2) Financial Performance Review (cont'd)

#### 2.4) Capital Expenditure (cont'd)

Addition of RM9.2 million was incurred to upgrade our existing production lines with advanced and automated machinery to further enhance production efficiency and to reduce workers. Addition of RM3.1 million on buildings was incurred for enhancement of existing factory buildings at our Malaysia and Vietnam plants. Buildings under construction of RM9.2 million was incurred to build a warehouse building at one of our Vietnam plant to cater for storage requirement of our customers. Investment properties addition amounting to RM1.8 million was related to purchase of a two-storey shop in Shah Alam, Selangor.

### 3) Risks relating to Our Business

#### 3.1) Exposure to Credit Risk

The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group and the Company minimises credit risk by dealing exclusively with established counterparties. Trade receivables are monitored on an ongoing basis via the Group's management reports.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis resulted the Group's exposure to bad debts is not significant.

#### 3.2) Exposure to Foreign Currency Risk

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

The Group has transactional currency exposure arising from sales or purchases that are denominated in a currency other than the functional currency of the Group, i.e. RM. The foreign currencies in which these transactions are denominated are mainly United States Dollar, Vietnam Dong, Thai Baht and Singapore Dollar.

#### 3.3) Exposure to Shortage of Raw Materials

Wood is one of the main raw materials used in manufacturing of our products. The wood or wood-based raw materials used in our products include rubber wood, poplar wood, pine wood, oak wood, particle boards, MDF, plywood and veneer boards. Total cost of wood or wood-based raw materials accounted for 40% to 55% of our total costs of sales.

As the Group does not have long-term supply arrangements with our vendors, there can be no assurance that we will continue to be able to obtain sufficient supply of raw materials, at competitive prices and in a timely manner from our vendors. The Group has been working closely with our vendors to secure sufficient supply for our production needs by providing cash advances to certain wood-based raw materials vendors.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (CONT'D)

### 3) Risks relating to Our Business (cont'd)

#### 3.4) Exposure to Over-Dependent on our Sub-Contractors

Generally, the Group sub-contracts the manufacture of certain furniture components, semi-finished products, other parts and accessories required for our products, such as chair legs, chair seats, lathe and bentwood to sub-contractors.

The Group is dependent on the availability of sub-contractors who have the relevant skills to fulfill our production requirements. In the event that we face a shortage of sub-contractors with relevant skills or should our sub-contractors default on their delivery obligations or work specifications or provide products or services which do not meet our quality standards or requirements, we may not be able to deliver our products on a timely basis or may have to incur higher costs. If any of such events occurs, our revenue may be adversely affected and if we are unable to pass on our cost increases to our customers, our Group's profitability may be adversely affected.

### 4) Dividends

The Group is firmly committed to maximising shareholders' value. Dividends paid during the financial year are as follows:

| Financial Year | Description                        | Payment Date    | Dividend per Share (Sen)* | Value (RM'000) |
|----------------|------------------------------------|-----------------|---------------------------|----------------|
| FY2022         | Final single-tier dividend         | 13 January 2023 | 5.0                       | 9,713          |
| FY2023         | First interim single-tier dividend | 12 May 2023     | 1.0                       | 1,942          |
| Total          |                                    |                 |                           | 11,655         |

\*Dividend rate is calculated based on 194,252,300 shares (excluding treasury shares)

The Board also proposed a final single-tier dividend of 3.0 sen per ordinary share amounting to RM5.83 million for FY2023. The proposed final single-tier dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

### 5) Future Prospect and Outlook of the Group

The global market remains weak as a result of the prolonged ongoing war between Russia and Ukraine and the rapid and aggressive rise in interest rates in US. High interest rates in US affecting furniture sales in US as most of our customers had reduced orders by between 30% to 50%. The furniture industry also has to manage the over-inventoried situation in US and rising labour costs in Malaysia and Vietnam.

In view of this trying time, especially the risk of global recession and geopolitical uncertainties, the Group will remain resilient and vigilant in addressing these uncertainties in all levels of decision making. The Group will align its strategies of cost controlling, enhancing production efficiency, development of new products and new designs with the prevailing market situation.

Over the long term, the outlook for RKIB remains positive due to the strength, capability and experience of the Group. The Group is always ready for any acquisition or joint venture opportunities for business or assets that are related and synergise with RKIB's activities.

Barring any unforeseen circumstances, the Board believes that the Group is able to manage the challenges of the current market environment and will remain profitable for the financial year ending 30 June 2024.

# CORPORATE PROFILE

## Mission

We aspire to become a world class integrated household furniture manufacturer co-existing in harmony with nature and the society it serves.

Our mission is to continually improve our products and services to meet or exceed the expectations of our customers. We emphasise employee teamwork and involvement in identifying and implementing programs to save time and lower production costs while maintaining the highest quality values. These strategies allow us to prosper as a business with high degree of integrity and to provide a reasonable return to our shareholders, the ultimate owners of our business.

## History

Rhong Khen International Berhad was incorporated in Malaysia as an investment holding company. Through its subsidiary companies, the Group specialises in the manufacturing and sale of wooden furniture and components particularly rubber wood furniture for both the domestic and export markets.

The Group has carved out a strong niche in the household furniture segment, specifically dining room and bedroom sets. From its humble beginnings as a manufacturer of chairs for dining room sets in 1988, the Group has grown into a complete high-and-medium-end dining room, living room and bedroom sets manufacturer. About 50% of its raw materials are rubber wood based with the remaining being oak, pine wood and other wood based materials.

The Group has made great advances to position itself as one of the largest rubber wood furniture manufacturers and exporters in Malaysia and Vietnam. Approximately 99% of the Group's products are exported overseas to the United States of America, Canada, Europe, South Africa, Australia, China and the Middle East countries.

The Group had in year 2015 divested into manufacturing and distribution of polyester boards, decorative wood panels and printing of impregnated paper to diversify its revenue stream and to enhance the Group's current product offering.

## Manufacturing/Operating Activities

The Group's manufacturing activities are operated from its three (3) factories in Malaysia, two (2) factories in Vietnam and one (1) factory in Thailand. The total site area of the six (6) manufacturing plants is approximately 8.1 million square feet. The total current workforce is approximately 4,200 workers.

## Products

The Group has developed an extensive range of products to cater for different customers' requirements and expectations.

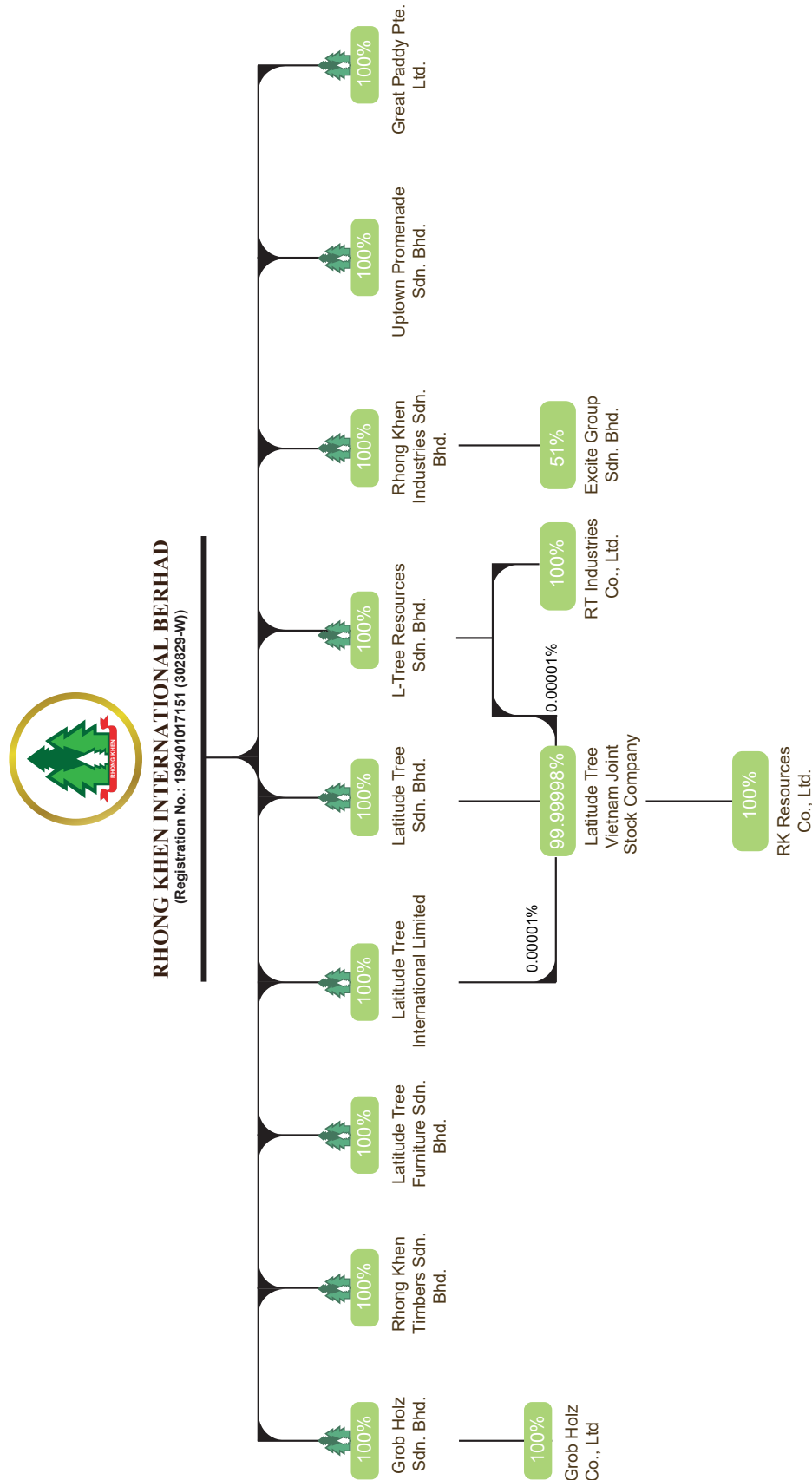
The followings are the main products of the Group:

- Bedroom Collection Sets including Beds, Nightstands, Chests, Armoires and Wardrobes;
- Dining Room Collection Sets including Tables, Chairs, Buffets, Hutches, Curios, Sideboards and Servers;
- Living Room Collection Sets including Sofas, Sofa Tables, Occasional Tables, Coffee Tables and Cabinets (TV and Low Cabinets) and Small Office, Home Office (SoHo) sets; and
- Polyester boards, decorative wood panels and impregnated papers.

From the traditional piece-meal furniture, the Group has shifted strategically into the manufacture of whole set and collection set furniture as a response to the emerging demand trends for whole set and collection set furniture. The Group has a team of in-house designers, technicians and developers who are able to develop products that meet customers' requirements and tastes for different markets.

# CORPORATE PROFILE

## (CONT'D)



## PROFILE OF BOARD OF DIRECTORS

### **DATO' DR NORRAESAH BINTI HAJI MOHAMAD**

*Aged 75, Malaysian, Female*

*Chairman/Independent Non-Executive Director*

Dato' Dr Norraesah Binti Haji Mohamad ("Dato' Dr Norraesah") was appointed to the Board of Rhong Khen International Berhad ("RKIB") on 1 November 2018 as Independent Non-Executive Director. She is also the Chairman of Remuneration Committee and Nomination Committee and a member of the Audit Committee. Her last re-election as Director was on 15 December 2021.

She graduated with a Bachelor of Arts (Hons) Economic from University of Malaya, a Masters in International Economics Relations from International Institute of Public Administration, France, a Masters in International Economics and Finance from University of Paris I, Pantheon-Sorbonne, France and a PhD (Economics Science) International Economics and International Finance from University of Paris I, Pantheon-Sorbonne, France.

Dato' Dr Norraesah has over 50 years of experience in banking, consultancy, telecommunication, international trade and commerce. She served the Government of Malaysia from 1972 to 1988 for a total of 16 years before leaving the public sector to join the private sector. In the private sector, she assumed diverse roles between 1989 to 2003. She was a Managing Director with a consultancy firm which provides financial and consultancy services, appointed as Chief Representative of Credit Lyonnais Bank in Malaysia and later was appointed as the Chairman of Bank Kerjasama Rakyat Malaysia. Dato' Dr Norraesah was appointed as a Senator from October 2005 to February 2008. She is a recipient of several state awards and was conferred the Chevalier de La Region d'Honneur from the French Government in 2004. She is currently the Chairman of the World Islamic Businesswomen Network of the World Islamic Economic Forum Foundation and sits on its Board of Trustees and is a member of the International Advisory Panel.

Dato' Dr Norraesah is currently the Executive Chairman of MY E.G. Services Berhad and she also sits on the Board of a few private limited companies.

Dato' Dr Norraesah has no family relationship with any Directors and/or major shareholders of the Company and has no conflict of interest in any business arrangement involving the Company. She has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years and has not been imposed of any public sanctions or penalty by relevant regulatory bodies during the financial year under review.

During the financial year ended 30 June 2023, she has attended all the five (5) Board meetings held.

## PROFILE OF BOARD OF DIRECTORS (CONT'D)

### **LIN CHEN, JUI-FEN**

*Aged 69, Taiwanese, Female*

*Deputy Executive Chairman/Executive Director*

Madam Lin Chen, Jui-Fen ("Madam Lin") was appointed to the Board of RKIB on 28 April 1997 as Executive Director. She is currently the Deputy Executive Chairman/Executive Director and a substantial shareholder of the Company. Her last re-election as Director was on 29 November 2022.

Prior to her appointment as Deputy Executive Chairman, Madam Lin was the Managing Director of the Company from 2009 to 2012 and was involved in the overall management of Sales, Marketing, Finance, Operation and Human Resource of RKIB Group. Madam Lin was the Chief Executive Officer of Latitude Tree International Group Limited (now known as China Star Food Group Limited) from 2012 to 2014.

Madam Lin together with the late Mr Lin, Tzu-Keng ("Mr TK Lin") founded the Company and its subsidiaries with the setting up of Latitude Tree Furniture Sdn. Bhd. in 1988. She together with the late Mr TK Lin led RKIB Group to venture into Vietnam in 2000 with the setting up of Latitude Tree Vietnam Joint Stock Company, followed by RK Resources Co., Ltd. in 2002.

Currently, Madam Lin sits on the Board of several private limited companies and does not hold any directorship in other public companies.

Madam Lin is the mother of Mr Lin, Chin-Hung, who is the Managing Director of RKIB and aunt to Mr Lin, Cheng-Hung. Both Mr Lin, Chin-Hung and Mr Lin, Cheng-Hung are substantial shareholders of the Company.

Madam Lin has no conflict of interest in any business arrangement involving the Company. She has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years and has not been imposed of any public sanctions or penalty by relevant regulatory bodies during the financial year under review.

During the financial year ended 30 June 2023, she has attended all the five (5) Board meetings held.

### **LIN, CHIN-HUNG**

*Aged 44, Taiwanese, Male*

*Managing Director*

Mr Lin, Chin-Hung ("Mr Lin") was appointed to the Board of RKIB on 18 January 2012 as the Managing Director. He is also a substantial shareholder of the Company. His last re-election as Director was on 15 December 2021. He is a member of the Employees' Share Scheme Committee.

Mr Lin attended the Hawaii Pacific University and graduated with a Master in Business Management from National University of Kaohsiung, Taiwan.

Mr Lin was an Assistant to the Managing Director of RKIB where he assisted in Marketing, Production and Purchasing activities of RKIB Group from July 2001 to August 2007. Mr Lin joined RKIB Group in January 2008 and assisted the Head of Operations of RK Resources Co., Ltd. in the procurement of all raw materials.

Currently, Mr Lin sits on the Board of several private limited companies and does not hold any directorship in other public companies.

Mr Lin is the son of Madam Lin and cousin of Mr Lin, Cheng-Hung. Both Madam Lin and Mr Lin, Cheng-Hung are substantial shareholders of the Company.

Mr Lin has no conflict of interest in any business arrangement involving the Company. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years and has not been imposed of any public sanctions or penalty by relevant regulatory bodies during the financial year under review.

During the financial year ended 30 June 2023, he has attended all the five (5) Board meetings held.



## PROFILE OF BOARD OF DIRECTORS (CONT'D)

### **SANDRA SEGARAN A/L MUNIANDY @ KRISHNAN**

*Aged 56, Malaysian, Male*

*Independent Non-Executive Director*

Mr Sandra Segaran A/L Muniandy @ Krishnan ("Mr Sandra Segaran") was appointed to the Board of RKIB on 2 September 2022 as Independent Non-Executive Director. He is the Chairman of the Audit Committee and a member of Remuneration Committee and Nomination Committee. His last re-election as Director was on 29 November 2022.

Mr Sandra Segaran is a member of Association of Chartered Certified Accountants and Malaysian Institute of Accountants. He started his career with Ernst & Young in 1993 and was made Audit Partner in 2009. He left Ernst & Young in 2020 to join the private sector. He is currently the Managing Director of Allied Aeronautics Training Centre Sdn. Bhd..

Currently, Mr Sandra Segaran sits on the Board of several private limited companies and does not hold any directorship in other public companies.

Mr Sandra Segaran has no family relationship with any Directors and/or major shareholders of the Company and has no conflict of interest in any business arrangement involving the Company. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years and has not been imposed of any public sanctions or penalty by relevant regulatory bodies during the financial year under review.

During the financial year ended 30 June 2023, he has attended four (4) out of four (4) Board meetings held since his date of appointment.

### **TOH SENG THONG, JP**

*Aged 65, Malaysian, Male*

*Non-Independent Non-Executive Director*

Mr Toh Seng Thong ("Mr Toh") was appointed to the Board of RKIB on 18 August 2003 as Independent Non-Executive Director. His last re-election as Director was on 15 December 2020. He is the Chairman of the Employees' Share Scheme Committee and a member of the Audit Committee and Remuneration Committee. He was re-designated as Non-Independent Non-Executive Director on 29 November 2022.

Mr Toh obtained his Bachelor of Commerce (Accounting) degree from the University of Canterbury, New Zealand in 1981. He is a Chartered Accountant by profession and a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants and Chartered Accountants Australia and New Zealand. He was made a Fellow Member of the Chartered Tax Institute of Malaysia in 1997. Mr Toh has over 30 years experience in auditing, taxation, corporate and financial advisory. He is also a practicing Chartered Accountant of Malaysia.

Particulars of his other directorships in public listed companies:

- Adventa Berhad
- PTT Synergy Group Berhad

Mr Toh has no family relationship with any Directors and/or major shareholders of the Company and has no conflict of interest in any business arrangement involving the Company. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years and has not been imposed of any public sanctions or penalty by relevant regulatory bodies during the financial year under review.

During the financial year ended 30 June 2023, he has attended all the five (5) Board meetings held.

## PROFILE OF BOARD OF DIRECTORS (CONT'D)

### YEK SIEW LIONG

*Aged 64, Malaysian, Male*

*Non-Independent Non-Executive Director*

Mr Yek Siew Liong ("Mr Yek") was appointed to the Board of RKIB on 18 May 2007 as Non-Independent Non-Executive Director. His last re-election as Director was on 29 November 2022. He is a member of the Nomination Committee.

Mr Yek graduated with a Bachelor of Arts (Hons) in Architecture and Environmental Design Degree from University of Nottingham, United Kingdom in 1983, Bachelor of Architecture (Hons) from University of Nottingham, United Kingdom in 1986 and Master of Business Administration from Aston University in Birmingham, United Kingdom in 1988. He is currently a member of the Malaysian Institute of Chartered Secretaries and Administrators and the Institute of Approved Company Secretaries.

Mr Yek has many years of experience in timber trade and industry, hospitality industry, property development and management, cable manufacturing, retailing in machinery, hardware and electrical goods, trading in petroleum and provision of infrastructure and business facilities for petrol service stations. He is currently the Group Managing Director of Hock Lee Holdings Sdn. Bhd. and its group of companies.

Particulars of his other directorships in public companies:

- Sarawak Cable Berhad
- Hock Lee Asia Berhad
- Cinacom Bintulu Berhad

Mr Yek has no family relationship with any Directors and/or major shareholders of the Company and has no conflict of interest in any business arrangement involving the Company. He has not been convicted of any offence (other than traffic offence, if any) within the past five (5) years and has not been imposed of any public sanctions or penalty by relevant regulatory bodies during the financial year under review.

During the financial year ended 30 June 2023, he has attended all the five (5) Board meetings held.

## PROFILE OF KEY SENIOR MANAGEMENT

### YEOH JOE SON Aged 55, Malaysian, Male Group Finance Director

Mr Yeoh Joe Son (“Mr Yeoh”) is a Chartered Accountant of the Malaysian Institute of Accountants since 1995 and a Fellow Member of the Association of Chartered Certified Accountants since 1999.

Mr Yeoh has many years of working experience in the fields of accounting, audit, corporate finance, treasury, corporate recovery and financial management. He started his career with Ernst & Young, Kuala Lumpur in 1989. He joined RKIB Group as Accountant in 1995 and was promoted to Group Accountant in 1998. Prior to his appointment as Group Finance Director, his last appointment with RKIB was Group Financial Controller. He was the Finance Director of Latitude Tree International Group Limited (now known as China Star Food Group Limited) from 2009 to 2014.

Currently, Mr Yeoh is also a Director of Latitude Tree Vietnam Joint Stock Company, a Company Secretary of RKIB and a member of the Employees’ Share Scheme Committee of RKIB. He is not a director for any public company.

Mr Yeoh does not have any family relationship with any other Directors and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

### FONG TOH WAI Aged 41, Malaysian, Male Group Financial Controller

Mr Fong Toh Wai (“Mr Fong”) graduated with a Bachelor of Accountancy with Distinction from the University of Wollongong, Australia in 2003. He is a Chartered Accountant of the Malaysian Institute of Accountants and a Certified Practising Accountant of CPA Australia since 2007.

Mr Fong has many years of working experience in the fields of accounting, audit, corporate finance, taxation and corporate governance. He started his career with PricewaterhouseCoopers, Kuantan in 2003. In 2004, he joined Ernst & Young, Kuantan. During his tenure with Ernst & Young, he had involved on various assignments including statutory audits, due diligence audits, initial public offering audits, FRS convergence audits and FRS 139 implementation audits. Mr Fong was appointed as Group Financial Controller of RKIB on 1 June 2012. He is also a member of the Employees’ Share Scheme Committee of RKIB.

Mr Fong is not a director for any public and private limited companies.

Mr Fong does not have any family relationship with any other Directors and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

## PROFILE OF KEY SENIOR MANAGEMENT (CONT'D)

LU, CHIN-CHIA  
Aged 64, Taiwanese, Male  
General Manager of Vietnam Division

Mr Lu, Chin-Chia ("Mr Lu") is a graduate of the National Chung Hsing University (BS) in Taiwan with a major in Wood Science.

Mr Lu has many years of working experience in wood making machinery, furniture production, factory management and manufacturing operation. He worked as an Anti-Smuggling Officer in the Ministry of Finance, Kaoshiung Custom Office, Taiwan, from March 1995 to March 2000. He was the Factory Manager of Latitude Tree Furniture Sdn. Bhd.'s factory operation in Terengganu, Malaysia from March 2000 to December 2001. From June 2002 to April 2003, Mr Lu was the Deputy General Manager of Exact Wood Manufacturing Co., Ltd.. From May 2003 to February 2005, he was the Rough Mill Manager of Lacquer Craft Furniture Co., Ltd., a company involved in the manufacture of wooden furniture.

Mr Lu rejoined RKIB Group in March 2005 and currently, he is the General Manager of Vietnam Division and is also a Director of RK Resources Co., Ltd.. He is not a director for any public company.

Mr Lu does not have any family relationship with any other Directors and/or major shareholders of the Company nor any conflict of interest in any business arrangement involving the Company.

### Note:

Other than traffic offences, all key senior management have never been convicted for any offences within the past five (5) years, nor any public sanctions or penalty imposed by the relevant regulatory bodies during the financial year under review.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## INTRODUCTION

The Board of Directors (“the Board”) of Rhong Khen International Berhad (“RKIB” or “the Company”) is committed to achieve and maintain high standards of corporate governance within RKIB and its subsidiaries (the “Group”).

The Board is guided by the principles and recommendations as promulgated in the latest Malaysian Code on Corporate Governance 2021 (“MCCG”) issued by Securities Commission and Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“MMLR”) wherever applicable in the best interest of the shareholders of the Company.

This Statement should be read in conjunction with the Corporate Governance Report (“CG Report”) and other Statements in the Annual Report, which is available on the Company’s website at [www.rkibhd.com](http://www.rkibhd.com) and announcement on Bursa Securities’ website at [www.bursamalaysia.com](http://www.bursamalaysia.com). The CG Report sets out the key aspects of how the Company has applied the principles and recommendations of the MCCG during the financial year under review and up to the date of this report.

Save for limited exceptions as explained within this statement and the CG report, the Board is satisfied that the practice set out in the MCCG have, in all material aspects, been applied to achieve the intended outcomes which are found to be suitable and appropriate to the Group.

We will continue evaluating our governance practices in response to evolving best practices and the changing needs of the Group. The Board is pleased to present this Statement and explain how the Group has applied the three (3) principles as set out in the MCCG.

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

### 1.1 BOARD RESPONSIBILITIES

The Board is responsible for the proper stewardship of the Group’s business direction and objectives, and ultimately the enhancement of long-term shareholders’ value.

The roles of the Board, Board Chairman, Board Committees and Managing Director are clearly defined in the Board Charter to ensure accountability and division of responsibilities. The Board Charter is subject to review by the Board periodically to ensure it remain consistent with the Board’s objectives and responsibilities. The Board Charter is available on the Company’s website, [www.rkibhd.com](http://www.rkibhd.com).

The Chairman is responsible for leading, effective functioning of the Board and implementation of the Board’s policies and decisions. Whilst, the Managing Director is empowered by the Board to oversee the management and day-to-day business operation of the Group. The Managing Director is accountable to the Board for the authority that is delegated to him, and for the performance of the Group. The Managing Director is supported in this role by the Senior Management and has executive responsibility for running our business. The diligent way in which the Chairman of the Board Committees and their members carry out their committees duties enables them to discharge their responsibilities efficiently and effectively.

The Board monitors the decisions and actions of the Managing Director and the performance of the Group to gain assurance that progress is being made towards the corporate objectives.

The Board has primary responsibility for the governance and management of the Group and fiduciary responsibility for the financial health of the Group. The Group acknowledges the importance of having an effective Board to lead and control the Group. The principal responsibilities of the Board include:

- a) Reviewing and adopting the business plan and overall strategic direction for the Group
  - The Board provides insights and guidance to the Managing Director and Senior Management to achieve corporate objectives of the Group. The Board reviews the strategic business plan presented by the Managing Director and Senior Management.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### 1.1 BOARD RESPONSIBILITIES (cont'd)

- b) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed
  - The Managing Director is accountable to the Board to ensure effective implementation of the Group's business plan and policies approved by the Board as well as to manage the daily conduct of the business to ensure its smooth operation. At each meeting, the Managing Director will report to the Board a summary report on the performance and activities of the Group including specific proposals for capital expenditure and acquisitions, if any.
- c) Identifying principal risks and ensure the implementation of appropriate systems to manage these risks
  - The oversight of the Group's risk management process is the responsibility of the Managing Director who is assisted by the Heads of Department of the respective operating subsidiaries. The Company has established a Risk Management Committee ("RMC") whom together with the Audit Committee ("AC"), are responsible for ensuring more effective and efficient identification, evaluation, management and reporting of Group's risks. Details on the function of RMC are set out in the Statement on Risk Management and Internal Control on page 35 of this Annual Report.
- d) Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Executive Directors and the Key Senior Management
  - The Board noted the importance of succession planning to the Group. A succession planning policy has been established to address the possibility of replacing Executive Directors and Senior Management if circumstances require.
- e) Developing and implementing an investor relations programme or shareholder communications policy for the Group
  - The Company's website, [www.rkibhd.com](http://www.rkibhd.com), incorporates an Investor Relations section which provide all relevant information on the Company and accessible by the public. The information available in the website includes Financial Reports, Company's announcements, Annual General Meeting ("AGM") minutes, Extraordinary General Meeting ("EGM") minutes as well as the corporate and governance structure of the Group.
- f) Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines
  - The Board acknowledges the importance of establishing a sound system of internal control. An Enterprise Wide Risk Management Framework has been established to manage risks and to safeguard shareholders' investment and the Group's assets. Details on the framework are set out in the Statement on Risk Management and Internal Control on page 36 of this Annual Report.
- g) Determining the remuneration and benefits payable for Non-Executive Directors, with the individuals concerned abstaining from discussions of their own remuneration
  - The determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decision in respect of his/her individual remuneration package. The Board recommends the Directors' fees and benefits payable to Non-Executive Directors on a yearly basis to the shareholders for approval at the AGM.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### 1.1 BOARD RESPONSIBILITIES (cont'd)

- h) Ensuring the Company's financial statements are true and fair and conform to any applicable laws and/or regulations
  - The Board considered and reviewed the integrity of information in the financial statements and quarterly reports based on the recommendation from AC to ensure the financial statements presented are true and fair and in compliance with regulatory requirements.
- i) Ensuring the Company has appropriate corporate governance structure and policies in place
  - The Group has established and adopted a Code of Conducts and Ethics for Directors and employees ("the Code"). The Code has been circulated to all employees of the Group and each employee is contractually bound to abide by the Code. The Code for Directors is available on the Company's website, [www.rkibhd.com](http://www.rkibhd.com).
- j) Deciding on necessary steps to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due and ensuring that such steps are taken.

To ensure effective functioning of the Board, all Directors have full and unrestricted access to all information through the following means:

- i) Senior Management and external advisers may be invited to the Board and Board Committees' meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agendas and to report or present areas within their responsibility to ensure the Board is able to effectively discharge its responsibilities.
- ii) Information provided to the Board and Board Committees are compiled into reports via the Board and Board Committees papers circulated to Directors prior to the Board and Board Committees' meetings, to enable the Board and Board Committees to make decisions and to deal with matters arising from such meetings.
- iii) Directors have ready and unrestricted access to the advice and services of the Company Secretaries.
- iv) Directors may obtain independent professional advice at the Company's expenses in furtherance of their duties, where this is deemed necessary, after consultation with the Chairman and other Board members.

The notice of a Board meeting is given in writing at least seven (7) days prior to the meeting. The agenda has included, amongst others, matters specifically reserved for the Board's decision. The Board has a schedule of matters specifically reserved to it for decision and has approved the written terms of reference of the various committees to which it has delegated its authority in certain matters to support the Board in the performance of its duties and responsibilities.

The Senior Management ensures that the Board has full access to information regarding the activities within the Group and to the advice and services of the Company Secretaries, who are responsible for ensuring the Board meeting procedures are adhered to. All matters discussed and resolutions passed at each Board meeting are recorded in the minutes of the Board meeting.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### 1.1 BOARD RESPONSIBILITIES (cont'd)

The Board held five (5) meetings during the financial year under review and details of attendance of each Director are as follows:

| Name  | Attendance |
|---|------------|
| Dato' Dr Norraesah Binti Haji Mohamad<br>Independent Non-Executive Director | 5/5        |
| Lin Chen, Jui-Fen<br>Executive Director                                     | 5/5        |
| Lin, Chin-Hung<br>Managing Director   | 5/5        |
| Sandra Segaran A/L Muniandy @ Krishnan *                                    | 4/4        |
| Toh Seng Thong<br>Non-Independent Non-Executive Director                    | 5/5        |
| Yek Siew Liong<br>Non-Independent Non-Executive Director                    | 5/5        |

Note:

- \* Mr Sandra Segaran A/L Muniandy @ Krishnan ("Mr Sandra Segaran") was appointed on 2 September 2022. He attended all of the four (4) Board meetings held in the financial year ended 30 June 2023 since the date of his appointment.

#### Company Secretaries

The Company Secretaries, through the Chairman, are responsible for advising the Board on all governance matters and for ensuring that Board procedures are followed, applicable rules and regulations are complied with, and that due account is taken of relevant codes of best practice. The Company Secretaries are responsible for ensuring effective communication flows between the Board and Board Committees, and between Senior Management and Non-Executive Directors.

The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and competent on new statutory and regulatory requirements, and the resultant implications to the Company and Directors in relation to their duties and responsibilities. The Company Secretaries brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretaries attend all Board and Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

The removal of Company Secretaries, if any, is a matter for the Board, as a whole, to decide. Every director has unhindered access to the advice and services of the Company Secretaries.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### 1.1 BOARD RESPONSIBILITIES (cont'd)

##### Whistle Blowing Policy

As part of the Group's continuous efforts to ensure that good corporate governance practices are being adopted, the Group has established a Whistle Blowing Policy to provide a clear line of communication and reporting of concerns for employees at all levels.

The Whistle Blowing Policy covers the safeguards of whistle blowers, reporting procedure and investigation process which have been circulated to all employees of the Group. The Whistle Blowing Policy is available on the Company's website, [www.rkibhd.com](http://www.rkibhd.com).

##### Anti-Bribery and Anti-Corruption Policy

In compliance with the amendment of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 and guided by the principles of the Ministerial Guidelines and Paragraph 15.29 of the MMLR of Bursa Securities in relation to anti-bribery, the Board had adopted an Anti-Bribery and Anti-Corruption Framework ("ABAC") Manual which is available on the Company's website, [www.rkibhd.com](http://www.rkibhd.com).

The Board has adopted a zero-tolerance approach against all form of bribery and corruption, as defined in the ABAC Manual, and takes a strong stance against such acts. The ABAC Manual serves as a guideline to all the Board and employees of the Group in relation to the Group's core values and expectations, as well as policies and procedures in dealing with bribery and corruption matters.

#### 1.2 BOARD COMPOSITION

During the financial year under review, the Board currently consists of six (6) members; comprising two (2) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and two (2) Executive Directors of which one (1) is the Managing Director. The composition of the Board reflects a balance of Executive and Non-Executive Directors to ensure that the interest of not only the Group, but also stakeholders and the public in general are represented in all business strategies formulation and adoption. The composition of the Board also fulfils the MMLR of having at least two (2) or one-third (1/3) of the Board comprising Independent Director. In the event of non-compliance with Paragraphs 15.02(1) (a) and 15.02(2) of the MMLR, the Company must fill the vacancy within 3 months.

The balance of Directors on the Board ensures that no individual or small group of Directors can dominate the decision-making process and that the interests of shareholders are protected. The Board considers each of the current Independent Non-Executive Directors to be independent in character and judgement that could provide unbiased and independent views to the Board. In reaching this determination of independence, the Board has concluded that each of them provides objective challenge to Management, is willing to stand up and defend his/her own beliefs and viewpoints in order to support the ultimate good of the Company and that there are no business or other relationships likely to affect the judgement of the Independent Non-Executive Directors.

The Board is satisfied with its current composition which comprises a balanced mix of operational skills of the Executive Directors in the wooden furniture manufacturing industry with the professional expertise of the Non-Executive Directors in the fields of manufacturing, auditing and accounting. The qualification and experience of the Directors are set out in the Profile of Board of Directors on pages 12 to 15 of this Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### 1.2 BOARD COMPOSITION (cont'd)

To ensure the effective discharge of its functions and responsibilities, the Board has established and delegated certain power and responsibilities to the Board Committees which have been set up, namely the Audit Committee, Nomination Committee and Remuneration Committee. The Board Committees are entrusted with specific powers and responsibilities to oversee the relevant matters, in accordance with their respective Terms of References and operating procedures. These committees were formed in order to ensure an optimum structure for efficient and effective decision-making in the organisation. The Chairman of the respective committees will report to the Board the proceedings, deliberations and outcomes of these meetings and such reports are incorporated into the Board papers.

The Board remains fully responsible for the direction and control of the Group.

#### Nomination Committee Report

The Nomination Committee ("NC") currently consist of three (3) members, the majority of whom are Independent Non-Executive Directors as follows:

##### **Chairman:**

**Dato' Dr Norraesah Binti Haji Mohamad**

Independent Non-Executive Director

##### **Members:**

**Sandra Segaran A/L Muniandy @ Krishnan**

(Appointed on 29 November 2022)

Independent Non-Executive Director

**Yek Siew Liong**

Non-Independent Non-Executive Director

**Toh Seng Thong**

(Resigned on 29 November 2022)

Non-Independent Non-Executive Director

The NC met two (2) times during the financial year under review.

The NC meetings held during the financial year under review and details of attendance of each NC member are as follows:

|   | Number of NC Meeting<br>Held | Number of NC Meeting<br>Attended |
|---|------------------------------|----------------------------------|
| Dato' Dr Norraesah Binti Haji Mohamad   | 2                            | 1                                |
| Sandra Segaran A/L Muniandy @ Krishnan* | 1                            | 1                                |
| Yek Siew Liong                          | 2                            | 2                                |
| Toh Seng Thong **                       | 1                            | 1                                |

##### Notes:

\* Appointed as a member of NC on 29 November 2022. There was one (1) NC Meeting held since his appointment as a member of NC.

\*\* Resigned as a member of NC on 29 November 2022. There was one (1) NC Meeting held prior his resignation as a member of NC.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### 1.2 BOARD COMPOSITION (cont'd)

##### Nomination Committee Report (cont'd)

The main duties and activities of NC are as follows:

##### *i) Appointment Process*

The Board, through the NC's annual appraisal, believes that the current composition of the Board brings the required mix of skills and core competencies required for the Board to discharge its duties effectively.

The NC is responsible for making recommendations to the Board on the suitability of candidates nominated for appointment to the Board and Board Committees. A formal and transparent procedure for appointment of directors was set out in the Policies Governing the Board of Directors which is published on the Company's website, [www.rkibhd.com](http://www.rkibhd.com).

According to the Fit and Proper Policy, the Board should consider the factors which includes but not limited to the following in assessing if a candidate meets the criteria under the policy:

- (a) Character and integrity – Probity, personal integrity, financial integrity, reputation;
- (b) Experience and competence – Qualification, training, skills, relevant experience and expertise, relevant past performance or track record; and
- (c) Time and commitment – Ability to discharge role having regard to other commitments, participation and contribution in the board or track record.

The decision as to who should be appointed is the full responsibility of the Board after considering the recommendations of the NC. The Company Secretaries will ensure that all appointments are properly made; all the necessary information is obtained as well as all legal and regulatory obligations are met. During the financial year under review, Mr Sandra Segaran was appointed as Independent Non-Executive Director on 2 September 2022.

On the appointment of Senior Management, the NC focuses on their working experience, skills set, competencies, qualifications, integrity and commitment in the assessment of the identified Senior Management personnel before recommending for approval of the Board. The criteria for the recruitment/appointment of Senior Management are available in the Policies Governing the Board of Directors which is published on the Company's website.

##### *ii) Re-election/Re-appointment of Directors*

In accordance with the Company's Constitution, any Director appointed during the year is required to retire and seek for re-election by shareholders at the following AGM immediately after their appointment and that one third (1/3) of the Board members are required to retire at every AGM and seek for re-election by shareholders. All Directors, including the Managing Director shall retire from office at least once in every three (3) years and shall be eligible for re-election.

Pursuant to Clause 96 of the Company's Constitution, Mr Lin, Chin-Hung ("Mr Lin") and Mr Toh Seng Thong ("Mr Toh") will retire by rotation at the Twenty-Ninth ("29th") AGM of the Company and had offered themselves for re-election. The Directors standing for re-election at the forthcoming 29th AGM and collectively agrees that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors. The NC had also conducted the fit and proper assessment on the Directors who are subject to re-election at the forthcoming AGM and was satisfied with the outcome of the assessments.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### 1.2 BOARD COMPOSITION (cont'd)

##### Nomination Committee Report (cont'd)

The main duties and activities of NC are as follows: (cont'd)

##### **iii) Board Evaluation**

The Board regularly evaluates its performance and the governance processes that support the Board's work with the aim of improving individual contributions, effectiveness of the Board and its committees and RKIB's performance.

The effectiveness of the Board is assessed in the areas of the Board structure and composition, meeting process, administration and conduct, relationship with Management, Board responsibilities, as well as the effectiveness of the Board Chairman. Whilst, the effectiveness of Board Committees are assessed in terms of composition, processes, responsibilities, as well as the effectiveness of the Chairman and each members of the respective Board Committees.

The performance of individual Directors will be assessed by the NC based on integrity and ethics, contribution and interaction, knowledge, judgement and decision making, understanding of role and leadership. The NC also reviewed the training needs of the respective Directors via the Board Annual Assessment to ensure the Board remains relevant and progressive.

According to Practice 4.2 of the MCCG, if the Board intends to retain an independent director beyond nine (9) years, it should justify and seek shareholders' annual approval. If the Board continues to retain the independent director after the twelfth year, the Board should seek shareholders' approval through a two-tier voting process.

The Board has via the NC conducted an annual performance evaluation and assessment on the Independent Directors and is of the opinion that Dato' Dr Norraesah Binti Haji Mohamad and Mr Sandra Segaran remain objective and independent in expressing their views.

##### **iv) Diversity**

The Group recognises and embraces the benefits of a diverse Board. The NC reviews the composition of the Board and the Board Committees. It frequently considers a skills matrix for the Board, which identifies the core competencies, skills, diversity and experience required for the Board to deliver its strategic aims and govern the Group's effectively.

However, the Board is presently of the view that there is no necessity yet to fix a specific gender diversity policy as the Board has two (2) female directors, where more than 30% of the Board composition comprised of female. We acknowledge that the appointment of any Director(s) should be based on their merit, qualification and working experience and the Board is supportive of gender equality.

Currently, the Group does not have any specific measurable objectives for achieving gender diversity in the Senior Management. Nevertheless, the Group is committed to promote a culture of diversity in the workplace by:

- recruiting and managing on the basis of an individual's competence and performance;
- respecting the unique attributes that each individual brings to the workplace;
- fostering an inclusive and supportive culture to enable people to develop their full potential; and
- provide the opportunity for employees to develop skills and experience through training and mentoring programme.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### 1.2 BOARD COMPOSITION (cont'd)

##### Nomination Committee Report (cont'd)

The main duties and activities of NC are as follows: (cont'd)

##### v) *Works of NC*

A summary of works undertaken by the NC in the discharge of its duties during the financial year under review are as follows:

- Reviewed the effectiveness of the Board as a whole and the effectiveness of the Committees of the Board;
- Assessed the effectiveness of the Board as a whole, Board Committees and contributions of each individual Director as well as their character, experience, competence, integrity and time commitment and independence of Independent Directors. The NC reviews annually the required mix of skills and experience including core competencies which Non-Executive Directors should bring to the Board and other qualities for the Board to function effectively and efficiently. The summary of the assessment and its findings was tabled to the NC on 25 May 2023. Based on the summary as presented, the NC tabled its recommendations to the Board at the Board of Directors' Meeting held on 25 May 2023;
- Reviewed and considered the mix of skills and experience of each individual Director including the core competencies of the Non-Executive Directors;
- Assessed the independence of the Independent Directors and is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company;
- Reviewed the term of office and performance of AC and each of its members;
- Conducted assessment (including fit and proper assessment) on the Directors, Mr Lin and Mr Toh, who are subject to retirement by rotation at the forthcoming AGM. The NC was satisfied with the assessment of the abovementioned Directors and recommended the re-election of the said Directors for the Board's further recommendation to the shareholders for approval; and
- Assessed and identified the training needs of Directors for continuous education purpose.

##### vi) *Training*

During the financial year under review, the Directors have attended and participated in various training programme based on the recommendation of NC from the findings of the Board Annual Assessment on the training needs. The trainings and seminars attended by the Directors are set out as follows:

| Name of Director                         | Trainings/Seminars Attended   |
|--|---|
| Dato' Dr Norraesah<br>Binti Haji Mohamad | Diversity Elevates Investability: Exclusive Value-Building Workshop for Business Leaders                        |
|  | MARC360: Malaysian Economic Outlook and Challenges  |
|  | WIEF (World Islamic Economic Forum)<br>- Roundtable 2022 Conference   |
|  | ICDM (Institute of Corporate Directors Malaysia): Board Risk Committee Dialogue and Networking                  |
|  | WIEF – WBN (Woman Business Network)<br>- #iEmPOWER Re-activating Economic Opportunities Through Tourism Webinar |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### 1.2 BOARD COMPOSITION (cont'd)

##### Nomination Committee Report (cont'd)

The main duties and activities of NC are as follows:

##### *vi) Training (cont'd)*

| Name of Director                             | Trainings/Seminars Attended                                      |
|--|--|
| Lin Chen, Jui-Fen                            | Transfer Pricing Regulations in Vietnam Webinar                  |
|  | Introduction to Vietnam Industrial Zones Webinar                 |
|  | Investment Environment of Vietnam and India Webinar              |
| Lin, Chin-Hung                               | Investment Environment of Northern Vietnam Webinar               |
|  | Introduction to Vietnam Industrial Zones Webinar                 |
|  | Introduction to Tax Audit and Tax Compliance in Vietnam Webinar  |
| Sandra Segaran<br>A/L Muniandy @<br>Krishnan | Mandatory Accreditation Programme                                |
|  | MIA Webinar Series: Interview for Approved Company Auditors      |
|  | MIA Webinar Series: Audit Quality Enhancement Programme for SMPs |
| Toh Seng Thong                               | SSM Conference 2022 on Corporate Governance and Sustainability   |
|  | AOB Conversion with Audit Committees                             |
|  | National Tax Conference 2022                                     |
|  | ESG in Financial Reporting                                       |
| Yek Siew Liong                               | National Tax Conference 2022 (Budget 2023)                       |
|  | International Conference on Engineered Wood Sarawak 2023         |
|  | The Malaysian Code on Corporate Governance 2021                  |
|  | Corporate Governance Guide 4 <sup>th</sup> Edition               |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### 1.3 REMUNERATION

##### Remuneration Committee

The Remuneration Committee ("RC") currently consist of three (3) members, the majority of whom are Independent Non-Executive Directors as follows:

##### **Chairman:**

**Dato' Dr Norraesah Binti Haji Mohamad**

Independent Non-Executive Director

##### **Members:**

**Sandra Segaran A/L Muniandy @ Krishnan**

(Appointed on 29 November 2022)

Independent Non-Executive Director

##### **Toh Seng Thong**

Non-Independent Non-Executive Director

##### **Yek Siew Liong**

(Resigned on 29 November 2022)

Non-Independent Non-Executive Director

The RC met once during the financial year under review.

The RC meeting held during the financial year under review and details of attendance of each RC member are as follows:

|  | Number of RC Meeting<br>Held | Number of RC Meeting<br>Attended |
|--|------------------------------|----------------------------------|
| Dato' Dr Norraesah Binti Haji Mohamad    | 1                            | 1                                |
| Sandra Segaran A/L Muniandy @ Krishnan * | 1                            | 1                                |
| Toh Seng Thong                           | 1                            | 1                                |
| Yek Siew Liong **                        | -                            | -                                |

##### Notes:

\* Appointed as a member of RC on 29 November 2022.

\*\* Resigned as a member of RC on 29 November 2022. There was no RC Meeting held prior his resignation as a member of RC.

The duties of the RC shall be to recommend to the Board the remuneration of the Executive Directors in all its forms. Executive Directors should play no part in decisions on their own remuneration. The determination of remuneration packages of Non-Executive Directors, including the Non-Executive Chairman should be a matter for the Board as a whole. The individuals concerned should abstain from discussion of their own remuneration.

The fees and benefits payable to the Non-Executive Directors are determined by the Board based on recommendation of the RC. The remuneration packages of Senior Management are determined by the Executive Directors.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### 1.3 REMUNERATION (cont'd)

##### Remuneration Committee (cont'd)

The RC follows formal and transparent policies and procedures when deciding the remuneration packages of the Executive Directors, which is in line with the Group's overall practice on compensation and benefits, which is to reward employees competitively, taking into account performance, market comparisons and competitive pressures in the industry. Whilst not seeking to maintain a strict market position, it takes into account comparable roles in similar organisations.

The remuneration of the Board of Directors is determined by (i) the amount of time commitment that the Director concerned channels toward the Company; (ii) the expertise and skills that the Director concerned brings to the Board; (iii) the business strategy and long-term objectives of the Company, and (iv) the number of Board Committees that the Director sits on, as well as in what capacity (i.e. Chairman or member). The remuneration policies and procedures governing the remuneration of Executive Directors, Non-Executive Directors and Senior Management are available in the Policies Governing the Board of Directors which is published on the Company's website.

The aggregate remuneration of Directors received from the Company and the Group during the financial year amounted to RM527,058 and RM2,431,377 respectively. Details of the individual Director's remuneration from the Company and the Group are set out under Practice 8.1 of the Corporate Governance Report, which is published on the Company's website.

The Board is of the view that the disclosure of Senior Management's remuneration on a named basis will not be in the best interest of the Group, as it will give rise to recruitment and talent retention issues and hence, the Group may lose high calibre personnel who have been contributing to the Group's performance. Alternatively, the Group and the Company have disclosed the aggregate total remuneration of all the key management personnel for the financial year ended 30 June 2023, under Note 32(b) to the Financial Statements on page 121 of the Company's Annual Report 2023. This coincides with the requirements of Paragraph 17 of Malaysian Financial Reporting Standards 124: Related Party Disclosures.

Other than Directors' fees and allowances paid which had been the norm and been duly disclosed in this Annual Report, no other incentives or benefits of whatsoever nature had been paid to the Independent Directors that would cause biases in their objective and independent judgement in Board deliberation.

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

#### 2.1 AUDIT COMMITTEE

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial position and prospects via the quarterly announcements of results and the publishing of audited financial statements via the Annual Report distributed to shareholders yearly.

The Board is assisted by the AC to oversee the Group's internal control function, financial reporting processes and the quality of its financial reporting with particular emphasis on the application of accounting standards, policies and the making of reasonable and prudent estimates and assumptions. The composition of the AC shall comply with the requirements of Paragraphs 15.09 and 15.10 of the MMLR, with majority of them being independent. The members of the AC elected a Chairman from among its members who is an Independent Director and is a member of Association of Chartered Certified Accountants and Malaysian Institute of Accountants.

A summary of the works of the AC on financial reporting and oversight role on external and internal auditors during the financial year under review is set out in the AC Report on pages 39 to 41 of this Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

#### 2.1 AUDIT COMMITTEE (cont'd)

A statement by the Board of its responsibilities for preparing the financial statements is set out on page 51 of this Annual Report.

The AC has adopted a policy that requires a former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC.

#### **Assessment of suitability and independence of External Auditors**

The Board maintains an active, transparent and professional relationship with its External Auditors (“EA”) through the AC, which has been conferred with the authority to interface directly with the EA of the Group.

The AC reviews and assesses the suitability and independence of EA of the Company on an annual basis. The annual review and assessment are carried out via assessment questionnaires. The areas for assessment of the EA cover, inter-alia, their technical competencies, independence, objectivity, professionalism, quality of services, sufficiency of resources and communication and interaction with the EA.

The AC has received an annual written confirmation of the EAs’ independence in accordance with its firm’s requirements and the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants. Messrs Ernst & Young PLT was appointed as the EA of the Company on 21 December 2010.

The EA provide mainly audit-related services to the Company. The provision of non-audit services is reviewed by the AC to ensure that such services do not impair the EAs’ independence or objectivity.

The AC has also taken note of the non-audit services and the fees charged by the EA and considered the quantum of the fee which was not material as compared with the total audit fee paid to the EA, has concluded that the provision of such services did not compromise the EA’s independence and objectivity.

The AC had on 12 October 2023 assessed the performance of the EA and was satisfied with their performance, technical competence and audit independence.

The Board, based on the recommendation by the AC, proposed the re-appointment of Messrs Ernst & Young PLT as the EA of the Company to the shareholders for approval at the forthcoming AGM.

#### 2.2 RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has ultimate responsibility for reviewing the Company’s risks, approving the Enterprise-Wide Risk Management Framework (“ERM”) and policies and overseeing the Company’s strategic risk management and internal control framework.

The Company has in place an on-going process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of the Group. RMC, which is not a board committee and chaired by the Managing Director, comprising members from the Heads of Department of respective operating subsidiaries with risk and business management knowledge and experience has been established by the Company to regularly review the ERM and policies formulated by the respective local management and makes relevant recommendations to the Board for approval.

The Board through the AC and RMC reviews the key risks identified by the RMC on a regular basis to ensure proper management of risks and that measures are taken to mitigate any weaknesses in the control environment.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

#### 2.2 RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (cont'd)

The key features of the ERM are set out in the Statement on Risk Management and Internal Control of the Company on page 36 of this Annual Report.

##### Internal audit function

The Board has established an internal audit function within the Company, which is led by the outsourced Internal Auditor, Tricor Axcelasia Sdn. Bhd. who reports directly to the AC.

Details of the Company's internal control system and framework as set out in the Statement on Risk Management and Internal Control together with AC Report of this Annual Report.

### PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### 3.1 COMMUNICATION WITH STAKEHOLDERS

The importance of keeping shareholders informed of developments concerning the Group is high on the agenda.

The shareholders are kept abreast of all important developments concerning the Group through regular and timely dissemination of information via quarterly financial announcements through Bursa Securities' website, distribution of Annual Report and various other announcements made during the financial year. These will enable the shareholders, investors and members of public to have an overview of the Group's performance and hence, will enable them to make any informed investment decision in relation to the Group.

The Company's website, [www.rkibhd.com](http://www.rkibhd.com), provides an avenue for information, such as dedicated sections on corporate information, including financial information and announcements. The website is continuously updated to ensure that the information contained within is correct.

The Board has in place a Corporate and Communication Disclosure Policy to ensure the dissemination of information to shareholders and stakeholders is in accordance with the disclosure requirements under the MMLR and other applicable laws.

While the Company endeavors to provide as much information as possible to its shareholders and stakeholders, it is also wary of the legal and regulatory framework governing the release of material and price-sensitive information. The Company takes into account the prevailing legislative restrictions and requirements as well as the investors' needs for timely release of price-sensitive information such as financial performance results and statements, material acquisitions, significant corporate proposals as well as other significant corporate events when releasing such information.

Shareholders and other interested parties may contact the Managing Director, to address any concerns by writing or via telephone or facsimile as follows:

|           |   |   |
|-----------|---|---|
| Address   | : | Rhong Khen International Berhad<br>Lot 3356, Batu 7 ¾, Jalan Kapar<br>42200 Kapar, Selangor Darul Ehsan, Malaysia |
| Telephone | : | +603-3291 5401  |
| Fax       | : | +603-3291 0048  |
| Website   | : | <a href="http://www.rkibhd.com">www.rkibhd.com</a>  |



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

#### 3.2 CONDUCT OF GENERAL MEETINGS

As stated earlier, the Board recognises the importance of communications with its shareholders and will take additional measures to encourage shareholders' participation at general meetings as recommended by MCGG.

This includes the Chairman highlighting to shareholders and proxy holders, their right to speak up at general meetings, the conduct of poll voting for all resolutions tabled at general meetings and a review of the performance of the Group during the AGMs.

The Board views the AGM serves as the primary forum for the shareholders to engage directly with the directors and senior management. The Company will convene its forthcoming 29th AGM on 29 November 2023, and shareholders are encouraged to present any questions or concerns regarding the operations, financial performance and major development of the Group during the AGM and to vote on all resolutions. Notice of the AGM, Annual Report and Statement to Shareholders in relation to proposed renewal of authority for the Company to purchase its own shares, will be circulated to the shareholders by giving sufficient notice of at least twenty-eight (28) days before the date of the meeting to enable shareholders to have full information prior to the AGM in order to facilitate informed decision-making. This also enable the shareholders have sufficient time to read and understand the Company's financial and non-financial performance before the AGM.

Pursuant to the MMLR, any resolution set out in the notice of any general meeting, or in any notice of resolutions which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. Voting for all resolutions as set out in the Notice of Twenty-Eighth ("28th") AGM held on 29 November 2022 were voted by poll and validated by an independent scrutineer.

#### **Effective Communication and Proactive Engagement**

The AGM also provides an effective means of communication with the shareholders where they are encouraged to participate in the open question and answer session during the AGM. The Board responded to the questions submitted by Minority Shareholder Watch Group and the questions posted from the shareholders at the 28th AGM. The minutes of the 28th AGM has been uploaded to the Company's website within thirty (30) business days from the date of the 28th AGM.

## CONCLUSION

The Board is supportive of all the Recommendations of the Code and will take reasonable steps and also review the existing policies and procedures in place from time to time to ensure full compliance thereof. The Board is satisfied that the Company has substantially complied with the Principles and Recommendations of the Code.

This Statement has been reviewed and approved by the Board of Directors on 12 October 2023.

## ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the MMLR.

### 1. UTILISATION OF PROCEEDS

There was no corporate exercise carried out during the financial year ended 30 June 2023 to raise funds.

### 2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid and payable to EA by the Group and the Company for the financial year ended 30 June 2023 are as follows:

|                | Group<br>(RM'000) | Company<br>(RM'000) |
|----------------|-------------------|---------------------|
| Audit fees     | 549               | 64                  |
| Non-audit fees | 38                | 38                  |
| Total          | 587               | 102                 |

### 3. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS INTERESTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by RKIB and/or its subsidiaries which involve Directors' and major shareholders' interests during the financial year ended 30 June 2023.

### 4. MATERIAL CONTRACTS RELATING TO LOANS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS FOR THE FINANCIAL YEAR

There were no contracts relating to loans involving Directors' or major shareholders' interest.

### 5. EMPLOYEES' SHARE SCHEME ("ESS")

The current members of the ESS Committee are:

**Chairman:**

**Toh Seng Thong**

Non-Independent Non-Executive Director

**Members:**

**Lin, Chin-Hung**

Managing Director

**Yeoh Joe Son**

Group Finance Director

**Fong Toh Wai**

Group Financial Controller

The Board had delegated to the ESS Committee the responsibility of reviewing the rules and regulations relating to ESS and to ensure the scheme is implemented in accordance with the By-Laws, in respect of the terms on selection and determination of eligibility, the grants of ESS shares or options, prices, termination and appeals and such other duties as per the Terms of Reference of the ESS Committee.

## ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

### 5. EMPLOYEES' SHARE SCHEME ("ESS") (cont'd)

During the financial year under review, there were 570,000 shares granted to eligible Directors and employees of the Group from treasury shares of the Company pursuant to the Company's ESS which has been implemented since 15 April 2021.

The movements of share scheme during the financial year under review are as follows:

|             | Number of shares                       |                   |   |
|-------------|--|-------------------|---|
|             | Balance as at<br>1 July 2022<br>(Unit) | Granted<br>(Unit) | Balance as at<br>30 June 2023<br>(Unit) |
| Grand total | -                                      | 570,000           | -                                       |
| Directors   | -                                      | 120,000           | -                                       |

|                   | Number of shares                       |                   |   |
|-------------------|--|-------------------|---|
|                   | Balance as at<br>1 July 2022<br>(Unit) | Granted<br>(Unit) | Balance as at<br>30 June 2023<br>(Unit) |
| Lin Chen, Jui-Fen | -                                      | 60,000            | -                                       |
| Lin, Chin-Hung    | -                                      | 60,000            | -                                       |

Percentage of share granted to Directors and Senior Management are as follows:

| Directors and Senior Management | Financial Year 2023 | Since the Commencement of<br>ESS up to 30 June 2023 |
|---------------------------------|---------------------|---|
| Aggregate maximum allocation    | 47%                 | 47%   |
| Actual granted                  | 47%                 | 47%   |

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## 1. INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors (“the Board”) of Rhong Khen International Berhad (“RKIB” or “the Company”) is pleased to provide the Statement on Risk Management and Internal Control of the Group for the financial year ended 30 June 2023, which has been prepared, taken into consideration the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“the Guidelines”) and made in accordance with the recommendations of the Malaysian Code of Corporate Governance.

## 2. BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility to establish a sound system of internal control and risk management in order for the Group to safeguard shareholders’ investment and the Group’s assets. Notwithstanding that, in view of the inherent limitations in any system of internal control, the Board recognises that reviewing the Group’s systems of internal control is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatement of management, loss or fraud and failure to achieve business objectives.

During the financial year, the Board has reviewed the adequacy and effectiveness of the risk management and internal control system and concluded that the Group’s risk management and internal control systems have been operating adequately and effectively.

The Board has extended the responsibilities of the Audit Committee (“AC”) to include the role of reviewing and monitoring the effectiveness of the Group’s internal control system. The AC reviews and deliberates reports from the internal auditors on findings from audits carried out at operating subsidiaries, and the external auditors on areas for improvement identified during the course of statutory audit. The Reports of the AC is set out on pages 38 to 41 of this Annual Report.

## 3. RISK MANAGEMENT FRAMEWORK

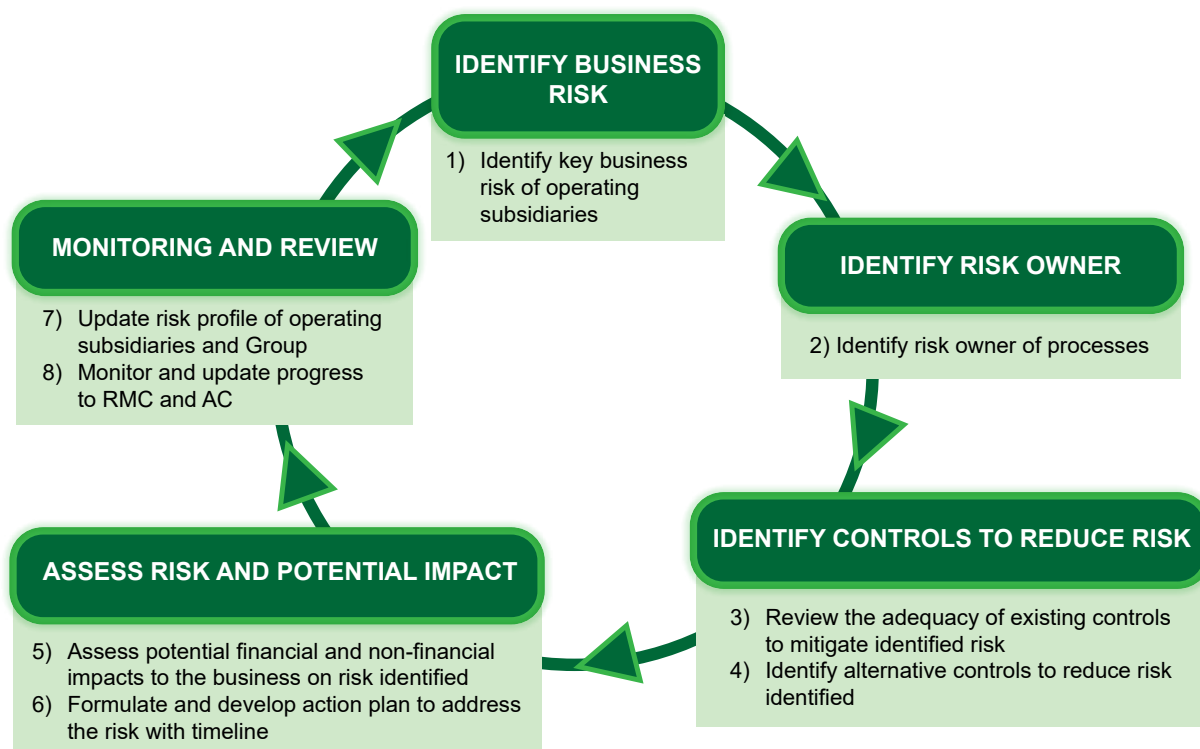
The oversight of the Group’s risk management process is the responsibility of the Managing Director who is assisted by the Heads of Department of the respective operating subsidiaries. The Company has established a Risk Management Committee (“RMC”) whom together with the AC, are entrusted to ensure more effective and efficient identification, evaluation, management and reporting of Group’s risks. Its functions include, inter alia:

- developing Enterprise-Wide Risk Management Framework;
- coordinate the updating of the risk profile;
- monitor the implementation of action plans; and
- review and assess the feasibility of action plans and the overall of the control environment in mitigating risk.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### 3. RISK MANAGEMENT FRAMEWORK (cont'd)

The Company has established an Enterprise-Wide Risk Management (“ERM”) framework. The Group’s ERM framework comprises of five (5) main processes.



Within the ERM framework, risks and control measures are documented and compiled by the RMC to represent the risk profile of the operating subsidiaries which in turn are consolidated to form the risk profile of the Group. Risk profile of the Group is reviewed and updated on a yearly basis. Meetings are held at least once a year in which the updated risk profile will be deliberated by the AC before reporting to the Board.

During the financial year, the Group has continued with its ERM efforts. The risk profile of the Group was reviewed and updated to reflect the current conditions.

### 4. INTERNAL AUDIT FUNCTION

The internal audit function adopts a risk-based approach and prepares its audit strategies and plans for the AC’s approval prior to execution of internal audit assessments.

The internal audit function is outsourced to an independent consulting firm who assesses the adequacy and effectiveness of the internal control system and report to the AC on findings and recommendations for improvement. Internal audit also reviews the extent to which its recommendations have been implemented by the Management. The AC reviews internal audit reports and management responses thereto and ensures significant findings especially control deficiencies are adequately addressed and rectified by Management of the operating subsidiaries.

The AC reviews internal control matters and update the Board on significant issues for the Board’s attention and action.

During the financial year, the AC with the assistance of the external professional consulting firm, Tricor Axcelasia Sdn. Bhd. have reviewed the adequacy and effectiveness of the Group’s internal control systems relating to Procurement and Manufacturing of:

- Latitude Tree Vietnam Joint Stock Company; and
- RK Resources Co., Ltd..

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### 5. OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from risk management and internal audit, the Group's system of internal controls comprises the following key elements:

- an ERM framework for identifying, evaluating and managing business risks in order to safeguard shareholders' investment and the Group's assets;
- a well defined organisational structure with clear reporting lines and accountabilities;
- a clearly defined operating procedures for key processes to ensure full compliance by all operating subsidiaries;
- a Code of Conducts and Ethics ("the Code") has been established and adopted. The Code has been circulated to all employees of the Group and each employee is contractually bound to abide by the Code;
- a close monthly monitoring and review of financial results and forecasts for all operating subsidiaries by the Group's Management Steering Committee ("MSC"), headed by the Managing Director; and
- a standardised formulation of action plans at the Group level through discussions carried out by the MSC, to focus on areas of concern.

### 6. REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the Annual Report of the Company for the financial year ended 30 June 2023 in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Controls. Their work performed is restricted to the requirements by Paragraph 15.23 of the MMLR of Bursa Securities.

Based on their review, the External Auditors have reported that nothing has come to their attention that cause them to believe that the Statement on Risk Management and Internal Control intended to be included in the Annual Report of the Company is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

### 7. MANAGEMENT'S ASSURANCE

The Managing Director, Group Finance Director and Group Financial Controller, representing the Management, have given reasonable assurance to the Board that the Group's risk management and internal control systems are adequate and effective, in all material aspects, based on the risk management and internal controls adopted by the Group.

### 8. CONCLUSION

In accordance with the Guidance, the Group has in place an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives and this process has operated during the financial year and up to the date of approval of the Annual Report.

There were no control deficiencies noted during the financial year which has a material impact on the Group's performance or operations.

This Statement has been reviewed and approved by the Board of Directors on 12 October 2023.

# AUDIT COMMITTEE REPORT

The Board of Directors (“the Board”) of Rhong Khen International Berhad (“RKIB” or “the Company”) is pleased to present the Audit Committee (“AC”) Report for the financial year ended 30 June 2023 in accordance with Paragraph 15.15 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”). The AC Report provides insights on how AC discharged its functions and duties for the financial year ended 30 June 2023, details as follows.

During the financial year under review, the AC of the Company carried out its duties and responsibilities in accordance with its Terms of Reference and held discussions with the Internal Auditors, External Auditors, and relevant members of management. The AC is of the view that no material misstatements or losses, contingencies or uncertainties have arisen, based on the reviews made and discussions held.

## A. COMPOSITION

The AC is appointed by the Board amongst its members with majority of them being independent. All members are financially literate and capabilities necessary to discharge their duties and responsibilities effectively. With Mr Sandra Segaran A/L Muniandy @ Krishnan being a member of the Malaysian Institute of Accountants and none of the AC members being an alternate director, the AC fulfils the requirements of Paragraph 15.09 of the MMLR of Bursa Securities. The members of the AC elected a Chairman among its members who is an Independent Non-Executive Director.

The current members of the AC comprised:

### Chairman:

**Sandra Segaran A/L Muniandy @ Krishnan**

(Appointed on 29 November 2022)

Independent Non-Executive Director

### Members:

**Dato’ Dr Norraesah Binti Haji Mohamad**

Independent Non-Executive Director

**Toh Seng Thong**

(Re-designated as member on 29 November 2022)

Non-Independent Non-Executive Director

**Yek Siew Liong**

(Resigned on 29 November 2022)

Non-Independent Non-Executive Director

In the event of any vacancy in the AC (including the Chairman), the vacancy must be filled within three (3) months of that event and no alternate director shall be appointed as a member of the AC.

## B. MEETINGS AND ATTENDANCE

The AC met five (5) times during the financial year under review.

The AC meetings held during the financial year under review and details of attendance of each AC member are as follows:

|   | Number of AC Meeting<br>Held | Number of AC Meeting<br>Attended |
|---|------------------------------|----------------------------------|
| Sandra Segaran A/L Muniandy @ Krishnan* | 2                            | 2                                |
| Dato’ Dr Norraesah Binti Haji Mohamad   | 5                            | 5                                |
| Toh Seng Thong                          | 5                            | 5                                |
| Yek Siew Liong**                        | 3                            | 3                                |



## AUDIT COMMITTEE REPORT (CONT'D)

### B. MEETINGS AND ATTENDANCE (cont'd)

Notes:

- \* Appointed as the Chairman of AC on 29 November 2022. There were two (2) AC Meetings held since his appointment as the Chairman of AC.
- \*\* Resigned as a member of AC on 29 November 2022. There were three (3) AC Meetings held prior his resignation as a member of AC.

The Managing Director, Group Finance Director, Group Financial Controller, Internal Auditors and External Auditors were also invited to attend the AC Meetings.

### C. TERMS OF REFERENCE OF THE AC

The information on the Terms of Reference of the AC is available on the Company's website at [www.rkibhd.com](http://www.rkibhd.com).

### D. SUMMARY OF WORKS OF THE AC

During the financial year under review, the AC has carried out its function and duties and undertook the following works to meet its responsibilities in accordance with its Terms of Reference:

The works carried out by the AC up to the date of this Statement encompassed the following:

#### 1) Financial reporting

- i) Reviewed the quarterly financial statements including the draft announcements pertaining thereto and made recommendations to the Board for approval of the same.

The above review is to ensure that the Company's quarterly financial reports and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the Group accounting policies, going concern assumptions, significant judgements and the Malaysian Financial Reporting Standard ("MFRS") 134 - Interim Financial Reporting Standards in Malaysia and International Accounting Standards ("IAS") 34 - Interim Financial Reporting as well as applicable disclosure provisions of the MMLR of Bursa Securities.

- ii) Reviewed and made recommendations to the Board in respect of the Audited Financial Statements of the Company and the Group for financial year ended 30 June 2023 and to ensure it presented a true and fair view of the Company's financial position and performance for the year and compliance with regulatory requirements.

Considered and reviewed the integrity of information in the audited financial statements and quarterly financial statements, focus particularly on any changes in accounting policies and practices, significant accounting judgements and estimates of income taxes and inventories, impairment assessment in accordance with MFRS 136: Impairment of Assets, going concern assumption, completeness of disclosures and compliance with accounting standards.

Prior to that, the AC had reviewed the status report on the Audit Results for the financial year ended 30 June 2023 prepared by the External Auditors ("EA"), Messrs Ernst & Young PLT ("EY") at the meeting held on 24 August 2023.

## AUDIT COMMITTEE REPORT (CONT'D)

### D. SUMMARY OF WORKS OF THE AC (cont'd)

#### 2) External audit

- i) Reviewed with the EA, their audit plan including non-audit services for the financial year ended 30 June 2023, outlining the audit scope, methodology and timetable, audit materiality, areas of focus, fraud considerations and the risk of management override and also the new and revised accounting standards.
- ii) Discussed and considered the key audit matters, significant accounting adjustments and auditing issues arising from the audit with the EA. The AC also had a private discussion with the EA on 30 August 2022, 11 October 2022, 25 May 2023, 24 August 2023 and 12 October 2023 without the presence of Management to review on the issues relating to financial controls and operational efficiencies of the Group.
- iii) Reviewed the Statement on Risk Management and Internal Control for inclusion in the Annual Report.
- iv) Evaluated the performance of the EA for the financial year ended 30 June 2023 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence as well as the audit fees of the EA.

The AC having been satisfied with the independence, suitability and performance of EY, had at its meeting held on 12 October 2023 recommended to the Board to propose the re-appointment of EY as EA for the ensuing financial year of 30 June 2024 to the shareholders for approval at the forthcoming Twenty-Ninth Annual General Meeting.

- v) Reviewed with the EA, the results of their audit for the financial year ended 30 June 2023 and their report.

#### 3) Internal audit

- i) Reviewed and approved the Internal Audit Plan prepared by Tricor Axcelasia Sdn. Bhd., a professional internal audit services company outsourced by the Company to ensure there is adequate scope and comprehensive coverage over the activities of the Company and its subsidiaries ("the Group") and that all the risk areas are audited semi-annually.
- ii) Reviewed two (2) Internal Audit Reports which covered the areas of Procurement and Manufacturing.
- iii) The AC also reviewed the audit findings and recommendations to improve any weaknesses or non-compliance, and the respective Management's responses thereto. The Internal Auditors monitored the implementation of Management's action plan on outstanding issues through follow up reports to ensure that all key risks and control weaknesses are being properly addressed.
- iv) Met with Internal Auditors during the financial year under review at the AC meetings held on 23 February 2023 and 24 August 2023 without the presence of any executive board members and employees of the Group.
- v) Assessed the adequacy of scope, functions, competency and resources of the Internal Audit functions.

## AUDIT COMMITTEE REPORT (CONT'D)

### D. SUMMARY OF WORKS OF THE AC (cont'd)

#### 4) Other activities

- i) Reviewed and assessed the risk management activities of the Group to ensure all risk areas are being identified and addressed by works carried out by internal auditors, external auditors and management team.
- ii) Reviewed contents of the AC Report, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control and Statement of Board of Directors' Responsibilities in relation to the Audited Financial Statements for the financial year ended 30 June 2023 and ensured that these reports were prepared in accordance with the applicable requirements prior recommendation to the Board for approval for inclusion in the Annual Report.
- iii) Reviewed the Corporate Governance Report prior recommendation to the Board for approval.
- iv) Reviewed related party transactions, if any and the adequacy of the Group's procedures and processes in identifying, monitoring, reporting and reviewing related party transactions in a timely and orderly manner.
- v) Reviewed and recommended to the Board for approval of the Statement to Shareholders in relation to the Proposed Renewal of Authority for Share Buy-Back.
- vi) Received updates from the External Auditors on the new developments and amendments in disclosure requirements arising from the new and amended MFRS and IC interpretation, Companies Act 2016 and the amendments to the MMLR of Bursa Securities particularly on the enhancement of disclosure on non-financial information, key audit matters and going concern of the Group.
- vii) Completed the annual evaluation for AC Members' Peer Performance Evaluation form.

### E. SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

During the financial year under review, the Group has outsourced the provision of internal audit and management system assurance to an independent professional consulting firm, Tricor Axcelasia Sdn. Bhd.. The Head of Internal Audit reports directly to the AC and administratively to the Managing Director.

The AC is assisted by the internal auditors in discharging its duties and responsibilities with respect to the adequacy and effectiveness of the system of internal controls within the Group. The internal audits were performed based on risk-based approach by focusing on:

- Reviewing identified high risk areas for compliance with control policies and procedures;
- Identifying business risk which have not been appropriately addressed; and
- Evaluating the adequacy and effectiveness of controls.

The Internal Auditors carry out audit assignments based on an audit plan that is reviewed and approved by the AC. The reports of the audits undertaken were forwarded to the Management for attention and necessary action and then presented to the AC for deliberation and approval.

During the financial year, the internal auditors undertook the following activities:

- Reviewed the adequacy and effectiveness of the Group's internal control systems relating to Procurement and Manufacturing of two (2) Vietnam subsidiary companies; and
- Reported to the AC its internal audit findings and response and rectification undertaken by the Management.

The professional fees incurred for the internal audit function in respect of financial year ended 30 June 2023 amounted to approximately RM40,000.

This report has been reviewed and approved by the Board of Directors on 12 October 2023.

# SUSTAINABILITY STATEMENT

## 1. INTRODUCTION

The Board of Directors (“the Board”) of Rhong Khen International Berhad (“RKIB” or “the Company”) recognises the importance of sustainability and its increasing impact to the business. As a leader in our industry, we are firmly committed to understanding and implementing sustainable practices and exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success. The Company will implement practices that enhance economic prosperity, create social value and reduce environmental impacts and will strive for continuous improvement of performance in these areas while advancing the interests of our stakeholders. The preparation of this Statement was guided by Sustainability Reporting Guide and Toolkits issued by Bursa Securities and Global Reporting Initiative (“GRI”) frameworks and standards.

## 2. SCOPE OF REPORTING

The scope of reporting covers all the operating subsidiaries of the Company. This report covers period from 1 July 2022 up to the date of this report unless otherwise specified.

## 3. SUSTAINABILITY GOVERNANCE STRUCTURE

The Company has a well-defined governance structure in place to drive sustainability practices across the Group. The established Sustainable Committee (“SC”) assists the Board to meet its oversight responsibilities in relation to the approval of policies on sustainability. The Board is responsible and accountable in evaluating the Group’s sustainability performance on a periodical basis.

The Managing Director who is the Chair of the SC is responsible for managing sustainability and decision-making on Environmental, Social and Governance (“ESG”) matters within the Group. The SC consists of the Group Finance Director, Group Financial Controller, General Manager and Deputy General Managers of operating subsidiaries. We monitor the progress of our ESG performance through a ESG Scorecard for each plant. The outcome of the sustainability performance is collated by the SC for onward reporting to the Board.

## 4. SUSTAINABILITY POLICIES

The Company has established various codes and policies to supplement legislation governing how the Group intends to act as a trusted business partner in social, economic, governance, and environmental matters. The following are codes and policies adopted by the Group:

- Anti-Bribery and Anti-Corruption Policy;
- Code of Conduct and Ethics;
- Corporate Communications and Disclosure Policy;
- Fit and Proper Policy;
- Policies Governing the Board of Directors;
- Policies on External and Internal Auditors;
- Policy on Preventing Insider Trading;
- Policy on Shareholders Communications and Investor Relations;
- Sustainability and Corporate Social Responsibility Policy;
- Whistleblowing Policy; and
- Succession Planning Policy.

## SUSTAINABILITY STATEMENT (CONT'D)

### 5. MATERIAL SUSTAINABILITY MATTERS

The determination of the Company's material sustainability impacts is made through several processes. These include a benchmarking review of sustainability reports across the wooden furniture manufacturing sector to compare material impacts of similar organisations. The views of a range of stakeholders have also been considered in the selection of material impact. The Company engages with key stakeholders through various platforms or channels at certain intervals throughout the financial year. The table below summarises the engagement process and the topics of discussion with the various key stakeholder groups:

| Stakeholders              | Topic of Discussion   | Engagement Approach  | Frequency  |
|---------------------------|---|--|--|
| Customers                 | <ul style="list-style-type: none"> <li>Responsible sources of raw materials</li> <li>Product quality</li> <li>Regulatory compliance with local laws or regulation</li> </ul>                            | <ul style="list-style-type: none"> <li>On-site visit</li> <li>Obtain feedbacks during Furniture Trade Exhibition</li> <li>Customer satisfaction survey</li> </ul>                        | <ul style="list-style-type: none"> <li>On-going</li> <li>Annually</li> <li>On-going</li> </ul>                                     |
| Government and Regulators | <ul style="list-style-type: none"> <li>Regulatory compliance with local laws or regulation</li> <li>Environmental impact</li> </ul>   | <ul style="list-style-type: none"> <li>On-site visit and meeting</li> <li>Participate events organised by regulators</li> </ul>  | <ul style="list-style-type: none"> <li>On-going</li> <li>On-going</li> </ul>   |
| Shareholders/ Investors   | <ul style="list-style-type: none"> <li>Financial performance</li> <li>Regulatory compliance with local laws or regulation and accounting standards</li> </ul>   | <ul style="list-style-type: none"> <li>Corporate website</li> <li>Annual General Meeting</li> <li>Annual Report</li> <li>Corporate briefings</li> </ul>                                  | <ul style="list-style-type: none"> <li>On-going</li> <li>Annually</li> <li>Annually</li> <li>On-going</li> </ul>                   |
| Suppliers/Vendors         | <ul style="list-style-type: none"> <li>Supplier/vendor performance (delivery and quality)</li> <li>Regulatory compliance with local laws or regulation</li> </ul>                                       | <ul style="list-style-type: none"> <li>On-site visit and meeting</li> <li>Supplier/vendor performance evaluation</li> </ul>  | <ul style="list-style-type: none"> <li>On-going</li> <li>Annually</li> </ul>   |
| Employees                 | <ul style="list-style-type: none"> <li>Occupational health and safety</li> <li>Gender equality</li> <li>Career growth and development</li> <li>Employee wellbeing</li> <li>Workplace culture</li> </ul> | <ul style="list-style-type: none"> <li>Annual appraisal</li> <li>Annual dinner</li> <li>Training and development</li> <li>Recreational activities</li> <li>One-to-one meeting</li> </ul> | <ul style="list-style-type: none"> <li>Annually</li> <li>Annually</li> <li>On-going</li> <li>On-going</li> <li>On-going</li> </ul> |
| Community                 | <ul style="list-style-type: none"> <li>Regulatory compliance with environmental laws</li> <li>Corporate Social Responsibilities ("CSR")</li> </ul>  | <ul style="list-style-type: none"> <li>Donation</li> <li>Community engagement through social activities</li> <li>Industry based learning program</li> </ul>                              | <ul style="list-style-type: none"> <li>On-going</li> <li>On-going</li> <li>On-going</li> </ul>                                     |

The material sustainability matters determined and identified are discussed below.

| ENVIRONMENT IMPACT  | ECONOMIC IMPACT   | SOCIAL IMPACT   |
|---|---|---|
| <ul style="list-style-type: none"> <li>Energy and Greenhouse Gas Emissions</li> <li>Water</li> <li>Waste</li> </ul> | <ul style="list-style-type: none"> <li>Procurement Practices</li> <li>Community Investment</li> </ul> | <ul style="list-style-type: none"> <li>Employment Practices               <ul style="list-style-type: none"> <li>Occupational Health and Safety</li> <li>Diversity and Equal Opportunities</li> </ul> </li> </ul> |

## SUSTAINABILITY STATEMENT (CONT'D)

### 5. MATERIAL SUSTAINABILITY MATTERS (cont'd)

#### 5.1 ENVIRONMENT IMPACT

##### Energy and Greenhouse Gas Emissions

As a furniture manufacturer, we recognise the impact of the Group's day-to-day operations on the environment. We are fully committed to minimising our operational impact on the environment whenever and wherever possible.

Wood is the key raw material used in our products. Due to increasing concerns about the environmental damage caused by deforestation and more stringent standards and requirements dealing with the use and treatment of wood, our furniture plants had obtained Chain of Custody certification from the Forest Stewardship Council ("FSC") since July 2014 and Programme for the Endorsement of Forest Certification ("PEFC") since November 2015. Hence, woods used in production are plantation woods, FSC and PEFC certified. This provides assurance that our products are handled and manufactured under strict regulations that support responsible forest regeneration, biodiversity and the protection of native fauna. We also uses Medium Density Fibreboard that is California Air Resources Board ("CARB2") certified to reduce formaldehyde emission.

We have implemented various initiatives in our offices and plants with the aim to reduce our consumption and the associated carbon footprints. The following are on-going actions taken by us in our offices and plants:

- replace old and high-energy consumption machinery to advanced and energy-efficient machinery;
- develop and promote more new products with water-based coating materials instead of solvent-based coatings;
- replace traditional bulbs with energy-efficient LED bulbs;
- maximise natural lighting at production floors by replacing roof sheet with clear roof sheet;
- turn off unnecessary electrical appliances including machinery during non-operation hours;
- switch electrical appliances including machinery to low-energy-consumption sleep mode when not in use;
- adjust temperature of air-conditioners according to weather; and
- reduce our paper consumption by printing double-sided whenever possible at offices.

Over the years, we have been investing on energy saving machinery to reduce carbon emissions and ultimately reduce production cost. We have also started our green energy projects in FY2021 and the installation of first solar system at our Malaysia sawmill plant, Rhong Khen Timbers Sdn. Bhd. was completed in Quarter 3 of FY2022. During the financial year, the installation of second solar system at our Malaysia furniture plant, Latitude Tree Furniture Sdn. Bhd. was also completed and both solar system generated a total of 2,377,017 kWh (FY2022: 90,729 kWh) of green energy worth savings of RM380,000 (FY2022: RM14,000) to the Group. With this in mind, we are hopeful to further reduce our energy consumption by 10% over the next five (5) years.

## SUSTAINABILITY STATEMENT (CONT'D)

### 5. MATERIAL SUSTAINABILITY MATTERS (cont'd)

#### 5.1 ENVIRONMENT IMPACT (cont'd)

##### Energy and Greenhouse Gas Emissions (cont'd)

Analysis of electricity consumption during the financial year is as follows:

| Segment                      | Kilowatt-hour (kWh)/<br>Production output<br>(RM'000) –FY2023 | Kilowatt-hour (kWh)/<br>Production output<br>(RM'000) –FY2022 | Savings (%) |
|------------------------------|---|---|-------------|
| Furniture plants             | 37.56   | 35.60   | (5.5)       |
| Sawmill plants               | 163.73  | 141.89  | (15.4)      |
| Panel board lamination plant | 18.37   | 13.83   | (32.8)      |

During the financial year, the electricity consumption for all segments was higher compared to FY2022 mainly due to reduced production output as a result of low orders environment which affected production efficiency.

##### Water

Water is important to our business and its conservation is imperative. We use water for boiler, spraying booth, cleaning, drinking, cooking and irrigation. We aim to achieve the best practice levels of efficiency across our operations. We continued our water conservation efforts which focused on harvesting of rain water and water recycling. The collected rain water is mainly used for general washing purposes. This is also useful especially during period of prolonged dry weather.

Water pipes are regularly inspected to prevent water leakage. In case of leakage, maintenance will be conducted timely. We also encourage water-saving culture among our employees by putting up reminders near water taps.

Analysis of water consumption during the financial year is as follows:

| Segment                      | Cubic metre (m3)/<br>Production output<br>(RM'000)-FY2023 | Cubic metre (m3)/<br>Production output<br>(RM'000)-FY2022 | Savings (%) |
|------------------------------|---|---|-------------|
| Furniture plants             | 0.22  | 0.24  | 8.3         |
| Sawmill plants               | 1.67  | 1.87  | 10.7        |
| Panel board lamination plant | 1.31  | 1.33  | 1.5         |

During the financial year, the water consumption for all segments was lower compared to FY2022 in line with leaner workforce due to low orders environment. Moving forward, we will strive to achieve more efficient water consumption by improving current initiatives and actions taken on water management.



## SUSTAINABILITY STATEMENT (CONT'D)

### 5. MATERIAL SUSTAINABILITY MATTERS (cont'd)

#### 5.1 ENVIRONMENT IMPACT (cont'd)

##### **Waste**

Waste management is a major concern for local authorities and communities in many of the locations in which we operate. Our aim is to reduce waste and boost recycling. We encourage employees and sub-contractors to reduce waste and to dispose waste in responsible manner, and we grant contracts only to responsible and licensed disposal companies.

In term of industrial waste water discharges, our factories have proper waste water treatment facilities to treat waste water. Treated waste water is properly collected and disposed by approved waste management company.

Raw materials utilisation and construction methods are closely reviewed and monitored to reduce wastages and production cost. Production of by-products i.e off-cut or short length timbers are collected and reuse in production when required.

#### 5.2 ECONOMIC IMPACT

##### **Procurement Practices**

We recognise that sourcing and procurement and the practices of our vendors have a significant influence on impacts of our products. During the period under review, we have taken proactive steps to ensure our procurement practices are better aligned with our values, including visiting key vendors of ours. This approach has assisted us to understand our vendors better and work hand-in-hand to reduce production cost and wastages. We believe that engagement of local vendors in the countries of our operation will create economic opportunity for local businesses and reduce environmental impact of transporting goods from overseas and ultimately lower our cost.

Below is the analysis of percentage of local and overseas vendors of the Group as at 30 June 2023 and 30 June 2022:

| Percentage of local vendors over total vendors<br>as at 30 June 2023 (%) | Percentage of overseas vendors over total<br>vendors as at 30 June 2023 (%) |
|--|---|
| 91.7   | 8.3   |
| Percentage of local vendors over total vendors<br>as at 30 June 2022 (%) | Percentage of overseas vendors over total<br>vendors as at 30 June 2022 (%) |
| 92.1   | 7.9   |

Moving forward, we will continue to explore opportunities to work with local businesses in countries of our operations to achieve our sustainable goals of reducing environmental impact of transporting goods from overseas and lower raw material costs.

## SUSTAINABILITY STATEMENT (CONT'D)

### 5. MATERIAL SUSTAINABILITY MATTERS (cont'd)

#### 5.2 ECONOMIC IMPACT (cont'd)

##### Community Investment

We also support industry-based learning program with public and private colleges or universities by providing internship to students. Selected interns are placed under the supervision of Production Manager to guide them through assigned projects or tasks. During the financial year, we have not recruited any interns and we plan to resume recruitment in coming financial year.

We have been contributing regularly to schools with an objective to assist in the development of education of the less fortunate as well as gift and cash donations to charitable organisations. List of Corporate Social Responsibility ("CSR") activities carried out during the financial year are as follows:

| Date             | CSR activities  |
|------------------|---|
| 15 August 2022   | Cash donation to poor students in Binh Duong Province, Vietnam  |
| 23 August 2022   | Cash donation to a primary school in Kapar, Selangor, Malaysia  |
| 29 November 2022 | Cash donation to Disaster Prevention Fund of Binh Duong Province, Vietnam   |
| 29 November 2022 | Cash donation to poor children in Binh Duong Province, Vietnam  |
| 29 November 2022 | Donated cash and gifts to poor families staying at Bau Bang District, Binh Duong Province, Vietnam  |
| 15 March 2023    | Cash donation to a primary school in Wakaf Tapai, Kuala Terengganu, Malaysia  |
| 14 April 2023    | Cash donation to City of Hope United States, a leading research and treatment centre for cancer, diabetes and other life-threatening diseases |

#### 5.3 SOCIAL IMPACT

##### Occupational Health and Safety

The safety of our people is our utmost priority. For our Malaysia operation, a Safety Officer is appointed for each plant to oversee compliance with the rules and regulation of Department of Occupational Safety and Health ("DOSH"). We have implemented a series of safety measures to ensure our employees can carry out their roles safely including compulsory daily housekeeping of workplace, training for office and production employees at all plants, provide personal protective equipment for all production employees including safety glasses, hearing protection and high visibility clothing, introduction of automatic timber cutting machines to reduce accident rate and manual handling issues and revised layout of all plants to improve safety, reduce manual handling of products and increase space to operate in.

## SUSTAINABILITY STATEMENT (CONT'D)

### 5. MATERIAL SUSTAINABILITY MATTERS (cont'd)

#### 5.3 SOCIAL IMPACT (cont'd)

##### Occupational Health and Safety (cont'd)

During the financial year, the Group provided 25,193 (FY2022: 17,764) training hours of health and safety related courses to our employees. List of health and safety trainings held during the financial year is as follows:

| Country  | Trainings held  |
|----------|---|
| Malaysia | <ul style="list-style-type: none"> <li>- Forklift Truck Safety Training</li> <li>- Occupational Safety and Health (Amendment) Act 2022</li> <li>- Basic Occupational First Aid and CPR Program</li> <li>- Fire Safety Training</li> </ul> |
| Vietnam  | <ul style="list-style-type: none"> <li>- Fire Safety Training</li> <li>- First Aid Training</li> <li>- Occupational Safety and Health Training</li> </ul>   |
| Thailand | <ul style="list-style-type: none"> <li>- Fire Safety Training</li> </ul>  |

##### Diversity and Equal Opportunities

We also recognise the importance of creating a workplace that is conducive to our employees to work to their full potential. The minimum wage offered to our employees is in line with the Minimum Wage Order in the countries of our operation. We provide competitive and fair remuneration packages to our employees that meet the market standard. The standard benefits cover group personal accident insurance, social security and allowances. We are committed to create a working environment in which all employees are treated fairly and respectfully and have equal access to opportunities. Decisions related to recruitment selection, development or promotion is based on merit, irrespective of gender, age or ethnicity. As at 30 June 2023, we have a total workforce of 4,185 employees (30 June 2022: 5,859 employees). The demographic analysis of our workforce is as follows:

#### i) By Gender

As at 30 June 2023

| Gender | Number of employees | % of total employees |
|--------|---------------------|----------------------|
| Male   | 2,257               | 53.9                 |
| Female | 1,928               | 46.1                 |
| Total  | 4,185               | 100.0                |

## SUSTAINABILITY STATEMENT (CONT'D)

### 5. MATERIAL SUSTAINABILITY MATTERS (cont'd)

#### 5.3 SOCIAL IMPACT (cont'd)

##### Diversity and Equal Opportunities (cont'd)

##### i) By Gender (cont'd)

As at 30 June 2022

| Gender | Number of employees | % of total employees |
|--------|---------------------|----------------------|
| Male   | 3,144               | 53.7                 |
| Female | 2,715               | 46.3                 |
| Total  | 5,859               | 100.0                |

##### ii) By Age

As at 30 June 2023

| Age group          | Number of employees | % of total employees |
|--------------------|---------------------|----------------------|
| <30 years old      | 1,062               | 25.4                 |
| 30 to 50 years old | 2,737               | 65.4                 |
| >50 years old      | 386                 | 9.2                  |
| Total              | 4,185               | 100.0                |

As at 30 June 2022

| Age group          | Number of employees | % of total employees |
|--------------------|---------------------|----------------------|
| <30 years old      | 1,903               | 32.5                 |
| 30 to 50 years old | 3,539               | 60.4                 |
| >50 years old      | 417                 | 7.1                  |
| Total              | 5,859               | 100.0                |

##### iii) By Ethnicity

As at 30 June 2023

| Ethnicity  | Number of employees | % of total employees |
|------------|---------------------|----------------------|
| Bumiputera | 260                 | 6.2                  |
| Chinese    | 104                 | 2.5                  |
| Indian     | 63                  | 1.5                  |
| Others     | 3,758               | 89.8                 |
| Total      | 4,185               | 100.0                |

## SUSTAINABILITY STATEMENT (CONT'D)

### 5. MATERIAL SUSTAINABILITY MATTERS (cont'd)

#### 5.3 SOCIAL IMPACT (cont'd)

##### Diversity and Equal Opportunities (cont'd)

##### iii) By Ethnicity (cont'd)

As at 30 June 2022

| Ethnicity  | Number of employees | % of total employees |
|------------|---------------------|----------------------|
| Bumiputera | 337                 | 5.8                  |
| Chinese    | 101                 | 1.7                  |
| Indian     | 67                  | 1.1                  |
| Others     | 5,354               | 91.4                 |
| Total      | 5,859               | 100.0                |

We also ensure our employees have equal access to continuous training and development opportunities to remain relevant in the industry or business. Various training programmes were organised throughout the year to upgrade the core competencies of our employees. During the financial year, the Group provided 853 (FY2022: 427) training hours to our employees via in-house trainings, webinars and public programs.

Work-life balance is also crucial to keep our employees physically and psychologically healthy. During the financial year, recreational and team-bonding activities such as Chinese New Year celebration, Mid-Autumn Celebration and football competition are held to strengthen their sense of belonging towards the Group.

This Statement has been reviewed and approved by the Board of Directors on 12 October 2023.

## STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and of the Company for that year.

The Directors consider that, in preparing the financial statements for the financial year ended 30 June 2023 as set out on pages 52 to 137 of this Annual Report, the Group has used appropriate accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent. The Directors also consider that all applicable approved accounting standards have been followed and confirmed that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 of Malaysia.

The auditors' responsibilities are stated in their Report to the Members of the Company.

# FINANCIAL STATEMENTS

|    |   |
|----|---|
| 53 | Directors' Report                           |
| 58 | Statement by Directors                      |
| 58 | Statutory Declaration                       |
| 59 | Independent Auditors' Report                |
| 64 | Statements of Comprehensive Income          |
| 65 | Statements of Financial Position            |
| 67 | Consolidated Statement of Changes In Equity |
| 68 | Statement of Changes In Equity              |
| 69 | Statements of Cash Flows                    |
| 72 | Notes to the Financial Statements           |





# DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2023.

## Principal activities

The principal activities of the Company are investment holding and the provision of management services to the subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

## Results

|                                | Group<br>RM'000 | Company<br>RM'000 |
|--------------------------------|-----------------|-------------------|
| Profit for the year            | 21,855          | 9,379             |
| Profit/(loss) attributable to: |                 |                   |
| Owners of the Company          | 22,587          | 9,379             |
| Non-controlling interests      | (732)           | -                 |
|                                | 21,855          | 9,379             |

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

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

## Dividends

The amounts of dividends declared and paid by the Company since 30 June 2022 were as follows:

|   | RM'000 |
|---|--------|
| In respect of the financial year ended 30 June 2022:  |        |
| Final single-tier dividend of 5 sen per share on 194,252,300 ordinary shares,<br>declared on 11 October 2022 and paid on 13 January 2023      | 9,713  |
| In respect of the financial year ended 30 June 2023:  |        |
| First interim single-tier dividend of 1 sen per share on 194,252,300 ordinary shares,<br>declared on 23 February 2023 and paid on 12 May 2023 | 1,942  |
|   | 11,655 |

## DIRECTORS' REPORT (CONT'D)

### Dividends (cont'd)

At the forthcoming Annual General Meeting, a final single-tier dividend of 3 sen per share on 194,252,300 ordinary shares, in respect of the financial year ended 30 June 2023, amounting RM5,827,569 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2024.

### Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Dr Norraesah Binti Haji Mohamad  
Lin Chen, Jui-Fen \*  
Lin, Chin-Hung \*  
Toh Seng Thong  
Yek Siew Liong  
Sandra Segaran A/L Muniandy @ Krishnan (appointed on 2 September 2022)

\* These directors are also the directors of the Company's subsidiaries

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (excluding those directors listed above) are:

Latitude Tree Vietnam Joint Stock Company  
Yeoh Joe Son

RK Resources Co., Ltd.  
Lu, Chin-Chia

Grob Holz Company Limited  
Somjet Saeyang

Excite Group Sdn. Bhd.  
Ng Yang Peng (appointed on 8 November 2022)

### Directors' benefits

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

Since the end of the previous financial year, no directors have received or become entitled to receive benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

## DIRECTORS' REPORT (CONT'D)

### Directors' benefits (cont'd)

The directors' benefits are as follows:

|                                  | Group<br>RM'000 | Company<br>RM'000 |
|----------------------------------|-----------------|-------------------|
| Salaries and other emoluments    | 1,825           | 12                |
| Fee                              | 300             | 300               |
| Employees' Share Scheme expenses | 182             | 182               |
| Defined contribution plan        | 91              | -                 |
| Other benefits                   | 33              | 33                |
|                                  | 2,431           | 527               |

### Directors' interest

The interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

|                                       | ----- Number of ordinary shares ----- |          |      |                 |
|---------------------------------------|---------------------------------------|----------|------|-----------------|
|                                       | At<br>1.7.2022                        | Acquired | Sold | At<br>30.6.2023 |
| <b>Ordinary shares of the Company</b> |                                       |          |      |                 |
| <b>Direct interest:</b>               |                                       |          |      |                 |
| Lin Chen, Jui-Fen #                   | 49,678,036                            | 60,000   | -    | 49,738,036      |
| Lin, Chin-Hung #                      | 13,300,800                            | 192,000  | -    | 13,492,800      |
| <b>Deemed interest:</b>               |                                       |          |      |                 |
| Yek Siew Liong *                      | 29,804,400                            | -        | -    | 29,804,400      |

# During the year, the Company transferred 60,000 treasury shares to each director under the Employees' Share Scheme.

\* Deemed interest in shares held by Konsortium Kontrek Sdn. Bhd., a company in which the director has an interest.

Lin Chen, Jui-Fen by virtue of her interest in shares of the Company, is also deemed interested in shares of all subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

## DIRECTORS' REPORT

### (CONT'D)

#### Treasury shares

During the financial year, the Company repurchased 627,700 ordinary shares from the open market at an average price of RM1.39 per share. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. The total consideration paid for the repurchased, including transaction costs, was RM874,000.

At the reporting date, the Company held as treasury shares a total of 110,200 of its 194,362,500 issued ordinary shares. Such treasury shares are held at a carrying amount of RM167,000. Further details on treasury shares are disclosed in Note 23 to the financial statements.

#### Indemnities to directors or officers

No indemnity was given to or insurance premium paid for any directors or officers of the Company during or since the end of the financial year.

#### Employees' Share Scheme

At an Extraordinary General Meeting held on 26 February 2021, shareholders approved the establishment and implementation of an Employees' Share Scheme ("ESS") for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company to eligible senior executives and employees respectively.

The salient features and other terms of ESS are disclosed in Note 39 to the financial statements.

During the financial year, the Company transferred 570,000 treasury shares to directors and eligible employees under the ESS at an average market price of RM1.39 per share. The total transferred treasury shares, including transaction costs, was RM862,000. The cost of the transferred treasury shares which amounted to RM862,000 was recognised as an expense in the statements of comprehensive income.

#### Other statutory information

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

## DIRECTORS' REPORT (CONT'D)

### Other statutory information (cont'd)

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration is as follows:

|               | Group<br>RM'000 | Company<br>RM'000 |
|---------------|-----------------|-------------------|
| Ernst & Young | 568             | 102               |
| Other auditor | 19              | -                 |
|               | 587             | 102               |

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young PLT for the financial year ended 30 June 2023.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 October 2023.

## STATEMENT BY DIRECTORS

### PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Dr Norraesah Binti Haji Mohamad and Lin, Chin-Hung, being two of the directors of Rhong Khen International Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 64 to 137 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2023 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 October 2023.

Dato' Dr Norraesah Binti Haji Mohamad

Lin, Chin-Hung

## STATUTORY DECLARATION

### PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Fong Toh Wai, being the officer primarily responsible for the financial management of Rhong Khen International Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 64 to 137 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the  
abovenamed Fong Toh Wai at Klang in  
Selangor Darul Ehsan on 16 October 2023.

Fong Toh Wai  
MIA CA 28465

Before me,  
P. Dev Anand Pillai (B 253)  
Commissioner for Oaths

Klang

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF RHONG KHEN INTERNATIONAL BERHAD (INCORPORATED IN MALAYSIA)

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Rhong Khen International Berhad, which comprise the statements of financial position as at 30 June 2023 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 137.

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

#### *Basis for opinion*

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

#### *Independence and other ethical responsibilities*

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

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

#### *Revenue recognition*

We draw your attention to the summary of significant accounting policies in Note 2.22 and disclosure of revenue in Note 4 to the financial statements.

During the year, the sale of goods recorded by the Group amounted to RM647.8 million representing 99.8% of the Group's total revenue. We have identified sale of goods to be a key audit matter as we consider the voluminous sales transactions during the year to be the possible cause for a higher risk of misstatement.



## INDEPENDENT AUDITORS' REPORT (CONT'D)

### TO THE MEMBERS OF RHONG KHEN INTERNATIONAL BERHAD (INCORPORATED IN MALAYSIA)

#### *Key audit matters (cont'd)*

##### *Revenue recognition (cont'd)*

Our audit procedures included, amongst others, the following:

- We obtained an understanding of the Group's internal controls over the point when the Group recognises the revenue upon the transfer of the promised goods to customers and the transaction price recorded as revenue;
- We evaluated the effectiveness of the controls in place to ensure the accuracy of revenue recognised, including the timely posting of revenue to the general ledger in the financial information system;
- We performed procedures to corroborate the occurrence of revenue by tracing samples of cash receipts to the settlement reports from financial institutions;
- We performed three-way correlation analysis between revenue, trade receivables and cash to assess the movement trend of the revenue from the sale of goods; and
- We evaluated transactions recorded close to the year end, including sales after year end, to acknowledged delivery orders or bills of lading, to assess whether those transactions were recorded in the correct accounting period on sampling basis.

##### *Inventories*

We draw your attention to the summary of significant accounting policies in Note 2.15, significant accounting judgements and estimates in Note 3(c) and the disclosure of inventories in Note 19 to the financial statements.

As at 30 June 2023, the Group's inventories amounted to RM151.4 million, representing 18.6% of the Group's total assets.

Inventories are carried at the lower of cost and net realisable value. Included in the inventories are raw materials, work-in-progress and finished goods. Work-in-progress and finished goods comprise cost of raw materials, labour and manufacturing overheads. The Group applies cost of raw materials, predetermined labour and overhead expenses to derive at the costs of work-in-progress and finished goods which involved significant management estimates.

Given the significance of the account balances and the significant management estimates involved in deriving the cost of inventories, we have identified the valuation of work-in-progress and finished goods to be an area of audit focus.

Our audit procedures included, amongst others, the following:

- We obtained an understanding of the Group's inventories valuation policy and inventory costing processes (including the monitoring and the frequency of updating the absorption rates used in production);
- We assessed whether the costing method used in deriving the cost of work-in-progress and finished goods is consistent with the Group's policy;
- We tested the key inputs used in deriving the cost of work-in-progress and finished goods, in particular, the key raw materials used in the production; and
- We reviewed management's workings on apportionment of production overhead to assess whether the apportionment basis is applied consistently across the Group.

##### *Income taxes*

We draw your attention to the summary of significant accounting policies in Note 2.23(a), significant accounting judgements and estimates in Note 3(a) and the disclosure of income taxes in Note 10 to the financial statements.

The Group has both local and foreign operations that are subject to income taxes in different tax jurisdictions. For the financial year ended 30 June 2023, the Group recognised local and foreign income tax expense of RM2.2 million and RM6.1 million respectively.

## INDEPENDENT AUDITORS' REPORT (CONT'D) TO THE MEMBERS OF RHONG KHEN INTERNATIONAL BERHAD (INCORPORATED IN MALAYSIA)

### *Key audit matters (cont'd)*

#### *Income taxes (cont'd)*

Due to the complexity of the tax rules in certain foreign operations, we identified accounting for income tax as an area of audit focus. Specifically, we focused our audit efforts to assess the possibility of under recognition of income tax liabilities.

Our audit procedures include the following:

- We held discussions with the component auditor and tax specialists to obtain an understanding of the country specific tax risks for certain foreign operations;
- We involved the tax specialists to assist in the evaluation of provisions for income taxes; and
- We involved the component auditor in the review of the prior year's tax submission and all relevant tax correspondences with the relevant tax authorities.

#### *Information other than the financial statements and auditors' report thereon*

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

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

#### *Responsibilities of the directors for the financial statements*

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

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

## INDEPENDENT AUDITORS' REPORT (CONT'D)

### TO THE MEMBERS OF RHONG KHEN INTERNATIONAL BERHAD (INCORPORATED IN MALAYSIA)

#### *Auditors' responsibilities for the audit of the financial statements*

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

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

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

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

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

## INDEPENDENT AUDITORS' REPORT (CONT'D) TO THE MEMBERS OF RHONG KHEN INTERNATIONAL BERHAD (INCORPORATED IN MALAYSIA)

### *Auditors' responsibilities for the audit of the financial statements (cont'd)*

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

### *Report on other legal and regulatory requirements*

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

### *Other matters*

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

Ernst & Young PLT  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Chuan Yee Yang  
No. 03489/03/2024 J  
Chartered Accountant

Kuala Lumpur, Malaysia

16 October 2023

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

|  |      | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  | Note | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Revenue  | 4    | 649,423        | 756,324        | 10,350         | 1,500          |
| Cost of sales  |      | (569,579)      | (650,787)      | -              | -              |
| Gross profit   |      | 79,844         | 105,537        | 10,350         | 1,500          |
| Other income   | 5    | 7,025          | 5,959          | 626            | 574            |
| Selling and distribution expenses  |      | (20,695)       | (21,788)       | -              | -              |
| Administrative expenses  |      | (26,841)       | (29,254)       | (1,592)        | (653)          |
| Other expenses   |      | (8,245)        | (9,037)        | (2)            | (2)            |
| Finance costs  | 6    | (3,232)        | (2,605)        | -              | -              |
| <b>Profit before tax</b>   | 7    | 27,856         | 48,812         | 9,382          | 1,419          |
| Income tax expense   | 10   | (6,001)        | (13,288)       | (3)            | (6)            |
| <b>Profit for the year</b>   |      | 21,855         | 35,524         | 9,379          | 1,413          |
| <b>Other comprehensive income:</b>   |      |                |                |                |                |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent period:</i> |      |                |                |                |                |
| Foreign currency translation   |      | 19,776         | 17,268         | -              | -              |
| <b>Other comprehensive income for the year, net of tax</b>                                   |      | 19,776         | 17,268         | -              | -              |
| <b>Total comprehensive income for the year</b>   |      | 41,631         | 52,792         | 9,379          | 1,413          |
| <b>Profit/(loss) for the year attributable to:</b>   |      |                |                |                |                |
| Owners of the Company  |      | 22,587         | 35,524         | 9,379          | 1,413          |
| Non-controlling interests  |      | (732)          | -              | -              | -              |
|  |      | 21,855         | 35,524         | 9,379          | 1,413          |
| <b>Total comprehensive income/(loss) for the year attributable to:</b>                       |      |                |                |                |                |
| Owners of the Company  |      | 42,363         | 52,792         | 9,379          | 1,413          |
| Non-controlling interests  |      | (732)          | -              | -              | -              |
|  |      | 41,631         | 52,792         | 9,379          | 1,413          |
| <b>Earnings per share attributable to owners of the Company</b>                              |      |                |                |                |                |
| Basic/diluted (sen)  | 11   | 12             | 18             |                |                |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION

## AS AT 30 JUNE 2023

|   |      | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   | Note | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Assets</b>                                       |      |                |                |                |                |
| <b>Non-current assets</b>                           |      |                |                |                |                |
| Property, plant and equipment                       | 13   | 267,840        | 255,520        | -              | -              |
| Investment properties                               | 14   | 52,724         | 51,233         | -              | -              |
| Right-of-use assets                                 | 15   | 33,194         | 32,691         | -              | -              |
| Investments in subsidiaries                         | 16   | -              | -              | 218,929        | 218,929        |
| Other investment                                    | 17   | 81             | 81             | -              | -              |
| Deferred tax assets                                 | 18   | 843            | 1,057          | -              | -              |
|   |      | 354,682        | 340,582        | 218,929        | 218,929        |
| <b>Current assets</b>                               |      |                |                |                |                |
| Inventories   | 19   | 151,433        | 253,411        | -              | -              |
| Trade and other receivables                         | 20   | 43,195         | 82,457         | -              | -              |
| Prepayments   |      | 3,553          | 4,192          | -              | -              |
| Tax recoverable                                     |      | 1,482          | 171            | 215            | 10             |
| Investment securities                               | 21   | 63,438         | 85,012         | 17,644         | 20,377         |
| Cash and bank balances                              | 22   | 194,934        | 182,374        | 723            | 476            |
|   |      | 458,035        | 607,617        | 18,582         | 20,863         |
| <b>Total assets</b>                                 |      | 812,717        | 948,199        | 237,511        | 239,792        |
| <b>Equity and liabilities</b>                       |      |                |                |                |                |
| <b>Equity attributable to owners of the Company</b> |      |                |                |                |                |
| Share capital                                       | 23   | 98,433         | 98,433         | 98,433         | 98,433         |
| Treasury shares                                     | 23   | (167)          | (155)          | (167)          | (155)          |
| Retained earnings                                   | 24   | 482,226        | 471,294        | 139,132        | 141,408        |
| Foreign currency translation reserve                | 25   | 105,464        | 85,688         | -              | -              |
|   |      | 685,956        | 655,260        | 237,398        | 239,686        |
| Non-controlling interests                           |      | (242)          | -              | -              | -              |
| <b>Total equity</b>                                 |      | 685,714        | 655,260        | 237,398        | 239,686        |

# STATEMENTS OF FINANCIAL POSITION

## AS AT 30 JUNE 2023 (CONT'D)

|                                     |      | Group          |                | Company        |                |
|-------------------------------------|------|----------------|----------------|----------------|----------------|
|                                     | Note | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Non-current liabilities</b>      |      |                |                |                |                |
| Deferred tax liabilities            | 18   | 3,644          | 3,260          | -              | -              |
| Loans and borrowings                | 26   | 17,328         | 26,026         | -              | -              |
| Provision for severance allowance   | 27   | 232            | 227            | -              | -              |
| Lease liabilities                   | 28   | 5,091          | 4,975          | -              | -              |
| Retirement benefit obligation       | 29   | 338            | 287            | -              | -              |
|                                     |      | 26,633         | 34,775         | -              | -              |
| <b>Current liabilities</b>          |      |                |                |                |                |
| Tax payable                         |      | 32,134         | 37,225         | -              | -              |
| Derivative                          | 30   | -              | 407            | -              | -              |
| Loans and borrowings                | 26   | 15,111         | 103,285        | -              | -              |
| Trade and other payables            | 31   | 52,954         | 117,089        | 113            | 106            |
| Lease liabilities                   | 28   | 171            | 158            | -              | -              |
|                                     |      | 100,370        | 258,164        | 113            | 106            |
| <b>Total liabilities</b>            |      | 127,003        | 292,939        | 113            | 106            |
| <b>Total equity and liabilities</b> |      | 812,717        | 948,199        | 237,511        | 239,792        |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

|                                     | Note | Distributable                           |   |   | Foreign<br>currency<br>translation<br>reserve<br>RM'000<br>(Note 25) | Subtotal<br>RM'000 | Non-<br>controlling<br>interests<br>RM'000 | Total<br>equity<br>RM'000 |
|-------------------------------------|------|---|---|---|--|--------------------|--|---------------------------|
|                                     |      | Share<br>capital<br>RM'000<br>(Note 23) | Treasury<br>shares<br>RM'000<br>(Note 23) | Retained<br>earnings<br>RM'000<br>(Note 24) |  |                    |  |                           |
| <b>2023</b>                         |      |   |   |   |  |                    |  |                           |
| <b>As at 1 July 2022</b>            |      | 98,433                                  | (155)                                     | 471,294                                     | 85,688   | 655,260            | -  | 655,260                   |
| Total comprehensive income/(loss)   |      | -                                       | -   | 22,587                                      | 19,776   | 42,363             | (732)                                      | 41,631                    |
| Dividends on ordinary shares        | 12   | -                                       | -   | (11,655)                                    | -  | (11,655)           | -  | (11,655)                  |
| Purchase of treasury shares         | 23   | -                                       | (874)                                     | -   | -  | (874)              | -  | (874)                     |
| Transfer to Employees' Share Scheme | 23   | -                                       | 862                                       | -   | -  | 862                | -  | 862                       |
| Acquisition of a subsidiary         |      | -                                       | -   | -   | -  | -                  | 490  | 490                       |
| <b>As at 30 June 2023</b>           |      | 98,433                                  | (167)                                     | 482,226                                     | 105,464  | 685,956            | (242)                                      | 685,714                   |
| <b>2022</b>                         |      |   |   |   |  |                    |  |                           |
| <b>As at 1 July 2021</b>            |      | 98,433                                  | (155)                                     | 443,542                                     | 68,420   | 610,240            | -  | 610,240                   |
| Total comprehensive income          |      | -                                       | -   | 35,524                                      | 17,268   | 52,792             | -  | 52,792                    |
| Dividends on ordinary shares        | 12   | -                                       | -   | (7,772)                                     | -  | (7,772)            | -  | (7,772)                   |
| <b>As at 30 June 2022</b>           |      | 98,433                                  | (155)                                     | 471,294                                     | 85,688   | 655,260            | -  | 655,260                   |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

|                                     |      |                                      | ← Distributable →                      |  |                        |
|-------------------------------------|------|--------------------------------------|--|--|------------------------|
|                                     | Note | Share capital<br>RM'000<br>(Note 23) | Treasury shares<br>RM'000<br>(Note 23) | Retained earnings<br>RM'000<br>(Note 24) | Total equity<br>RM'000 |
| <b>2023</b>                         |      |                                      |  |  |                        |
| <b>As at 1 July 2022</b>            |      | 98,433                               | (155)                                  | 141,408                                  | 239,686                |
| Total comprehensive income          |      | -                                    | -                                      | 9,379                                    | 9,379                  |
| Dividends on ordinary shares        | 12   | -                                    | -                                      | (11,655)                                 | (11,655)               |
| Purchase of treasury shares         | 23   | -                                    | (874)                                  | -  | (874)                  |
| Transfer to Employees' Share Scheme | 23   | -                                    | 862                                    | -  | 862                    |
| <b>As at 30 June 2023</b>           |      | 98,433                               | (167)                                  | 139,132                                  | 237,398                |
| <b>2022</b>                         |      |                                      |  |  |                        |
| <b>As at 1 July 2021</b>            |      | 98,433                               | (155)                                  | 147,767                                  | 246,045                |
| Total comprehensive income          |      | -                                    | -                                      | 1,413                                    | 1,413                  |
| Dividends on ordinary shares        | 12   | -                                    | -                                      | (7,772)                                  | (7,772)                |
| <b>As at 30 June 2022</b>           |      | 98,433                               | (155)                                  | 141,408                                  | 239,686                |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Cash flows from operating activities</b>                           |      |                |                |                |                |
| Profit before tax   |      | 27,856         | 48,812         | 9,382          | 1,419          |
| Adjustments for:  |      |                |                |                |                |
| Reversal of allowance for expected credit losses on trade receivables | 5    | (57)           | -              | -              | -              |
| Distribution from investment securities                               | 5    | (1,401)        | (1,098)        | (378)          | (267)          |
| Net fair value (gain)/loss on investment securities                   | 5,7  | (999)          | 1,220          | (239)          | -              |
| Net fair value (gain)/loss on derivative                              | 5,7  | (407)          | 280            | -              | -              |
| Loss on disposal of property, plant and equipment                     | 7    | 189            | 10             | -              | -              |
| Gain on termination of right-of-use assets                            | 5    | -              | (639)          | -              | -              |
| Net unrealised loss/(gain) on foreign exchange                        | 5,7  | 1,072          | 1,565          | (1)            | (1)            |
| Finance costs   | 6    | 3,232          | 2,605          | -              | -              |
| Retirement benefit expenses   | 8    | 35             | 72             | -              | -              |
| Depreciation of:  |      |                |                |                |                |
| - Property, plant and equipment                                       | 7    | 17,718         | 17,086         | -              | -              |
| - Investment properties   | 7    | 335            | 299            | -              | -              |
| - Right-of-use assets   | 7    | 1,168          | 1,871          | -              | -              |
| Allowance for expected credit losses on trade receivables             | 7    | 290            | 197            | -              | -              |
| Property, plant and equipment written off                             | 7    | 202            | -              | -              | -              |
| Provision for severance allowance                                     | 7    | 127            | 116            | -              | -              |
| Inventories written down  | 7    | 476            | 159            | -              | -              |
| Employees' Share Scheme expenses                                      | 8    | 862            | -              | 862            | -              |
| Interest income   | 5    | (2,998)        | (1,623)        | (8)            | (47)           |
| Operating profit before working capital changes                       |      | 47,700         | 70,932         | 9,618          | 1,104          |
| Changes in inventories  |      | 109,161        | (14,047)       | -              | -              |
| Changes in trade and other receivables                                |      | 42,731         | (17,637)       | -              | 6,679          |
| Changes in prepayments  |      | 639            | (376)          | -              | -              |
| Changes in trade and other payables                                   |      | (67,536)       | (581)          | 7              | 12             |
| Cash generated from operations  |      | 132,695        | 38,291         | 9,625          | 7,795          |
| Interest paid   |      | (3,232)        | (2,514)        | -              | -              |
| Severance payments  | 27   | (135)          | (133)          | -              | -              |
| Net taxes paid  |      | (13,560)       | (9,048)        | (208)          | (4)            |
| Net cash flows generated from operating activities                    |      | 115,768        | 26,596         | 9,417          | 7,791          |

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

|   |      | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   | Note | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Cash flows from investing activities</b>                                   |      |                |                |                |                |
| Purchase of property, plant and equipment                                     | 13   | (21,875)       | (6,437)        | -              | -              |
| Purchase of investment properties   | 14   | (1,800)        | (15)           | -              | -              |
| Interest received   |      | 2,950          | 1,553          | 8              | 47             |
| Proceeds from disposal of property, plant and equipment                       |      | 328            | 337            | -              | -              |
| Proceeds from termination of right-of-use assets                              |      | -              | 2,379          | -              | -              |
| Net proceeds from withdrawal/(purchase) of investment securities              |      | 24,053         | (29,302)       | 3,350          | (16,950)       |
| (Placement)/Withdrawal of deposits with licensed banks                        |      | (28,141)       | 3,582          | -              | -              |
| Net cash flows (used in)/generated from investing activities                  |      | (24,485)       | (27,903)       | 3,358          | (16,903)       |
| <b>Cash flows from financing activities</b>                                   |      |                |                |                |                |
| Repayments of loans and borrowings  |      | (186,627)      | (265,416)      | -              | -              |
| Drawdown of loans and borrowings  |      | 86,494         | 257,404        | -              | -              |
| Repayments for principal portion of lease liabilities                         | 28   | (161)          | (901)          | -              | -              |
| Placement of deposits placed as securities for bank borrowings and guarantees |      | (1,741)        | (3,848)        | -              | -              |
| Treasury shares acquired  | 23   | (874)          | -              | (874)          | -              |
| Dividends paid on ordinary shares   | 12   | (11,655)       | (7,772)        | (11,655)       | (7,772)        |
| Net cash flows used in financing activities                                   |      | (114,564)      | (20,533)       | (12,529)       | (7,772)        |
| Net changes in cash and cash equivalents                                      |      | (23,281)       | (21,840)       | 246            | (16,884)       |
| Effects of exchange rate changes  |      | 5,959          | 7,346          | 1              | 1              |
| Cash and cash equivalents at beginning of the year                            |      | 170,466        | 184,960        | 476            | 17,359         |
| Cash and cash equivalents at end of the year                                  | 22   | 153,144        | 170,466        | 723            | 476            |

## STATEMENTS OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### Reconciliation of liabilities arising from financing activities

|   | Loans<br>and<br>borrowings<br>RM'000 | Lease<br>liabilities<br>RM'000 | Total<br>RM'000 |
|---|--------------------------------------|--------------------------------|-----------------|
| <b>Group</b>  |                                      |                                |                 |
| <b>As at 1 July 2021</b>                                | 130,138                              | 5,717                          | 135,855         |
| Net changes from financing cash flows:                  |                                      |                                |                 |
| - Repayments of loans and borrowings                    | (265,416)                            | -                              | (265,416)       |
| - Drawdown of loans and borrowings                      | 257,404                              | -                              | 257,404         |
| - Repayments for principal portion of lease liabilities | -                                    | (901)                          | (901)           |
|   | (8,012)                              | (901)                          | (8,913)         |
| Effects of exchange rate changes                        | 7,185                                | 317                            | 7,502           |
| <b>As at 30 June 2022</b>                               | 129,311                              | 5,133                          | 134,444         |
| <b>As at 1 July 2022</b>                                | 129,311                              | 5,133                          | 134,444         |
| Net changes from financing cash flows:                  |                                      |                                |                 |
| - Repayments of loans and borrowings                    | (186,627)                            | -                              | (186,627)       |
| - Drawdown of loans and borrowings                      | 86,494                               | -                              | 86,494          |
| - Repayments for principal portion of lease liabilities | -                                    | (161)                          | (161)           |
|   | (100,133)                            | (161)                          | (100,294)       |
| Effects of exchange rate changes                        | 3,261                                | 290                            | 3,551           |
| <b>As at 30 June 2023</b>                               | 32,439                               | 5,262                          | 37,701          |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

### 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Lot 3356, Batu 7 ¾, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and the provision of management services to the subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 16.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 October 2023.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

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

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

#### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows. On 1 July 2022, the Group and the Company adopted the following amended standards which are mandatory for annual periods beginning on or after 1 January 2022.

| Descriptions         |   | Effective for annual periods beginning on or after |
|----------------------|---|--|
| Amendments to MFRS 1 | Annual Improvements to MFRSs 2018-2020 Cycle                                  | 1 January 2022                                     |
| Amendments to MFRS 3 | Reference to the Conceptual Framework   | 1 January 2022                                     |
| Amendments to MFRS 9 | Financial Instruments - Annual Amendments to MFRS Standards 2018 - 2020 Cycle | 1 January 2022                                     |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.2 Changes in accounting policies (cont'd)

| Descriptions           | Effective for<br>annual periods<br>beginning on<br>or after     |
|------------------------|---|
| Amendments to MFRS 116 | Property, Plant and Equipment -<br>Proceeds before Intended Use |
| Amendments to MFRS 137 | Onerous Contracts - Cost of Fulfilling<br>a Contract            |
| Amendments to MFRS 141 | Annual Improvements to MFRSs<br>2018-2020 Cycle                 |

The nature and impact of the new and amended MFRSs and the interpretations do not have material impact to the financial statements of the Group and of the Company.

#### 2.3 Standards issued but not effective

The standards that are issued but not yet effective up to the date of issuance of the financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

| Descriptions                          | Effective for<br>annual periods<br>beginning on<br>or after                                 |
|---------------------------------------|---|
| MFRS 17                               | Insurance Contracts   |
| Amendments to MFRS 17                 | Initial application of MFRS 17 and<br>MFRS 9 - Comparative Information                      |
| Amendments to MFRS 101                | Disclosure of Accounting Policies   |
| Amendments to MFRS 108                | Definition of Accounting Estimates  |
| Amendments to MFRS 112                | Deferred Tax related<br>to Assets and Liabilities arising from<br>a Single Transaction      |
| Amendments to MFRS 101                | Classification of Liabilities as Current<br>or Non-current                                  |
| Amendments to MFRS 101                | Presentation of Financial Statements-<br>Non-Current Liabilities with Covenants             |
| Amendments to MFRS 16                 | Lease Liability in a Sale and Leaseback   |
| Amendments to MFRS 10<br>and MFRS 128 | Sale or Contribution of Assets<br>between an Investor and its<br>Associate or Joint Venture |

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact on the financial statements of the Group and of the Company in the period of initial application.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively the "Group") at the reporting date. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company controls an investee if, and only if, the Company has all of the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting rights or similar rights of an investee, the Group considers all facts and circumstances in assessing whether the Group's voting rights in the investee are sufficient to give it power over the investee, including:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries is accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in OCI and accumulated in equity are reclassified to profit or loss, or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.5 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value during the acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed in profit or loss as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments ("MFRS 9"), is measured at fair value with changes in fair value recognised in either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 9, it is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

If the business combination is achieved in stages, any previously held equity interest is remeasured at fair value during the acquisition date and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### 2.6 Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.7 Current versus non-current classification

The Group presents assets and liabilities in the statements of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.8 Foreign currency

#### (a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

#### (b) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss for the year except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in OCI and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the translation of non-monetary items in respect of which gain and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.8 Foreign currency (cont'd)

##### (c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to OCI. On disposal of a foreign operation, the cumulative amount recognised in OCI and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

#### 2.9 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, at the following annual rates:

|  |                |
|--|----------------|
| Buildings                              | 10 to 50 years |
| Plant and machinery                    | 10 to 20 years |
| Electrical installation                | 10 years       |
| Furniture and fittings                 | 5 to 10 years  |
| Motor vehicles                         | 5 to 8 years   |
| Office equipment and computer software | 3 to 10 years  |
| Renovation                             | 10 years       |

Buildings under construction are not depreciated as these assets are not yet available for use.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.10 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation, or for both. Such properties are measured initially at cost including transaction costs. Following initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment loss, if any. Freehold land has an unlimited useful life and therefore is not depreciated. Buildings are depreciated over 50 years on a straight line method.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### 2.11 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company estimate the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units ("CGU") fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to OCI. In this case, the impairment is also recognised in OCI up to the amount of any previous revaluation.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.11 Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

#### 2.12 Financial assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets measured at amortised cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refer to how it manage its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

##### Subsequent measurement

For purposes of subsequent measurement, the financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group and the Company do not have any financial assets designated at fair value through OCI.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.12 Financial assets (cont'd)

#### Subsequent measurement (cont'd)

##### (a) Financial assets at amortised cost (debt instruments)

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

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

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

##### (b) Financial assets at fair value through profit or loss

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in profit or loss.

This category comprises of the derivative instruments and fund placements with licensed financial institutions. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Dividends are recognised as other income in profit or loss when the right of payment has been established. Interests are recognised as interest income in profit or loss on an accrual basis using the EIR method.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- The rights to receive cash flows from the asset has expired; or
- The Group and the Company have transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or
  - (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.12 Financial assets (cont'd)

##### Derecognition (cont'd)

When the Group and the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the assets, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

#### 2.13 Impairment of financial assets

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

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

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### 2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, short-term deposits with a maturity of three months or less and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value. For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of deposits pledged with licensed banks.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on weighted average basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

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

### 2.16 Provisions

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

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

### 2.17 Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### (a) Trade and other payables

These are subsequently measured at amortised cost using EIR method.

#### (b) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as financial liabilities at fair value through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.17 Financial liabilities (cont'd)

##### Subsequent measurement (cont'd)

##### (b) Financial liabilities at fair value through profit or loss (cont'd)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in near term.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date or recognition, and only if the criteria in MFRS 9 are satisfied.

##### (c) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

##### Derecognition

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

#### 2.18 Financial guarantee contracts

A financial contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

### 2.20 Employee benefits

#### (a) Short term benefits

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

#### (b) Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### (c) Retirement benefit obligation - defined benefit plans

The Group estimates and recognises the obligation of employee retirement benefits in profit or loss for which a foreign subsidiary shall have to pay in accordance with the labour law of Thailand by using the current salary of employees and the probability that employees will work until retirement ages.

#### (d) Provision for severance allowance

The severance pay to employees of foreign subsidiary is accrued at the end of each reporting period for all employees who have more than 12 months in service up to 31 December 2008 at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code, the Law on Social Insurance and related implementing guidance in Vietnam. Commencing 1 January 2009, the average monthly salary used in this calculation will be revised at the end of each reporting period following the average monthly salary of the 6-month period up to the reporting date. Any changes to the accrued amount will be recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.20 Employee benefits (cont'd)

##### (e) Share based compensation

The Group's Employees' Share Scheme ("ESS"), an equity-settled, share based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share options reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received, net of any directly attributable transaction costs, are credited to equity when the options are exercised.

#### 2.21 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration.

##### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date of the underlying asset is available for use). Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentive received.

Right-of use assets are depreciated on a straight-line basis over the shorter of lease term and the estimated useful lives of the assets are as follows:

|                 |                |
|-----------------|----------------|
| Building        | 3 years        |
| Land use rights | 20 to 50 years |
| Leasehold land  | 20 to 68 years |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.21 Leases (cont'd)

#### Group as a lessee (cont'd)

##### *Right-of-use assets (cont'd)*

The carrying amount of right-of-use assets is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Refer to accounting policy set out in Note 2.11.

##### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, or a change in the lease term, or a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term leases recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered to be low value. The Group recognises the lease payments associated with these short-term leases and leases of low-value assets as expenses on a straight-line basis over the lease term.

#### Group as a lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income is recognised on a straight-line basis over the lease term of the relevant lease and is included in profit or loss. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The accounting policy for leasing income is set out in Note 2.22(b).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.22 Revenue

The Group and the Company recognise revenue from contracts with customers based on the five-step model as set out below:

- (i) Identify contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- (ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good and service to the customer.
- (iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- (iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.
- (v) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.

The Group and the Company satisfies a performance obligation and recognise revenue over time if the Group's and the Company's performance:

- (i) Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or
- (ii) Create or enhance an asset that the customer controls as the asset is created or enhanced.
- (iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

If a performance obligation is not satisfied over time in accordance with the criteria above, the Group and the Company satisfies the performance obligation at a point in time when control is transferred.

The Group and the Company recognise(s) revenue over time using the input method, which is based on the costs incurred, relative to the total expected costs for the satisfaction of the performance obligation. The Group and the Company determined that the input method is the best method in measuring progress because there is a direct relationship between the costs incurred and the transfer of service to the customer.

The Group and the Company have generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.22 Revenue (cont'd)

Revenue is measured at the fair value of consideration received or receivable.

#### (a) Sale of goods

Revenue is recognised at a point in time upon control of the goods are transferred to the customers, generally on delivery of goods. Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

#### (b) Rental income

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

#### (c) Dividend income

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

#### (d) Interest income

Interest income is recognised using the EIR method.

#### (e) Management fees

Management fees are recognised when services are rendered.

### 2.23 Income taxes

#### (a) Current tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current taxes are recognised in profit or loss. Current tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.23 Income taxes (cont'd)

##### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.24 Sales and Service Tax ("SST")

Legislation to implement Malaysia's new sales and service tax ("SST") and repeal the Goods and Services Tax ("GST") has received Royal Assent and was published in the official gazette on 28 August 2018 (the Sales Tax Act, the Service Tax Act and the GST Repeal Act). The GST has ended on 31 August 2018 and the SST applies from 1 September 2018.

Revenues, expenses and assets are recognised net of the amount of SST except:

- where the SST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the SST is recognised as part of the cost of acquisition of the asset or as part of the expenses item as applicable; and
- receivables and payables that are stated with the amount of SST included.

The net amount of SST recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in statements of financial position.

### 2.25 Segment reporting

For management purposes, the Group is organised into operating segments that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating segment's operating results are reviewed regularly by the management of the Group whom to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### 2.26 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 2.27 Treasury shares

Own equity instruments (treasury shares) that are reacquired are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the retained earnings.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 2. Summary of significant accounting policies (cont'd)

#### 2.28 Fair value measurement

The Group and the Company measure financial instruments and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial period.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

## 2. Summary of significant accounting policies (cont'd)

### 2.29 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

### 2.30 Offsetting of financial instruments

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

### 2.31 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
  - (i) has control or joint control over the company;
  - (ii) has significant influence over the company; or
  - (iii) is a member of the key management personnel of the Group or the company or of a parent of the company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
  - (i) the entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) both entities are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); or
  - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 3. Significant accounting judgements and estimates

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

#### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### (a) Income taxes

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

At the reporting date, the carrying amounts of the Group's income tax recoverable and tax payable are RM1,482,000 (2022: RM171,000) and RM32,134,000 (2022: RM37,225,000) respectively.

##### (b) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unutilised tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised.

Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The total carrying amounts of recognised and unrecognised tax losses, capital allowances and other deductible temporary differences of the Group and of the Company are disclosed in Note 10 and 18 respectively.

##### (c) Inventories costing

The Group applies actual cost of raw materials and predetermined labour and overhead expenses to derive at the costs of work-in-progress and finished goods. Significant management estimates are involved during the allocation of labour and overhead expenses into different types of inventories.

At the reporting date, a 1% (2022: 1%) difference in the work-in-progress and finished goods balance would result in RM833,000 (2022: RM1,464,000) fluctuation in the Group's profit for the year.

The carrying amount of inventories of the Group is disclosed in Note 19.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 4. Revenue

|                                       | Group   |         | Company |        |
|---------------------------------------|---------|---------|---------|--------|
|                                       | 2023    | 2022    | 2023    | 2022   |
|                                       | RM'000  | RM'000  | RM'000  | RM'000 |
| Sale of goods                         | 647,815 | 754,864 | -       | -      |
| Rental income                         | 1,608   | 1,460   | -       | -      |
| Dividend income from subsidiaries     | -       | -       | 10,350  | 1,500  |
|                                       | 649,423 | 756,324 | 10,350  | 1,500  |
| <b>Geographical market:</b>           |         |         |         |        |
| United States                         | 579,836 | 656,764 | -       | -      |
| Southeast Asia                        | 49,954  | 64,393  | 10,350  | 1,500  |
| Australia                             | 8,594   | 9,176   | -       | -      |
| Canada                                | 6,104   | 10,578  | -       | -      |
| Others                                | 4,935   | 15,413  | -       | -      |
|                                       | 649,423 | 756,324 | 10,350  | 1,500  |
| <b>Timing of revenue recognition:</b> |         |         |         |        |
| At a point in time                    | 647,815 | 754,864 | 10,350  | 1,500  |
| Over time                             | 1,608   | 1,460   | -       | -      |
|                                       | 649,423 | 756,324 | 10,350  | 1,500  |

### 5. Other income

|   | Group  |        | Company |        |
|---|--------|--------|---------|--------|
|   | 2023   | 2022   | 2023    | 2022   |
|   | RM'000 | RM'000 | RM'000  | RM'000 |
| Interest income   | 2,998  | 1,623  | 8       | 47     |
| Gain on termination of right-of-use assets                            | -      | 639    | -       | -      |
| Net realised gain on foreign exchange                                 | -      | -      | -       | 259    |
| Net unrealised gain on foreign exchange                               | -      | -      | 1       | 1      |
| Net fair value gain on derivative                                     | 407    | -      | -       | -      |
| Net fair value gain on investment securities                          | 999    | -      | 239     | -      |
| Rental income   | 52     | 15     | -       | -      |
| Reversal of allowance for expected credit losses on trade receivables | 57     | -      | -       | -      |
| Distribution from investment securities                               | 1,401  | 1,098  | 378     | 267    |
| Insurance compensation  | -      | 569    | -       | -      |
| Miscellaneous income  | 1,111  | 2,015  | -       | -      |
|   | 7,025  | 5,959  | 626     | 574    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 6. Finance costs

|                        | <b>Group</b>  |               |
|------------------------|---------------|---------------|
|                        | <b>2023</b>   | <b>2022</b>   |
|                        | <b>RM'000</b> | <b>RM'000</b> |
| Interest expenses on:  |               |               |
| - Bankers' acceptances | 87            | 122           |
| - Term loans           | 958           | 451           |
| - Trust receipts       | 1,959         | 1,752         |
| - Lease liabilities    | 126           | 129           |
| - Others               | 102           | 151           |
|                        | 3,232         | 2,605         |

### 7. Profit before tax

The following items have been included in arriving at profit before tax:

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>    | <b>2022</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Auditors' remuneration:                                   |               |               |                |               |
| - Ernst & Young   |               |               |                |               |
| - Statutory audit   | 530           | 484           | 64             | 62            |
| - Other services  | 38            | 38            | 38             | 38            |
| - Other auditor   |               |               |                |               |
| - Statutory audit   | 19            | 19            | -              | -             |
| Depreciation of right-of-use assets                       | 1,168         | 1,871         | -              | -             |
| Depreciation of property, plant and equipment             | 17,718        | 17,086        | -              | -             |
| Depreciation of investment properties                     | 335           | 299           | -              | -             |
| Allowance for expected credit losses on trade receivables | 290           | 197           | -              | -             |
| Loss on disposal of property, plant and equipment         | 189           | 10            | -              | -             |
| Net realised loss on foreign exchange                     | 2,479         | 1,800         | -              | -             |
| Net unrealised loss on foreign exchange                   | 1,072         | 1,565         | -              | -             |
| Net fair value loss on investment securities              | -             | 1,220         | -              | -             |
| Net fair value loss on derivative                         | -             | 280           | -              | -             |
| Non-executive directors' remuneration                     | 334           | 266           | 334            | 266           |
| Property, plant and equipment written off                 | 202           | -             | -              | -             |
| Inventories written down                                  | 476           | 159           | -              | -             |
| Provision for severance allowance                         | 127           | 116           | -              | -             |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 8. Employee benefits expenses

|  | Group   |         | Company |        |
|--|---------|---------|---------|--------|
|  | 2023    | 2022    | 2023    | 2022   |
|  | RM'000  | RM'000  | RM'000  | RM'000 |
| Wages and salaries                         | 118,175 | 136,086 | -       | -      |
| Social security contributions              | 11,893  | 10,523  | -       | -      |
| Defined contribution plan                  | 1,830   | 1,572   | -       | -      |
| Retirement benefit expenses (Note 29)      | 35      | 72      | -       | -      |
| Employees' Share Scheme expenses (Note 23) | 862     | -       | 862     | -      |
| Other benefits                             | 6,025   | 9,738   | 12      | 12     |
|  | 138,820 | 157,991 | 874     | 12     |

Included in employee benefits expenses of the Group and of the Company are executive directors' remuneration amounting to RM2,098,000 (2022: RM2,009,000) and RM194,000 (2022: RM12,000), respectively, as further disclosed in Note 9.

During the year, the amount of employee benefits expenses recognised as an expense in cost of sales of the Group was RM118,659,000 (2022: RM137,771,000).

#### 9. Directors' remuneration

The details of remuneration receivable by directors of the Group and of the Company during the year are as follows:

|   | Group  |        | Company |        |
|---|--------|--------|---------|--------|
|   | 2023   | 2022   | 2023    | 2022   |
|   | RM'000 | RM'000 | RM'000  | RM'000 |
| Executive:                                  |        |        |         |        |
| - Salaries and other emoluments             | 1,825  | 1,919  | 12      | 12     |
| - Employees' Share Scheme expenses          | 182    | -      | 182     | -      |
| - Defined contribution plan                 | 91     | 90     | -       | -      |
| Total executive directors' remuneration     | 2,098  | 2,009  | 194     | 12     |
| Non-executive:                              |        |        |         |        |
| - Fee                                       | 300    | 240    | 300     | 240    |
| - Other benefits                            | 33     | 26     | 33      | 26     |
| Total non-executive directors' remuneration | 333    | 266    | 333     | 266    |
| Total directors' remuneration (Note 32(b))  | 2,431  | 2,275  | 527     | 278    |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 10. Income tax expense

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2023</b>   | <b>2022</b>   | <b>2023</b>    | <b>2022</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Current income tax:                               |               |               |                |               |
| - Malaysian income tax                            |               |               |                |               |
| - Current tax                                     | 2,200         | 3,265         | 2              | -             |
| - (Over)/Under provision in prior years           | (141)         | (98)          | 1              | 6             |
| - Foreign income tax                              |               |               |                |               |
| - Current tax                                     | 6,095         | 10,124        | -              | -             |
| - Over provision in prior year                    | (2,961)       | -             | -              | -             |
|   | 5,193         | 13,291        | 3              | 6             |
| Deferred tax: (Note 18)                           |               |               |                |               |
| - Origination/(Reversal) of temporary differences | 444           | (50)          | -              | -             |
| - Under provision in prior years                  | 364           | 47            | -              | -             |
|   | 808           | (3)           | -              | -             |
| Income tax expense recognised in profit or loss   | 6,001         | 13,288        | 3              | 6             |

Reconciliations of income tax expense applicable to profit before tax at the applicable statutory income tax rate to the income tax expense at the effective income tax rate is as follows:

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2023</b>   | <b>2022</b>   | <b>2023</b>    | <b>2022</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Profit before tax                                      | 27,856        | 48,812        | 9,382          | 1,419         |
| Tax at Malaysian statutory tax rate of 24% (2022: 24%) | 6,685         | 11,715        | 2,252          | 341           |
| Different tax rates in other countries                 | (3,197)       | (3,022)       | -              | -             |
| Non-taxable income                                     | (910)         | (1,103)       | (2,632)        | (435)         |
| Non-deductible expenses                                | 5,301         | 5,478         | 382            | 94            |
| Deferred tax assets not recognised                     | 860           | 271           | -              | -             |
| (Over)/Under provision of income tax in prior years    |               |               |                |               |
| - Malaysian income tax                                 | (141)         | (98)          | 1              | 6             |
| - Foreign income tax                                   | (2,961)       | -             | -              | -             |
| Under provision of deferred tax in prior years         | 364           | 47            | -              | -             |
|  | 6,001         | 13,288        | 3              | 6             |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 10. Income tax expense (cont'd)

Malaysian income tax is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the year.

The normal corporate income tax ("CIT") rate in Vietnam and Thailand is currently at 20% of the estimated assessable profit for the year. Certain foreign subsidiaries in Vietnam enjoy various tax incentives with preferential tax rate of 10% (2022: 10%).

Below are the deferred tax assets of the Group and of the Company which have not been recognised in the financial statements as they are not probable to be used to offset against the taxable profits of the respective entities within the Group:

|                                    | Group  |        | Company |        |
|------------------------------------|--------|--------|---------|--------|
|                                    | 2023   | 2022   | 2023    | 2022   |
|                                    | RM'000 | RM'000 | RM'000  | RM'000 |
| Unutilised reinvestment allowances | 9,564  | 9,564  | -       | -      |
| Unutilised tax losses              | 31,685 | 28,824 | 772     | 772    |
| Unabsorbed capital allowances      | 6,808  | 6,087  | -       | -      |
|                                    | 48,057 | 44,475 | 772     | 772    |

The utilisation periods of deferred tax assets not recognised of the Group and of the Company which are available for offsetting against future taxable profits of the respective entities within the Group are as follows:

|                                  | Group  |        | Company |        |
|----------------------------------|--------|--------|---------|--------|
|                                  | 2023   | 2022   | 2023    | 2022   |
|                                  | RM'000 | RM'000 | RM'000  | RM'000 |
| <b>Utilisation period</b>        |        |        |         |        |
| Indefinite                       | 6,808  | 6,087  | -       | -      |
| Within 3 years from recognition  | 9,564  | -      | -       | -      |
| Within 4 years from recognition  | -      | 9,564  | -       | -      |
| Within 5 years from recognition  | -      | -      | -       | -      |
| Within 6 years from recognition  | 18,261 | -      | 772     | -      |
| Within 7 years from recognition  | 2,589  | 20,761 | -       | 772    |
| Within 8 years from recognition  | 1,754  | 2,589  | -       | -      |
| Within 9 years from recognition  | 3,909  | 1,754  | -       | -      |
| Within 10 years from recognition | 5,172  | 3,720  | -       | -      |
|                                  | 48,057 | 44,475 | 772     | 772    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 11. Earnings per share

#### (a) Basic

Basic earnings per share is calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares, excluding treasury shares, during the financial year.

|  | <b>Group</b>     |                  |
|--|------------------|------------------|
|  | <b>2023</b>      | <b>2022</b>      |
|  | <b>RM'000</b>    | <b>RM'000</b>    |
| Profit for the year, net of tax, attributable to owners of the Company | 22,587           | 35,524           |
|  | <hr/>            |                  |
|  | <b>Group</b>     |                  |
|  | <b>2023</b>      | <b>2022</b>      |
|  | <b>Number of</b> | <b>Number of</b> |
|  | <b>shares</b>    | <b>shares</b>    |
|  | <b>'000</b>      | <b>'000</b>      |
| Weighted average number of ordinary shares, excluding treasury shares  | 194,151          | 194,310          |
|  | <hr/>            |                  |
|  | <b>Group</b>     |                  |
|  | <b>2023</b>      | <b>2022</b>      |
|  | <b>Sen</b>       | <b>Sen</b>       |
| Basic earnings per share   | 12               | 18               |
|  | <hr/>            |                  |

#### (b) Diluted

The Group does not have any potential dilutive ordinary shares at the reporting date.

There have been no other transactions involving ordinary shares or potential dilutive ordinary shares between the reporting date and the date of authorisation of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 12. Dividends

|  | <b>Group and Company</b> |               |
|--|--------------------------|---------------|
|  | <b>2023</b>              | <b>2022</b>   |
|  | <b>RM'000</b>            | <b>RM'000</b> |
| <b>Recognised during the financial year:</b>   |                          |               |
| In respect of the financial year ended 30 June 2021:                                 |                          |               |
| Final single-tier dividend of 3 sen per share on 194,310,000 ordinary shares         | -                        | 5,829         |
| In respect of the financial year ended 30 June 2022:                                 |                          |               |
| First interim single-tier dividend of 1 sen per share on 194,310,000 ordinary shares | -                        | 1,943         |
| Final single-tier dividend of 5 sen per share on 194,252,300 ordinary shares         | 9,713                    | -             |
| In respect of the financial year ended 30 June 2023:                                 |                          |               |
| First interim single-tier dividend of 1 sen per share on 194,252,300 ordinary shares | 1,942                    | -             |
|  | <hr/>                    | <hr/>         |
|  | 11,655                   | 7,772         |

At the forthcoming Annual General Meeting, a final single-tier dividend of 3 sen per share on 194,252,300 ordinary shares, in respect of the financial year ended 30 June 2023, amounting RM5,827,569 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 June 2024.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 13. Property, plant and equipment

| Group                           | Freehold land<br>RM'000 | Buildings<br>RM'000 | Plant and machinery<br>RM'000 | Electrical installation<br>RM'000 | Furniture and fittings<br>RM'000 | Motor vehicles<br>RM'000 | Office equipment and computer software<br>RM'000 | Renovation<br>RM'000 | Buildings under construction<br>RM'000 | Total<br>RM'000 |
|---------------------------------|-------------------------|---------------------|-------------------------------|-----------------------------------|----------------------------------|--------------------------|--|----------------------|--|-----------------|
|                                 |                         |                     |                               |                                   |                                  |                          |  |                      |  |                 |
| <b>Cost</b>                     |                         |                     |                               |                                   |                                  |                          |  |                      |  |                 |
| At 1 July 2022                  | 22,536                  | 241,501             | 286,579                       | 3,683                             | 523                              | 5,344                    | 3,916  | 2,154                | 1,081                                  | 567,317         |
| Additions                       | -                       | 3,076               | 9,226                         | -                                 | 64                               | 13                       | 321  | -                    | 9,175                                  | 21,875          |
| Disposals                       | -                       | -                   | (940)                         | -                                 | -                                | (222)                    | (2)  | -                    | -                                      | (1,164)         |
| Write-off                       | -                       | -                   | (345)                         | -                                 | (1)                              | -                        | (10)   | -                    | (177)                                  | (533)           |
| Reclassification                | -                       | -                   | 702                           | -                                 | -                                | -                        | -  | -                    | (702)                                  | -               |
| Exchange differences            | 116                     | 9,522               | 11,558                        | 156                               | 27                               | 175                      | 204  | 97                   | 295                                    | 22,150          |
| At 30 June 2023                 | 22,652                  | 254,099             | 306,780                       | 3,839                             | 613                              | 5,310                    | 4,429  | 2,251                | 9,672                                  | 609,645         |
| <b>Accumulated depreciation</b> |                         |                     |                               |                                   |                                  |                          |  |                      |  |                 |
| At 1 July 2022                  | -                       | 75,806              | 222,669                       | 3,370                             | 494                              | 3,888                    | 3,604  | 1,966                | -                                      | 311,797         |
| Charge for the year             | -                       | 6,422               | 10,740                        | 62                                | 9                                | 306                      | 142  | 37                   | -                                      | 17,718          |
| Disposals                       | -                       | -                   | (478)                         | -                                 | -                                | (169)                    | -  | -                    | -                                      | (647)           |
| Write-off                       | -                       | -                   | (320)                         | -                                 | (1)                              | -                        | (10)   | -                    | -                                      | (331)           |
| Exchange differences            | -                       | 3,240               | 9,441                         | 156                               | 27                               | 121                      | 194  | 89                   | -                                      | 13,268          |
| At 30 June 2023                 | -                       | 85,468              | 242,052                       | 3,588                             | 529                              | 4,146                    | 3,930  | 2,092                | -                                      | 341,805         |
| <b>Net carrying amount</b>      |                         |                     |                               |                                   |                                  |                          |  |                      |  |                 |
| At 30 June 2023                 | 22,652                  | 168,631             | 64,728                        | 251                               | 84                               | 1,164                    | 499  | 159                  | 9,672                                  | 267,840         |

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 13. Property, plant and equipment (cont'd)

| Group   | Freehold land<br>RM'000 | Buildings<br>RM'000 | Plant and machinery<br>RM'000 | Electrical installation<br>RM'000 | Furniture and fittings<br>RM'000 | Motor vehicles<br>RM'000 | Office equipment and computer software<br>RM'000 | Renovation<br>RM'000 | Buildings under construction<br>RM'000 | Total<br>RM'000 |
|---|-------------------------|---------------------|-------------------------------|-----------------------------------|----------------------------------|--------------------------|--|----------------------|--|-----------------|
| <b>Cost</b>                                   |                         |                     |                               |                                   |                                  |                          |  |                      |  |                 |
| At 1 July 2021                                | 22,618                  | 223,672             | 271,496                       | 3,794                             | 535                              | 5,520                    | 3,723  | 2,223                | 4,998                                  | 538,579         |
| Additions                                     | -                       | 1,701               | 4,089                         | -                                 | 7                                | 38                       | 80   | -                    | 522                                    | 6,437           |
| Disposals                                     | -                       | -                   | (810)                         | -                                 | -                                | (369)                    | -  | -                    | -                                      | (1,179)         |
| Write-off                                     | -                       | -                   | (1,873)                       | -                                 | -                                | -                        | (87)   | -                    | -                                      | (1,960)         |
| Transfer from investment properties (Note 14) | -                       | 8,025               | -                             | -                                 | -                                | -                        | -  | -                    | -                                      | 8,025           |
| Reclassification                              | -                       | -                   | 4,336                         | -                                 | -                                | -                        | -  | -                    | (4,336)                                | -               |
| Exchange differences                          | (82)                    | 8,103               | 9,341                         | (111)                             | (19)                             | 155                      | 200  | (69)                 | (103)                                  | 17,415          |
| At 30 June 2022                               | 22,536                  | 241,501             | 286,579                       | 3,683                             | 523                              | 5,344                    | 3,916  | 2,154                | 1,081                                  | 567,317         |
| <b>Accumulated depreciation</b>               |                         |                     |                               |                                   |                                  |                          |  |                      |  |                 |
| At 1 July 2021                                | -                       | 67,081              | 207,317                       | 3,419                             | 503                              | 3,686                    | 3,347  | 1,991                | -                                      | 287,344         |
| Charge for the year                           | -                       | 6,149               | 10,201                        | 62                                | 10                               | 473                      | 154  | 37                   | -                                      | 17,086          |
| Disposals                                     | -                       | -                   | (473)                         | -                                 | -                                | (359)                    | -  | -                    | -                                      | (832)           |
| Write-off                                     | -                       | -                   | (1,873)                       | -                                 | -                                | -                        | (87)   | -                    | -                                      | (1,960)         |
| Exchange differences                          | -                       | 2,576               | 7,497                         | (111)                             | (19)                             | 88                       | 190  | (62)                 | -                                      | 10,159          |
| At 30 June 2022                               | -                       | 75,806              | 222,669                       | 3,370                             | 494                              | 3,888                    | 3,604  | 1,966                | -                                      | 311,797         |
| <b>Net carrying amount</b>                    |                         |                     |                               |                                   |                                  |                          |  |                      |  |                 |
| At 30 June 2022                               | 22,536                  | 165,695             | 63,910                        | 313                               | 29                               | 1,456                    | 312  | 188                  | 1,081                                  | 255,520         |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 14. Investment properties

|  | <b>Group</b>  |               |
|--|---------------|---------------|
|  | <b>2023</b>   | <b>2022</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> |
| <b>Freehold land and buildings</b>                     |               |               |
| <b>Cost</b>  |               |               |
| At beginning of the year                               | 53,417        | 61,447        |
| Additions  | 1,800         | 15            |
| Transferred to property, plant and equipment (Note 13) | -             | (8,025)       |
| Exchange differences                                   | 26            | (20)          |
| At end of the year                                     | 55,243        | 53,417        |
| <b>Accumulated depreciation</b>                        |               |               |
| At beginning of the year                               | 2,184         | 1,885         |
| Charge for the year                                    | 335           | 299           |
| At end of the year                                     | 2,519         | 2,184         |
| <b>Net carrying amount</b>                             | 52,724        | 51,233        |

The investment properties with net carrying amount of RM50,337,000 (2022: RM50,634,000) are pledged as securities for loans and borrowings as disclosed in Note 26.

At the reporting date, the directors have estimated the fair values of investment properties of the Group to be RM79,256,000 (2022: RM70,221,000). The fair values have been determined by reference to market evidence of transaction prices for similar properties.

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

|                                       | <b>Group</b>  |               |
|---------------------------------------|---------------|---------------|
|                                       | <b>2023</b>   | <b>2022</b>   |
|                                       | <b>RM'000</b> | <b>RM'000</b> |
| Rental income                         | 1,608         | 1,460         |
| Depreciation of investment properties | 335           | 299           |
| Quit rent and assessment              | 147           | 143           |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 15. Right-of-use assets

The Group has lease contracts for building, leasehold land and land use rights with contract terms ranging from 3 to 68 years (2022: 3 to 68 years) and do not contain variable lease payments.

The carrying amounts of the right-of-use assets and the movements during the year are as follows:

|                                 | Building<br>RM'000 | Leasehold<br>land<br>RM'000 | Land use<br>rights<br>RM'000 | Total<br>RM'000 |
|---------------------------------|--------------------|-----------------------------|------------------------------|-----------------|
| <b>Group</b>                    |                    |                             |                              |                 |
| <b>Cost</b>                     |                    |                             |                              |                 |
| At 1 July 2022                  | 2,456              | 5,678                       | 42,941                       | 51,075          |
| Exchange differences            | 142                | 56                          | 2,485                        | 2,683           |
| At 30 June 2023                 | 2,598              | 5,734                       | 45,426                       | 53,758          |
| <b>Accumulated depreciation</b> |                    |                             |                              |                 |
| At 1 July 2022                  | 2,456              | 1,967                       | 13,961                       | 18,384          |
| Charge for the year             | -                  | 98                          | 1,070                        | 1,168           |
| Exchange differences            | 142                | 24                          | 846                          | 1,012           |
| At 30 June 2023                 | 2,598              | 2,089                       | 15,877                       | 20,564          |
| <b>Net carrying amount</b>      |                    |                             |                              |                 |
| At 30 June 2023                 | -                  | 3,645                       | 29,549                       | 33,194          |
| <b>Cost</b>                     |                    |                             |                              |                 |
| At 1 July 2021                  | 2,313              | 5,621                       | 42,427                       | 50,361          |
| Termination                     | -                  | -                           | (2,218)                      | (2,218)         |
| Exchange differences            | 143                | 57                          | 2,732                        | 2,932           |
| At 30 June 2022                 | 2,456              | 5,678                       | 42,941                       | 51,075          |
| <b>Accumulated depreciation</b> |                    |                             |                              |                 |
| At 1 July 2021                  | 1,606              | 1,848                       | 12,397                       | 15,851          |
| Charge for the year             | 722                | 97                          | 1,052                        | 1,871           |
| Termination                     | -                  | -                           | (478)                        | (478)           |
| Exchange differences            | 128                | 22                          | 990                          | 1,140           |
| At 30 June 2022                 | 2,456              | 1,967                       | 13,961                       | 18,384          |
| <b>Net carrying amount</b>      |                    |                             |                              |                 |
| At 30 June 2022                 | -                  | 3,711                       | 28,980                       | 32,691          |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 16. Investments in subsidiaries

|                          | <b>Company</b> |               |
|--------------------------|----------------|---------------|
|                          | <b>2023</b>    | <b>2022</b>   |
|                          | <b>RM'000</b>  | <b>RM'000</b> |
| Unquoted shares, at cost | 218,929        | 218,929       |

On 18 January 2023, Rhong Khen Industries Sdn. Bhd. ("RKI"), a wholly-owned subsidiary of the Company entered into an agreement with Ng Yang Peng and Chong Ching Fen for the manufacture and sales of furniture, panel board furniture and components in and from Malaysia (the "Agreement") through the medium of Excite Group Sdn. Bhd. ("Excite"). Excite had on 31 January 2023 increased its issued and paid-up capital from RM1.00 to RM1,000,000.00 in accordance with the terms of the Agreement. On the even date, RKI subscribed for 510,000 shares of Excite, which has been assessed to be a 51%-owned subsidiary, as RKI has control over the relevant activities of Excite, pursuant to the Agreement. At the date of acquisition, Excite had not commenced operations and had no significant assets or liabilities.

Details of the subsidiaries are as follows:

| Name of subsidiaries                | Principal place of business/<br>Country of incorporation | Principal activities  | Proportion of ownership interest |           |
|-------------------------------------|--|---|----------------------------------|-----------|
|                                     |  |   | 2023<br>%                        | 2022<br>% |
| <b><i>Held by the Company:</i></b>  |  |   |                                  |           |
| Latitude Tree Furniture Sdn. Bhd.   | Malaysia   | Manufacture and sale of wooden furniture and components       | 100                              | 100       |
| Rhong Khen Industries Sdn. Bhd.     | Malaysia   | Manufacture and sale of decorative wood panels and papers     | 100                              | 100       |
| Rhong Khen Timbers Sdn. Bhd.        | Malaysia   | Manufacture and sale of wooden furniture parts and components | 100                              | 100       |
| Latitude Tree Sdn. Bhd.             | Malaysia   | Investment holding  | 100                              | 100       |
| L-Tree Resources Sdn. Bhd.          | Malaysia   | Investment holding  | 100                              | 100       |
| Grob Holz Sdn. Bhd.                 | Malaysia   | Investment holding  | 100                              | 100       |
| Uptown Promenade Sdn. Bhd.          | Malaysia   | Investment holding  | 100                              | 100       |
| Latitude Tree International Limited | Malaysia/<br>British Virgin Islands ^                    | Investment holding  | 100                              | 100       |
| Great Paddy Pte. Ltd.               | Malaysia/<br>British Virgin Islands ^                    | Investment holding and general trading                        | 100                              | 100       |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 16. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

| Name of subsidiaries  | Principal place of business/<br>Country of incorporation | Principal activities   | Proportion of ownership interest |           |
|---|--|--|----------------------------------|-----------|
|   |  |  | 2023<br>%                        | 2022<br>% |
| <b><i>Held through Latitude Tree Sdn. Bhd.:</i></b>                   |  |  |                                  |           |
| Latitude Tree Vietnam Joint Stock Company *                           | Vietnam  | Manufacture and sale of wooden furniture and components                  | 100                              | 100       |
| <b><i>Held through Grob Holz Sdn. Bhd.:</i></b>                       |  |  |                                  |           |
| Grob Holz Company Limited #   | Thailand   | Manufacture and sale of wooden furniture parts and components            | 100                              | 100       |
| <b><i>Held through L-Tree Resources Sdn. Bhd.:</i></b>                |  |  |                                  |           |
| RT Industries Co., Ltd. *   | Vietnam  | Manufacture and sale of upholstery furniture                             | 100                              | 100       |
| <b><i>Held through Rhong Khen Industries Sdn. Bhd.:</i></b>           |  |  |                                  |           |
| Excite Group Sdn. Bhd.  | Malaysia   | Manufacture and sales of furniture, panel board furniture and components | 51                               | -         |
| <b><i>Held through Latitude Tree Vietnam Joint Stock Company:</i></b> |  |  |                                  |           |
| RK Resources Co., Ltd. *  | Vietnam  | Manufacture and sale of wooden furniture and components                  | 100                              | 100       |

^ The country of incorporation is British Virgin Islands

\* Audited by member firm of Ernst & Young Global in Vietnam

# Audited by a firm of auditors other than Ernst & Young

Summarised financial information of Excite Group Sdn. Bhd., which has non-controlling interests that are material to the Group is set out as below. The summarised financial information presented below is the amount before inter-company elimination.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 16. Investments in subsidiaries (cont'd)

#### (i) Summarised statement of financial position

|  | <b>2023<br/>RM'000</b> |
|--|------------------------|
| <b>Assets</b>                                |                        |
| Non-current assets                           | 7,826                  |
| Current assets                               | 3,011                  |
| Total assets                                 | <u>10,837</u>          |
| <b>Liabilities</b>                           |                        |
| Non-current liabilities                      | 4,001                  |
| Current liabilities                          | 7,330                  |
| Total liabilities                            | <u>11,331</u>          |
| Net liabilities                              | <u>(494)</u>           |
| Equity attributable to owners of the Company | <u>(252)</u>           |
| Non-controlling interests                    | <u>(242)</u>           |

#### (ii) Summarised statement of comprehensive income

|  | <b>2023<br/>RM'000</b> |
|--|------------------------|
| Revenue  | 1,571                  |
| Loss for the year/Total comprehensive loss for the year                  | <u>(1,494)</u>         |
| Loss for the year/Total comprehensive loss for the year attributable to: |                        |
| Owners of the Company  | (762)                  |
| Non-controlling interests  | (732)                  |
|  | <u>(1,494)</u>         |

### 17. Other investment

|  | <b>Group<br/>2023<br/>RM'000</b> | <b>2022<br/>RM'000</b> |
|--|----------------------------------|------------------------|
| Transferable golf club membership, at cost | 81                               | 81                     |

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 18. Deferred tax assets/(liabilities)

#### Group

Presented before appropriate offsetting as follows:

#### Deferred tax liabilities

Property, plant and equipment  
Right-of-use assets

| As at 1 July 2021<br>RM'000 | Recognised in profit or loss<br>RM'000<br>(Note 10) | Exchange differences<br>RM'000 | As at 30 June 2022<br>RM'000 | Recognised in profit or loss<br>RM'000<br>(Note 10) | Exchange differences<br>RM'000 | As at 30 June 2023<br>RM'000 |
|-----------------------------|---|--------------------------------|------------------------------|---|--------------------------------|------------------------------|
| (5,899)                     | (677)   | -                              | (6,576)                      | (208)   | -                              | (6,784)                      |
| (81)                        | 46  | -                              | (35)                         | (126)   | -                              | (161)                        |
| (5,980)                     | (631)   | -                              | (6,611)                      | (334)   | -                              | (6,945)                      |

#### Deferred tax assets

Unutilised tax losses, unutilised reinvestment allowances and unabsorbed capital allowances  
Provisions  
Investment properties

|       |      |     |       |         |     |       |
|-------|------|-----|-------|---------|-----|-------|
| 667   | 536  | -   | 1,203 | 1,032   | -   | 2,235 |
| 2,798 | 131  | 100 | 3,029 | (1,425) | 210 | 1,814 |
| 209   | (33) | -   | 176   | (81)    | -   | 95    |
| 3,674 | 634  | 100 | 4,408 | (474)   | 210 | 4,144 |

#### Total net deferred tax (liabilities)/assets

|         |   |     |         |       |     |         |
|---------|---|-----|---------|-------|-----|---------|
| (2,306) | 3 | 100 | (2,203) | (808) | 210 | (2,801) |
|---------|---|-----|---------|-------|-----|---------|

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 18. Deferred tax assets/(liabilities) (cont'd)

|  | <b>Group</b>   |                |
|--|----------------|----------------|
|  | <b>2023</b>    | <b>2022</b>    |
|  | <b>RM'000</b>  | <b>RM'000</b>  |
| Presented after appropriate offsetting as follows: |                |                |
| Deferred tax assets                                | 843            | 1,057          |
| Deferred tax liabilities                           | (3,644)        | (3,260)        |
|  | <u>(2,801)</u> | <u>(2,203)</u> |

### 19. Inventories

|                             | <b>Group</b>   |                |
|-----------------------------|----------------|----------------|
|                             | <b>2023</b>    | <b>2022</b>    |
|                             | <b>RM'000</b>  | <b>RM'000</b>  |
| <b>Cost</b>                 |                |                |
| Raw materials               | 68,118         | 106,979        |
| Work-in-progress            | 27,495         | 53,634         |
| Finished goods              | 55,582         | 92,543         |
|                             | <u>151,195</u> | <u>253,156</u> |
| <b>Net realisable value</b> |                |                |
| Finished goods              | 238            | 255            |
|                             | <u>151,433</u> | <u>253,411</u> |

The cost of inventories recognised as expenses in cost of sales of the Group is RM569,579,000 (2022: RM650,787,000).

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 20. Trade and other receivables

|  | Group          |                |
|--|----------------|----------------|
|  | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Trade receivables</b>                   |                |                |
| Third parties                              | 36,288         | 63,118         |
| Less: Allowance for expected credit losses | (6,319)        | (5,780)        |
| Trade receivables, net                     | 29,969         | 57,338         |
| <b>Other receivables</b>                   |                |                |
| Import duty and other indirect taxes       | 10,119         | 18,688         |
| Sundry receivables                         | 2,683          | 6,105          |
| Deposits                                   | 706            | 594            |
|  | 13,508         | 25,387         |
| Less: Allowance for expected credit losses | (282)          | (268)          |
| Other receivables, net                     | 13,226         | 25,119         |
| Total trade and other receivables          | 43,195         | 82,457         |

#### (a) Trade receivables

Trade receivables are non-interest bearing. The Group's normal trade credit terms range from 7 to 90 days (2022: 7 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

#### Ageing analysis of trade receivables

The ageing analysis of Group's trade receivables is as follows:

|  | Group          |                |
|--|----------------|----------------|
|  | 2023<br>RM'000 | 2022<br>RM'000 |
| Neither past due nor impaired            | 23,582         | 43,890         |
| 1 to 30 days past due not impaired       | 5,256          | 11,746         |
| 31 to 60 days past due not impaired      | 242            | 957            |
| 61 to 90 days past due not impaired      | 59             | 104            |
| 91 to 120 days past due not impaired     | 110            | 641            |
| More than 121 days past due not impaired | 720            | -              |
| Impaired                                 | 6,387          | 13,448         |
|  | 6,319          | 5,780          |
|  | 36,288         | 63,118         |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 20. Trade and other receivables (cont'd)

#### (a) Trade receivables (cont'd)

##### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

##### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM6,387,000 (2022: RM13,448,000) that are past due at the reporting date but not impaired. These receivables are not secured by any collateral or credit enhancement.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience and no adverse information to date, the management are of the opinion that no allowance for expected credit losses is necessary in respect of these balances as there have not been a significant change in the credit quality and the balances are still considered fully recoverable.

##### Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

|  | <b>Group</b>  |               |
|--|---------------|---------------|
|  | <b>2023</b>   | <b>2022</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> |
| Trade receivables - nominal amounts        | 6,319         | 5,780         |
| Less: Allowance for expected credit losses | (6,319)       | (5,780)       |
|  | -             | -             |

Movement in allowance accounts:

|                          | <b>Group</b>  |               |
|--------------------------|---------------|---------------|
|                          | <b>2023</b>   | <b>2022</b>   |
|                          | <b>RM'000</b> | <b>RM'000</b> |
| At beginning of the year | 5,780         | 5,286         |
| Charge for the year      | 290           | 197           |
| Reversal during the year | (57)          | -             |
| Exchange differences     | 306           | 297           |
| At end of the year       | 6,319         | 5,780         |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 20. Trade and other receivables (cont'd)

##### (a) Trade receivables (cont'd)

###### Receivables that are impaired (cont'd)

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Management conducts periodic assessment on its trade receivables balance on respective receivables. Hence, sufficient allowance for expected credit losses are provided for specific trade receivables balances. Management is of the opinion that there are no further factors that warrants the consideration of additional allowance for expected credit losses on a collective basis.

##### (b) Other receivables

###### Other receivables that are impaired

The Group's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

|  | <b>Group</b>  |               |
|--|---------------|---------------|
|  | <b>2023</b>   | <b>2022</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> |
| Other receivables - nominal amounts        | 282           | 268           |
| Less: Allowance for expected credit losses | (282)         | (268)         |
|  | -             | -             |

Movement in allowance accounts:

|                          | <b>Group</b>  |               |
|--------------------------|---------------|---------------|
|                          | <b>2023</b>   | <b>2022</b>   |
|                          | <b>RM'000</b> | <b>RM'000</b> |
| At beginning of the year | 268           | 278           |
| Exchange differences     | 14            | (10)          |
| At end of the year       | 282           | 268           |

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 20. Trade and other receivables (cont'd)

The currency profiles of the trade and other receivables are as follows:

|                      | Group          |                |
|----------------------|----------------|----------------|
|                      | 2023<br>RM'000 | 2022<br>RM'000 |
| Ringgit Malaysia     | 5,363          | 10,075         |
| United States Dollar | 23,998         | 45,076         |
| Vietnam Dong         | 12,611         | 25,654         |
| Thai Baht            | 1,223          | 1,652          |
|                      | 43,195         | 82,457         |

### 21. Investment securities

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| <b><i>Fair value through profit or loss</i></b>   |                |                |                |                |
| Funds placed with licensed financial institutions | 63,438         | 85,012         | 17,644         | 20,377         |

The currency profiles of the investment securities are as follows:

|                      | Group          |                | Company        |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Ringgit Malaysia     | 63,438         | 79,786         | 17,644         | 20,377         |
| United States Dollar | -              | 5,226          | -              | -              |
|                      | 63,438         | 85,012         | 17,644         | 20,377         |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 22. Cash and bank balances

|                              | Group   |         | Company |        |
|------------------------------|---------|---------|---------|--------|
|                              | 2023    | 2022    | 2023    | 2022   |
|                              | RM'000  | RM'000  | RM'000  | RM'000 |
| Cash at banks and in hand    | 97,867  | 134,223 | 723     | 476    |
| Deposits with licensed banks | 97,067  | 48,151  | -       | -      |
|                              | 194,934 | 182,374 | 723     | 476    |

Deposits with licensed banks are made for varying periods of between 7 days to 365 days (2022: 30 days to 365 days) depending on the immediate cash requirements of the Group and earn interests at the rates ranging from 0.68% to 6.50% (2022: 0.80% to 3.80%) per annum.

Deposits with licensed banks of the Group amounting RM12,974,000 (2022: RM11,233,000) are pledged as securities for bank borrowings and guarantees as disclosed in Note 26.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

|   | Group    |          | Company |        |
|---|----------|----------|---------|--------|
|   | 2023     | 2022     | 2023    | 2022   |
|   | RM'000   | RM'000   | RM'000  | RM'000 |
| Total cash and bank balances                                      | 194,934  | 182,374  | 723     | 476    |
| Deposits pledged as securities for bank borrowings and guarantees | (12,974) | (11,233) | -       | -      |
| Deposits with licensed banks with tenure more than three months   | (28,816) | (675)    | -       | -      |
|   | 153,144  | 170,466  | 723     | 476    |

The currency profiles of the cash and bank balances are as follows:

|                      | Group   |         | Company |        |
|----------------------|---------|---------|---------|--------|
|                      | 2023    | 2022    | 2023    | 2022   |
|                      | RM'000  | RM'000  | RM'000  | RM'000 |
| Ringgit Malaysia     | 55,277  | 33,735  | 703     | 457    |
| United States Dollar | 89,848  | 117,746 | 20      | 19     |
| Singapore Dollar     | 409     | 808     | -       | -      |
| Vietnam Dong         | 49,309  | 27,525  | -       | -      |
| Thai Baht            | 91      | 2,560   | -       | -      |
|                      | 194,934 | 182,374 | 723     | 476    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 23. Share capital and treasury shares

|                                     | Group and Company        |                  |                          |                  |
|-------------------------------------|--------------------------|------------------|--------------------------|------------------|
|                                     | 2023                     |                  | 2022                     |                  |
|                                     | No. of<br>shares<br>'000 | Amount<br>RM'000 | No. of<br>shares<br>'000 | Amount<br>RM'000 |
| <b>Issued and fully paid-up</b>     |                          |                  |                          |                  |
| <b>Ordinary shares</b>              |                          |                  |                          |                  |
| At beginning/end of the year        | 194,363                  | 98,433           | 194,363                  | 98,433           |
| <b>Treasury shares</b>              |                          |                  |                          |                  |
| At beginning of the year            | (53)                     | (155)            | (53)                     | (155)            |
| Purchase of treasury shares         | (627)                    | (874)            | -                        | -                |
| Transfer to Employees' Share Scheme | 570                      | 862              | -                        | -                |
| At end of the year                  | (110)                    | (167)            | (53)                     | (155)            |
| <b>Total shares</b>                 | 194,253                  | 98,266           | 194,310                  | 98,278           |

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

During the financial year, the Company repurchased 627,700 ordinary shares from the open market at an average price of RM1.39 per share. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. The total consideration paid for the treasury shares, including transaction costs, was RM874,000. The Company transferred 570,000 treasury shares to directors and eligible employees under the ESS at an average market price of RM1.39 per share. The total transferred treasury shares, including transaction costs, was RM862,000.

### 24. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 30 June 2023 and 30 June 2022 under the single-tier system.

### 25. Foreign currency translation reserve

|  | Group          |                |
|--|----------------|----------------|
|  | 2023<br>RM'000 | 2022<br>RM'000 |
| At beginning of the year   | 85,688         | 68,420         |
| Foreign currency translation, recognised in other comprehensive income | 19,776         | 17,268         |
| At end of the year   | 105,464        | 85,688         |

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 26. Loans and borrowings

|                            | Group          |                |
|----------------------------|----------------|----------------|
|                            | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Non-current</b>         |                |                |
| Secured:                   |                |                |
| Term loans                 | 17,328         | 19,383         |
| Unsecured:                 |                |                |
| Debenture                  | -              | 6,643          |
|                            | <hr/> 17,328   | <hr/> 26,026   |
| <b>Current</b>             |                |                |
| Secured:                   |                |                |
| Bankers' acceptances       | 1,215          | 2,397          |
| Term loans                 | 2,907          | 2,746          |
| Trust receipts             | 3,950          | 98,142         |
| Unsecured:                 |                |                |
| Debenture                  | 7,039          | -              |
|                            | <hr/> 15,111   | <hr/> 103,285  |
| Total loans and borrowings | <hr/> 32,439   | <hr/> 129,311  |

The remaining maturities of the loans and borrowings are as follows:

|   | Group          |                |
|---|----------------|----------------|
|   | 2023<br>RM'000 | 2022<br>RM'000 |
| On demand or within one year            | 15,111         | 103,285        |
| More than 1 year and less than 2 years  | 2,874          | 9,392          |
| More than 2 years and less than 5 years | 8,863          | 8,428          |
| 5 years or more                         | 5,591          | 8,206          |
|   | <hr/> 32,439   | <hr/> 129,311  |

#### Term loans

The term loans are secured by the following:

- Fixed charges over freehold land of RM37,946,000 (2022: RM37,946,000) and freehold buildings of RM12,391,000 (2022: RM12,688,000) of a subsidiary, as disclosed in Note 14; and
- A corporate guarantee from the Company.

The term loans bear interest rates of 2.73% to 6.12% (2022: 1.14% to 3.42%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 26. Loans and borrowings (cont'd)

#### Bankers' acceptances

The weighted average effective interest rate of bankers' acceptances is 4.09% (2022: 2.98%) per annum. The bankers' acceptances are secured by short term deposits of RM7,820,000 (2022: RM6,120,000) with licensed banks of the subsidiaries, negative pledges over the assets of certain subsidiary and a corporate guarantee from the Company.

#### Revolving credit

Revolving credit is secured by the short term deposits of RM5,154,000 (2022: RM5,113,000) with a licensed bank of a subsidiary.

At the reporting date, the Group does not utilise the revolving credit facilities.

#### Trust receipts

The weighted average effective interest rate of trust receipts is 4.50% (2022: 2.18%) per annum. Trust receipts of the Group are guaranteed by certain subsidiaries of the Company.

#### Debenture

The debenture bears interest rate of 1.20% (2022: 1.20%) per annum.

The currency profiles of the loans and borrowings are as follows:

|                      | <b>Group</b>  |                |
|----------------------|---------------|----------------|
|                      | <b>2023</b>   | <b>2022</b>    |
|                      | <b>RM'000</b> | <b>RM'000</b>  |
| Ringgit Malaysia     | 7,417         | 9,405          |
| United States Dollar | 25,022        | 119,906        |
|                      | <b>32,439</b> | <b>129,311</b> |

### 27. Provision for severance allowance

|                           | <b>Group</b>  |               |
|---------------------------|---------------|---------------|
|                           | <b>2023</b>   | <b>2022</b>   |
|                           | <b>RM'000</b> | <b>RM'000</b> |
| At beginning of the year  | 227           | 231           |
| Provision during the year | 127           | 116           |
| Payment during the year   | (135)         | (133)         |
| Exchange differences      | 13            | 13            |
| At end of the year        | <b>232</b>    | <b>227</b>    |

Provision for severance allowance made for employees in a foreign subsidiary who have served more than one year in accordance with the Labour Code, the Law on Social Insurance and related implementing guidance in Vietnam.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 28. Lease liabilities

##### (a) Lease liabilities

|                           | Group          |                |
|---------------------------|----------------|----------------|
|                           | 2023<br>RM'000 | 2022<br>RM'000 |
| At beginning of the year  | 5,133          | 5,717          |
| Interest expense          | 126            | 129            |
| Payments during the year: |                |                |
| Payment of principal      | (161)          | (901)          |
| Payment of interest       | (126)          | (129)          |
| Exchange differences      | 290            | 317            |
| At end of the year        | 5,262          | 5,133          |

Lease liabilities are analysed as follows:

|             | Group          |                |
|-------------|----------------|----------------|
|             | 2023<br>RM'000 | 2022<br>RM'000 |
| Current     | 171            | 158            |
| Non-current | 5,091          | 4,975          |
|             | 5,262          | 5,133          |

Lease liabilities are calculated using discount rate of 2.75% (2022: 2.75%).

The following are recognised in profit or loss in respect of leases:

|                                       | Group          |                |
|---------------------------------------|----------------|----------------|
|                                       | 2023<br>RM'000 | 2022<br>RM'000 |
| Depreciation of right-of-use assets   | 1,168          | 1,871          |
| Interest expense on lease liabilities | 126            | 129            |

##### (b) Lease payments not recognised as a liability

The expenses relating to payments not included in the measurement of the lease liabilities during the financial year is as follows:

|   | Group          |                |
|---|----------------|----------------|
|   | 2023<br>RM'000 | 2022<br>RM'000 |
| Expenses relating to short-term leases and leases of low-value assets | 264            | 356            |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 29. Retirement benefit obligation

The Group operates an unfunded defined benefit plan for eligible employees according to the labour law of Thailand. The level of benefits provided depends on members' length of the service, their current salary and the probability that employees will work until retirement ages of 55.

(a) The amounts recognised in the statements of financial position is as follows:

|                               | Group          |                |
|-------------------------------|----------------|----------------|
|                               | 2023<br>RM'000 | 2022<br>RM'000 |
| Retirement benefit obligation | 338            | 287            |

(b) Movement in retirement benefit obligation is as follows:

|                               | Group          |                |
|-------------------------------|----------------|----------------|
|                               | 2023<br>RM'000 | 2022<br>RM'000 |
| At beginning of the year      | 287            | 224            |
| Current service cost (Note 8) | 35             | 72             |
| Exchange differences          | 16             | (9)            |
| At end of the year            | 338            | 287            |

### 30. Derivative

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivative does not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's bank balance denominated in United States Dollar ("USD"). The fair value changes are attributable to changes in foreign exchange closing and forward rate.

The notional amount, fair values and maturity tenure of the outstanding forward currency contracts as at 30 June 2023 and 30 June 2022 are disclosed as follows:

| ← Group →                                 |                       |  |   |                       |  |
|---|-----------------------|--|---|-----------------------|--|
| 2023                                      |                       |  | 2022                                      |                       |  |
| Contract/<br>Notional<br>amount<br>RM'000 | Liabilities<br>RM'000 | Fair value<br>gain<br>RM'000<br>(Note 5) | Contract/<br>Notional<br>amount<br>RM'000 | Liabilities<br>RM'000 | Fair value<br>(loss)<br>RM'000<br>(Note 7) |

#### Non-hedging derivative:

|                            |   |   |     |        |     |       |
|----------------------------|---|---|-----|--------|-----|-------|
| Forward currency contracts | - | - | 407 | 15,872 | 407 | (280) |
|----------------------------|---|---|-----|--------|-----|-------|

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing, using present value calculations. The model incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

The fair value hierarchy of derivative financial liabilities is disclosed in Note 34.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 31. Trade and other payables

|                                | Group          |                | Company        |                |
|--------------------------------|----------------|----------------|----------------|----------------|
|                                | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| <b>Trade payables</b>          |                |                |                |                |
| Third parties                  | 33,465         | 92,956         | -              | -              |
| <b>Other payables</b>          |                |                |                |                |
| Sundry payables                | 10,214         | 14,407         | 1              | 6              |
| Accruals                       | 9,174          | 9,628          | 112            | 100            |
| Sales and services tax         | 101            | 98             | -              | -              |
|                                | 19,489         | 24,133         | 113            | 106            |
| Total trade and other payables | 52,954         | 117,089        | 113            | 106            |

##### (a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 3 to 90 (2022: 7 to 90) days terms.

##### (b) Other payables

Sundry payables are non-interest bearing and are normally settled on an average term of 30 (2022: 30) days.

The currency profiles of the trade and other payables are as follows:

|                      | Group          |                | Company        |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2023<br>RM'000 | 2022<br>RM'000 | 2023<br>RM'000 | 2022<br>RM'000 |
| Ringgit Malaysia     | 11,676         | 12,030         | 113            | 106            |
| United States Dollar | 4,269          | 12,237         | -              | -              |
| Vietnam Dong         | 33,950         | 90,321         | -              | -              |
| Thai Baht            | 3,059          | 2,501          | -              | -              |
|                      | 52,954         | 117,089        | 113            | 106            |

#### 32. Related party disclosures

##### (a) Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and the related parties took place at terms agreed between the parties during the financial year:

|                                   | Company        |                |
|-----------------------------------|----------------|----------------|
|                                   | 2023<br>RM'000 | 2022<br>RM'000 |
| Dividend income from subsidiaries | 10,350         | 1,500          |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 32. Related party disclosures (cont'd)

#### (b) Compensation of key management personnel

The remuneration of key management personnel during the year were as follows:

|                                  | Group  |        | Company |        |
|----------------------------------|--------|--------|---------|--------|
|                                  | 2023   | 2022   | 2023    | 2022   |
|                                  | RM'000 | RM'000 | RM'000  | RM'000 |
| Salaries and other emoluments    | 6,394  | 6,770  | 346     | 278    |
| Employees' Share Scheme expenses | 635    | -      | 635     | -      |
| Defined contribution plan        | 189    | 177    | -       | -      |
|                                  | 7,218  | 6,947  | 981     | 278    |

Included in the remuneration of key management personnel are:

|                                  | Group  |        | Company |        |
|----------------------------------|--------|--------|---------|--------|
|                                  | 2023   | 2022   | 2023    | 2022   |
|                                  | RM'000 | RM'000 | RM'000  | RM'000 |
| Directors' remuneration (Note 9) | 2,431  | 2,275  | 527     | 278    |

### 33. Capital commitments

At the reporting date, the capital commitment is as follows:

|                               | Group  |        |
|-------------------------------|--------|--------|
|                               | 2023   | 2022   |
|                               | RM'000 | RM'000 |
| Approved and contracted for:  |        |        |
| Property, plant and equipment | 3,169  | 8,250  |

### 34. Fair value of financial instruments

#### A. Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

|                             | Note |
|-----------------------------|------|
| Trade and other receivables | 20   |
| Cash and bank balances      | 22   |
| Loans and borrowings        | 26   |
| Trade and other payables    | 31   |
| Lease liabilities           | 28   |

The carrying amounts of these current financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 34. Fair value of financial instruments (cont'd)

##### A. Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value (cont'd)

The carrying amount of receivables which are based on principal amounts outstanding representing approximately the cash flow receivables discounted at their effective yield, closely approximate their fair values.

The fair values of loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

##### B. Fair value of financial instruments that are carried at fair value

###### Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The following table shows an analysis of the asset and liability carried at fair value by level of fair value hierarchy:

| Group                 | Note | Significant observable inputs<br>(Level 1) |                |
|-----------------------|------|--|----------------|
|                       |      | 2023<br>RM'000                             | 2022<br>RM'000 |
|                       |      |  |                |
| Financial asset:      |      |  |                |
| Investment securities | 21   | 63,438                                     | 85,012         |
| <hr/>                 |      |  |                |
| Company               |      |  |                |
| Financial asset:      |      |  |                |
| Investment securities | 21   | 17,644                                     | 20,377         |
| <hr/>                 |      |  |                |
| Group                 | Note | Significant observable inputs<br>(Level 2) |                |
|                       |      | 2023<br>RM'000                             | 2022<br>RM'000 |
|                       |      |  |                |
| Financial liability:  |      |  |                |
| Derivative            | 30   | -  | 407            |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 34. Fair value of financial instruments (cont'd)

#### C. Assets not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's asset not measured at fair value but for which fair value is disclosed:

|                           | Note | Significant observable inputs<br>(Level 3) |                |
|---------------------------|------|--|----------------|
|                           |      | 2023<br>RM'000                             | 2022<br>RM'000 |
| <b>Group</b>              |      |  |                |
| <b>Non-current asset:</b> |      |  |                |
| Investment properties     | 14   | 79,256                                     | 70,221         |

### 35. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Managing Director and Management. The Audit Committee provides independent oversight on the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's and the Company's policy that no derivative shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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

#### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. Trade receivables are monitored on an ongoing basis via the Group's management reports.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The management of the Group monitors the cash flows and funding requirements of the Company and its subsidiaries on a Group-wide basis. This includes determining the timing and quantum of the repayment of amounts due from and due to subsidiaries and related companies of the Company when required.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 35. Financial risk management objectives and policies (cont'd)

##### (a) Credit risk (cont'd)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating, and coverage by deposit receivable). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Any receivables having significant balances past due more than 90 days, which are deemed to have higher default risk, are monitored individually.

##### Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.
- A nominal amount of RM25,400,000 (2022: RM122,668,000) relating to corporate guarantees provided by the Company to financial institutions for credit facilities granted to subsidiaries as disclosed in Note 26.

##### Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

|                    | Group  |            |        |            |
|--------------------|--------|------------|--------|------------|
|                    | 2023   |            | 2022   |            |
|                    | RM'000 | % of total | RM'000 | % of total |
| <b>By country:</b> |        |            |        |            |
| Malaysia           | 4,958  | 16%        | 8,755  | 15%        |
| United States      | 23,334 | 78%        | 45,333 | 79%        |
| Thailand           | 856    | 3%         | 775    | 1%         |
| Others             | 821    | 3%         | 2,475  | 5%         |
|                    | 29,969 | 100%       | 57,338 | 100%       |

At the reporting date, approximately 55% (2022: 50%) of the trade receivables were due from 3 major overseas customers (2022: 3 major overseas customers).

##### Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 35. Financial risk management objectives and policies (cont'd)

#### (a) Credit risk (cont'd)

##### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

##### Financial assets that are past due but not impaired

Information regarding trade and other receivables that are past due but not impaired is disclosed in Note 20. The amounts are due from creditworthy customers and based on past experience, the directors believe that no allowance for expected credit losses is necessary. The management is closely monitoring the recoverability of these debts.

#### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting 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 manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met.

The Group's and the Company's overall liquidity risk management are to maintain sufficient levels of cash or cash convertible investments to meet the working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company are able to raise fundings from shareholders, capital markets and financial institutions and balance their portfolios with some short and long term fundings so as to achieve overall cost effectiveness.

##### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations:

|   | On demand<br>or within<br>one year<br>RM'000 | One to<br>five years<br>RM'000 | Over<br>five years<br>RM'000 | Total<br>RM'000 |
|---|--|--------------------------------|------------------------------|-----------------|
| <b>Group</b>  |  |                                |                              |                 |
| <b>2023</b>   |  |                                |                              |                 |
| <b>Financial assets</b>   |  |                                |                              |                 |
| Trade and other receivables,<br>excluding import duty and<br>other indirect taxes | 33,076                                       | -                              | -                            | 33,076          |
| Investment securities   | 63,438                                       | -                              | -                            | 63,438          |
| Cash and bank balances  | 194,934                                      | -                              | -                            | 194,934         |
| Total undiscounted financial assets   | 291,448                                      | -                              | -                            | 291,448         |
| <b>Financial liabilities</b>  |  |                                |                              |                 |
| Trade and other payables,<br>excluding sales and services tax                     | 52,853                                       | -                              | -                            | 52,853          |
| Loans and borrowings  | 16,341                                       | 14,385                         | 5,908                        | 36,634          |
| Lease liabilities   | 298  | 1,192                          | 5,376                        | 6,866           |
| Total undiscounted financial liabilities  | 69,492                                       | 15,577                         | 11,284                       | 96,353          |
| Total net undiscounted financial<br>assets/(liabilities)                          | 221,956                                      | (15,577)                       | (11,284)                     | 195,095         |

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 35. Financial risk management objectives and policies (cont'd)

#### (b) Liquidity risk (cont'd)

##### Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations: (cont'd)

|   | On demand<br>or within<br>one year<br>RM'000 | One to<br>five years<br>RM'000 | Over<br>five years<br>RM'000 | Total<br>RM'000 |
|---|--|--------------------------------|------------------------------|-----------------|
| <b>Company</b>  |  |                                |                              |                 |
| <b>2023</b>   |  |                                |                              |                 |
| <b>Financial assets</b>   |  |                                |                              |                 |
| Investment securities   | 17,644                                       | -                              | -                            | 17,644          |
| Cash and bank balances  | 723  | -                              | -                            | 723             |
| Total undiscounted financial assets   | 18,367                                       | -                              | -                            | 18,367          |
| <b>Financial liability</b>  |  |                                |                              |                 |
| Trade and other payables,<br>representing total undiscounted<br>financial liability | 113  | -                              | -                            | 113             |
| Total net undiscounted financial assets   | 18,254                                       | -                              | -                            | 18,254          |
| <b>Group</b>  |  |                                |                              |                 |
| <b>2022</b>   |  |                                |                              |                 |
| <b>Financial assets</b>   |  |                                |                              |                 |
| Trade and other receivables,<br>excluding import duty and<br>other indirect taxes   | 63,769                                       | -                              | -                            | 63,769          |
| Investment securities   | 85,012                                       | -                              | -                            | 85,012          |
| Cash and bank balances  | 182,374                                      | -                              | -                            | 182,374         |
| Total undiscounted financial assets   | 331,155                                      | -                              | -                            | 331,155         |
| <b>Financial liabilities</b>  |  |                                |                              |                 |
| Trade and other payables,<br>excluding sales and services tax                       | 116,991                                      | -                              | -                            | 116,991         |
| Loans and borrowings  | 104,053                                      | 18,938                         | 8,416                        | 131,407         |
| Lease liabilities   | 282  | 1,127                          | 5,364                        | 6,773           |
| Derivative  | 407  | -                              | -                            | 407             |
| Total undiscounted financial liabilities  | 221,733                                      | 20,065                         | 13,780                       | 255,578         |
| Total net undiscounted financial<br>assets/(liabilities)                            | 109,422                                      | (20,065)                       | (13,780)                     | 75,577          |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 35. Financial risk management objectives and policies (cont'd)

#### (b) Liquidity risk (cont'd)

##### Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations: (cont'd)

|   | On demand<br>or within<br>one year<br>RM'000 | One to<br>five years<br>RM'000 | Over<br>five years<br>RM'000 | Total<br>RM'000 |
|---|--|--------------------------------|------------------------------|-----------------|
| <b>Company</b>  |  |                                |                              |                 |
| <b>2022</b>   |  |                                |                              |                 |
| <b>Financial assets</b>   |  |                                |                              |                 |
| Investment securities   | 20,377                                       | -                              | -                            | 20,377          |
| Cash and bank balances  | 476  | -                              | -                            | 476             |
| Total undiscounted financial assets   | 20,853                                       | -                              | -                            | 20,853          |
| <b>Financial liability</b>  |  |                                |                              |                 |
| Trade and other payables,<br>representing total undiscounted<br>financial liability | 106  | -                              | -                            | 106             |
| Total net undiscounted financial assets   | 20,747                                       | -                              | -                            | 20,747          |

At the reporting date, the financial guarantee contract provided by the Company is RM25,400,000 (2022: RM122,668,000). The counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of MFRS 9 are not included in the above maturity profile analysis.

#### (c) Interest rate risk

Interest rate risk is the risk that the 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's and the Company's exposure to interest rate risk arises primarily from its loans and borrowings. Loans and borrowings at floating rates expose the Group and the Company to cash flow interest rate risk.

##### Sensitivity analysis for interest rate risk

During the financial year, if interest rates had been 10% lower/higher, with all other variables held constant, the Group's profit for the year would have been RM110,000 (2022: RM205,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

There is no impact on the equity/other comprehensive income of the Group and the Company arising from any reasonable possible change in the interest rates as at 30 June 2023 and 30 June 2022.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 35. Financial risk management objectives and policies (cont'd)

##### (d) Foreign currency risk

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

The Group has transactional currency exposure arising from sales or purchases that are denominated in a currency other than the functional currencies of the companies within the Group. The foreign currencies in which these transactions are denominated are mainly Vietnam Dong ("VND"), United States Dollar ("USD"), Thai Baht ("THB") and Singapore Dollar ("SGD").

|                             | Note | VND<br>RM'000 | USD<br>RM'000 | THB<br>RM'000 | SGD<br>RM'000 |
|-----------------------------|------|---------------|---------------|---------------|---------------|
| <b>30 June 2023</b>         |      |               |               |               |               |
| Trade and other receivables | 20   | 12,611        | 23,998        | 1,223         | -             |
| Cash and bank balances      | 22   | 49,309        | 89,848        | 91            | 409           |
| Loans and borrowings        | 26   | -             | 25,022        | -             | -             |
| Trade and other payables    | 31   | 33,950        | 4,269         | 3,059         | -             |
| <b>30 June 2022</b>         |      |               |               |               |               |
| Trade and other receivables | 20   | 25,654        | 45,076        | 1,652         | -             |
| Investment securities       | 21   | -             | 5,226         | -             | -             |
| Cash and bank balances      | 22   | 27,525        | 117,746       | 2,560         | 808           |
| Loans and borrowings        | 26   | -             | 119,906       | -             | -             |
| Trade and other payables    | 31   | 90,321        | 12,237        | 2,501         | -             |

The following table demonstrates the sensitivity of the Group's profit for the year to a reasonably possible change in VND, USD, THB and SGD exchange rates against the functional currency of the respective companies within the Group with all other variables held constant.

##### Sensitivity analysis for foreign currency risk

|                     | VND<br>RM'000 | Profit for the year<br>USD<br>RM'000 | THB<br>RM'000 | SGD<br>RM'000 |
|---------------------|---------------|--------------------------------------|---------------|---------------|
| <b>30 June 2023</b> |               |                                      |               |               |
| - strengthened 10%  | 2,126         | 6,426                                | (133)         | 31            |
| - weakened 10%      | (2,126)       | (6,426)                              | 133           | (31)          |
| <b>30 June 2022</b> |               |                                      |               |               |
| - strengthened 10%  | (2,823)       | 2,729                                | 130           | 61            |
| - weakened 10%      | 2,823         | (2,729)                              | (130)         | (61)          |

There is no impact expected on the equity/other comprehensive income of the Group and the Company arising from any reasonable possible change in the foreign exchange rates as at 30 June 2023 and 30 June 2022.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 36. Categories of financial instruments

Financial assets and financial liabilities are measured either at fair value through profit or loss or at amortised cost. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

|  | Note | At amortised<br>cost<br>RM'000 | At fair value<br>through<br>profit or loss<br>RM'000 |
|--|------|--------------------------------|--|
| <b>Group</b>   |      |                                |  |
| <b>Financial assets</b>  |      |                                |  |
| <b>At 30 June 2023</b>   |      |                                |  |
| Trade and other receivables, excluding import duty<br>and other indirect taxes | 20   | 33,076                         | -  |
| Investment securities  | 21   | -                              | 63,438   |
| Cash and bank balances   | 22   | 194,934                        | -  |
|  |      | <hr/> 228,010                  | <hr/> 63,438   |
| <b>At 30 June 2022</b>   |      |                                |  |
| Trade and other receivables, excluding import duty<br>and other indirect taxes | 20   | 63,769                         | -  |
| Investment securities  | 21   | -                              | 85,012   |
| Cash and bank balances   | 22   | 182,374                        | -  |
|  |      | <hr/> 246,143                  | <hr/> 85,012   |
| <b>Financial liabilities</b>   |      |                                |  |
| <b>At 30 June 2023</b>   |      |                                |  |
| Trade and other payables, excluding sales and<br>services tax                  | 31   | 52,853                         | -  |
| Lease liabilities  | 28   | 5,262                          | -  |
| Loans and borrowings   | 26   | 32,439                         | -  |
|  |      | <hr/> 90,554                   | <hr/> -  |
| <b>At 30 June 2022</b>   |      |                                |  |
| Trade and other payables, excluding sales and<br>services tax                  | 31   | 116,991                        | -  |
| Lease liabilities  | 28   | 5,133                          | -  |
| Loans and borrowings   | 26   | 129,311                        | -  |
| Derivative   | 30   | -                              | 407  |
|  |      | <hr/> 251,435                  | <hr/> 407  |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 36. Categories of financial instruments (cont'd)

Financial assets and financial liabilities are measured either at fair value through profit or loss or at amortised cost. The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (cont'd)

|                            | Note | At amortised<br>cost<br>RM'000 | At fair value<br>through<br>profit or loss<br>RM'000 |
|----------------------------|------|--------------------------------|--|
| <b>Company</b>             |      |                                |  |
| <b>Financial assets</b>    |      |                                |  |
| <b>At 30 June 2023</b>     |      |                                |  |
| Investment securities      | 21   | -                              | 17,644   |
| Cash and bank balances     | 22   | 723                            | -  |
|                            |      | <hr/> 723                      | <hr/> 17,644   |
| <b>At 30 June 2022</b>     |      |                                |  |
| Investment securities      | 21   | -                              | 20,377   |
| Cash and bank balances     | 22   | 476                            | -  |
|                            |      | <hr/> 476                      | <hr/> 20,377   |
| <b>Financial liability</b> |      |                                |  |
| <b>At 30 June 2023</b>     |      |                                |  |
| Trade and other payables   | 31   | 113                            | -  |
|                            |      | <hr/> 113                      | <hr/> -  |
| <b>At 30 June 2022</b>     |      |                                |  |
| Trade and other payables   | 31   | 106                            | -  |
|                            |      | <hr/> 106                      | <hr/> -  |

#### 37. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2023 and 2022.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 37. Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net cash divided by total capital plus net cash. The Group's policy is to keep the gearing ratio at a reasonable level. The Group includes within net cash, loans and borrowings, less cash and bank balances.

|   | Note | Group<br>2023<br>RM'000 | 2022<br>RM'000 |
|---|------|-------------------------|----------------|
| Loans and borrowings  | 26   | 32,439                  | 129,311        |
| Less: Cash and bank balances  | 22   | (194,934)               | (182,374)      |
| Net cash  |      | (162,495)               | (53,063)       |
| Equity attributable to owners of the Company,<br>represents total capital |      | 685,956                 | 655,260        |
| <b>Total capital and net cash</b>   |      | 523,461                 | 602,197        |
| <b>Gearing ratio</b>  |      | N/A *                   | N/A *          |

\* N/A = not applicable

### 38. Segment information

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

- (i) Manufacturing
- (ii) Rental of investment properties
- (iii) Investment holding

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 38. Segment information (cont'd)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

|  | Manufacturing<br>RM'000 | Rental of<br>investment<br>properties<br>RM'000 | Investment<br>holding<br>RM'000 | Consolidation<br>adjustments<br>RM'000 | Note | Consolidated<br>financial<br>statements<br>RM'000 |
|--|-------------------------|---|---------------------------------|--|------|---|
| <b>30 June 2023</b>                        |                         |   |                                 |  |      |   |
| <b>Revenue:</b>                            |                         |   |                                 |  |      |   |
| External                                   | 646,325                 | 1,608   | 1,490                           | -                                      |      | 649,423   |
| Inter-segment                              | -                       | -   | 24,023                          | (24,023)                               | A    | -   |
| Total revenue                              | 646,325                 | 1,608   | 25,513                          | (24,023)                               |      | 649,423   |
| <b>Results:</b>                            |                         |   |                                 |  |      |   |
| Interest income                            | 2,087                   | 5   | 906                             | -                                      |      | 2,998   |
| Depreciation                               | 20,317                  | 333   | 332                             | (1,761)                                |      | 19,221  |
| Other non-cash net expenses/(income)       | 2,382                   | 692   | (1,842)                         | (304)                                  | B    | 928   |
| Segment profit before tax                  | 29,526                  | (734)   | 23,096                          | (24,032)                               | C    | 27,856  |
| <b>Assets:</b>                             |                         |   |                                 |  |      |   |
| Additions to property, plant and equipment | 21,875                  | -   | -                               | -                                      | D    | 21,875  |
| Additions to investment properties         | -                       | 1,800   | -                               | -                                      | D    | 1,800   |
| Segment assets                             | 685,626                 | 53,700  | 493,664                         | (422,598)                              | E    | 810,392   |
| <b>Liabilities:</b>                        |                         |   |                                 |  |      |   |
| Segment liabilities                        | 65,066                  | 20,622  | 274                             | 5,263                                  | F    | 91,225  |

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 38. Segment information (cont'd)

|  | 30 June 2022            |   |                                 |  |      |   |  |
|--|-------------------------|---|---------------------------------|--|------|---|--|
|  | Manufacturing<br>RM'000 | Rental of<br>investment<br>properties<br>RM'000 | Investment<br>holding<br>RM'000 | Consolidation<br>adjustments<br>RM'000 | Note | Consolidated<br>financial<br>statements<br>RM'000 |  |
| <b>Revenue:</b>                            |                         |   |                                 |  |      |   |  |
| External                                   | 753,108                 | 1,460   | 1,756                           | -                                      |      | 756,324   |  |
| Inter-segment                              | -                       | -   | 9,914                           | (9,914)                                | A    | -   |  |
| Total revenue                              | 753,108                 | 1,460   | 11,670                          | (9,914)                                |      | 756,324   |  |
| <b>Results:</b>                            |                         |   |                                 |  |      |   |  |
| Interest income                            | 1,086                   | 3   | 534                             | -                                      |      | 1,623   |  |
| Depreciation                               | 19,593                  | 297   | 313                             | (947)                                  |      | 19,256  |  |
| Other non-cash net expenses/(income)       | 1,697                   | 747   | (53)                            | 589                                    | B    | 2,980   |  |
| Segment profit before tax                  | 50,864                  | (433)   | 8,276                           | (9,895)                                | C    | 48,812  |  |
| <b>Assets:</b>                             |                         |   |                                 |  |      |   |  |
| Additions to property, plant and equipment | 6,437                   | -   | -                               | -                                      | D    | 6,437   |  |
| Additions to investment properties         | 15                      | -   | -                               | -                                      | D    | 15  |  |
| Segment assets                             | 820,021                 | 53,458  | 496,042                         | (422,550)                              | E    | 946,971   |  |
| <b>Liabilities:</b>                        |                         |   |                                 |  |      |   |  |
| Segment liabilities                        | 224,515                 | 22,437  | 370                             | 5,132                                  | F    | 252,454   |  |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 38. Segment information (cont'd)

Notes: Nature of consolidation adjustments to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenue are eliminated on consolidation.

B Other material non-cash expenses/(income) consist of the following items as presented in the respective notes to the financial statements:

|   | Note | 2023<br>RM'000 | 2022<br>RM'000 |
|---|------|----------------|----------------|
| Net unrealised loss on foreign exchange                               | 7    | 1,072          | 1,565          |
| Net fair value (gain)/loss on investment securities                   | 5,7  | (999)          | 1,220          |
| Net fair value (gain)/loss on derivative                              | 5,7  | (407)          | 280            |
| Loss on disposal of property, plant and equipment                     | 7    | 189            | 10             |
| Gain on termination of right-of-use assets                            | 5    | -              | (639)          |
| Allowance for expected credit losses on trade receivables             | 7    | 290            | 197            |
| Reversal of allowance for expected credit losses on trade receivables | 5    | (57)           | -              |
| Property, plant and equipment written off                             | 7    | 202            | -              |
| Provision for severance allowance                                     | 7    | 127            | 116            |
| Inventories written down  | 7    | 476            | 159            |
| Retirement benefit expenses   | 8    | 35             | 72             |
|   |      | 928            | 2,980          |

C The following items are (deducted from)/added to segment profit to arrive at "profit before tax" presented in the consolidated statement of comprehensive income:

|                                   | 2023<br>RM'000 | 2022<br>RM'000 |
|-----------------------------------|----------------|----------------|
| Revenue from inter-segment        | (24,023)       | (9,914)        |
| Cost of sales from inter-segment  | (655)          | (617)          |
| Other income from inter-segment   | (3,947)        | (4,072)        |
| Other expenses from inter-segment | 4,593          | 4,708          |
|                                   | (24,032)       | (9,895)        |

D Additions to non-current assets consist of:

|                               | 2023<br>RM'000 | 2022<br>RM'000 |
|-------------------------------|----------------|----------------|
| Property, plant and equipment | 21,875         | 6,437          |
| Investment properties         | 1,800          | 15             |
|                               | 23,675         | 6,452          |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 38. Segment information (cont'd)

Notes: Nature of consolidation adjustments to arrive at amounts reported in the consolidated financial statements. (cont'd)

E The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

|   | <b>2023</b><br><b>RM'000</b> | <b>2022</b><br><b>RM'000</b> |
|---|------------------------------|------------------------------|
| Tax recoverable and deferred tax assets | 2,325                        | 1,228                        |

F The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

|  | <b>2023</b><br><b>RM'000</b> | <b>2022</b><br><b>RM'000</b> |
|--|------------------------------|------------------------------|
| Tax payable and deferred tax liabilities | 35,778                       | 40,485                       |

#### Geographical information

Revenue and non-current assets information based on the geographical location of the operations of the Group are as follows:

|          | <b>Revenue</b>               |                              | <b>Non-current assets</b>    |                              |
|----------|------------------------------|------------------------------|------------------------------|------------------------------|
|          | <b>2023</b><br><b>RM'000</b> | <b>2022</b><br><b>RM'000</b> | <b>2023</b><br><b>RM'000</b> | <b>2022</b><br><b>RM'000</b> |
| Malaysia | 128,922                      | 154,349                      | 158,735                      | 152,173                      |
| Vietnam  | 504,439                      | 584,185                      | 174,253                      | 166,932                      |
| Thailand | 16,062                       | 17,790                       | 21,694                       | 21,477                       |
|          | 649,423                      | 756,324                      | 354,682                      | 340,582                      |

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

|                               | <b>2023</b><br><b>RM'000</b> | <b>2022</b><br><b>RM'000</b> |
|-------------------------------|------------------------------|------------------------------|
| Property, plant and equipment | 267,840                      | 255,520                      |
| Investment properties         | 52,724                       | 51,233                       |
| Right-of-use assets           | 33,194                       | 32,691                       |
| Other investment              | 81                           | 81                           |
| Deferred tax assets           | 843                          | 1,057                        |
|                               | 354,682                      | 340,582                      |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

#### 38. Segment information (cont'd)

##### Information about major customers

Revenue from major customers amounting to RM375,801,000 (2022: RM424,273,000), arising from sales by the top 5 major customers (2022: top 5 major customers) which accounted for 58% (2022: 56%) of the total revenue of the Group.

#### 39. Employees' Share Scheme ("ESS")

At an Extraordinary General Meeting held on 26 February 2021, shareholders approved the establishment and implementation of an Employees' Share Scheme ("ESS") for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company to eligible senior executives and employees respectively.

The ESS entails the granting to eligible directors (including non-executive directors but shall not include alternate and/or substitute directors) and/or eligible employees of the Group the following awards:

- (a) the right to receive new and/or existing shares at specified dates ("ESS Shares"); and/or
- (b) ESS options which entitle the selected person the right to exercise and receive shares at specified dates at pre-determined prices ("ESS Options").

The aggregate number of awards that may be allocated to a selected person shall be subject to the following:

- (a) the directors (including non-executive directors but shall not include alternate and/or substitute directors) and senior management do not participate in the deliberation and discussion of their own allocation and/or allocation to persons connected to them;
- (b) no allocation of more than 80% of the total awards will be made in aggregate to the directors and/or senior management of the Group;
- (c) no allocation of more than 10% of the total awards will be made to each of the director; and
- (d) no allocation of more than 10% of the total awards will be made to any selected persons who, either singly or collectively through persons connected to them, hold 20% or more of the total number of issued shares of the Company (excluding treasury shares if any).

The other salient terms of the ESS are as follows:

- (a) The total number of shares to be offered under the ESS shall not exceed 10% of the issued shares (excluding treasury shares) of the Company at any point of time during the duration of the ESS.
- (b) The ESS shall continue to be in force for a period of 5 years from the effective date provided always that on or before the expiry thereof, the Board shall have the discretion upon the recommendation of the ESS Committee, to extend in writing the tenure of the ESS for another 5 years or such shorter period as it deems fit immediately from the expiry of the first 5 years. The ESS shall continue to be in force commencing on the date which the last of the approvals and/or conditions stipulated in the By-Laws have been obtained and/or complied with, or such longer period as may be allowed by the relevant authorities.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONT'D)

### 39. Employees' Share Scheme ("ESS") (cont'd)

The other salient terms of the ESS are as follows: (cont'd)

- (c) Subject to the determination and sole discretion of the ESS Committee and in accordance with the terms of the By-Laws, any director (including non-executive directors but shall not include alternate and/or substitute directors) or employee of the companies within the Group which are not dormant, and such employee may include persons connected to a director or major shareholder who meet the following criteria at the offer date shall be eligible for consideration and selection as a selected person by the ESS Committee (as the case maybe):
  - (i) if he has attained the age of 18 years and is not an undischarged bankrupt;
  - (ii) if he is employed on a full-time basis and is on the payroll of any corporation (not being dormant) in the Group and has not served a notice to resign or received a notice of termination;
  - (iii) if his employment has been confirmed in writing prior to the offer date and is not under probationary period;
  - (iv) if he is a director, chief executive officer, major shareholder of the Company and/or an employee who is person connected with them, the specific allocation of awards granted by the Company under the ESS to him in his capacity as a director, chief executive officer, major shareholder of the Company and/or a person connected with them has been approved by the shareholders of the Company at a general meeting;
  - (v) if he is serving in a specific designation under an employment contract for a fixed duration excluding those who are employed for a specific project or on short-term contract or any other employees under contract as may be determined by the ESS Committee;
  - (vi) if he is not participating or entitled to participate in any other ESS or incentive scheme implemented by any other corporation which is in force for the time being provided that he may be eligible for consideration notwithstanding his participation or entitlement to participate if the ESS Committee shall so determine; and/or
  - (vii) if he fulfils any other criteria and/or falls within such category as may be set by the ESS Committee from time to time.

During the financial year, the Company transferred 570,000 treasury shares to directors and eligible employees under the ESS at an average market price of RM1.39 per share. The total transferred treasury shares, including transaction costs, was RM862,000. The cost of the transferred treasury shares which amounted to RM862,000 was recognised as an expense in the statements of comprehensive income.

# PROPERTIES HELD BY THE COMPANY AND ITS SUBSIDIARIES AS AT 30 JUNE 2023

| Location  | Description   | Tenure    | Year<br>Lease<br>Expiring | Age of<br>Building<br>(years) | Site<br>Area<br>(sq ft) | Net<br>Book<br>Value<br>(RM'000) | Date of<br>Revaluation<br>(R) /<br>Acquisition<br>(A) |
|---|---|-----------|---------------------------|-------------------------------|-------------------------|----------------------------------|---|
| Lot 3356, Batu 7 ¾, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan, Malaysia  | Industrial land with 2 blocks of factory building and 1 two-storey office building    | Freehold  | N/A                       | 30                            | 167,433                 | 7,892                            | 25 September 2002 (R)                                 |
| Lot 3358, Batu 7 ¾, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan, Malaysia  | Industrial land with a three-storey office building and 1 block of factory building   | Freehold  | N/A                       | 23                            | 168,800                 | 9,851                            | 27 January 2010 (A)                                   |
| Lot 3360, Batu 7 ¾, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan, Malaysia  | Industrial land with 1 block of factory building                                      | Freehold  | N/A                       | 25                            | 171,518                 | 7,623                            | 19 March 2003 (A)                                     |
| Lot 6147, Kawasan Perindustrian Ajil, Fasa 2, Batu 21, Jalan Ajil, Kuala Berang, 21800 Hulu Terengganu, Terengganu Darul Iman, Malaysia | Industrial land with 9 blocks of factory building and 1 single-storey office building | Leasehold | 2059                      | 25                            | 674,879                 | 9,351                            | 3 August 1999 (A)                                     |
| Lot 5803, Kawasan Perindustrian Ajil, Fasa 2, Batu 21, Jalan Ajil, Kuala Berang, 21800 Hulu Terengganu, Terengganu Darul Iman, Malaysia | Industrial land with 5 blocks of factory building                                     | Leasehold | 2058                      | 23                            | 671,345                 | 11,219                           | 30 May 2000 (A)                                       |
| Lot 6686, Kawasan Perindustrian Ajil, Mukim Tanggul, 21800 Hulu Terengganu, Terengganu Darul Iman, Malaysia                             | Vacant industrial land  | Leasehold | 2064                      | N/A                           | 143,784                 | 136                              | 15 October 2003 (A)                                   |
| PT 64526, Batu 8, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan, Malaysia  | Industrial land with 3 blocks of factory building and 1 two-storey office building    | Freehold  | N/A                       | 20/31                         | 332,939                 | 19,157                           | 2 May 2001 (R)  |
| H.S 270, PT No. 5920, Batu 8 ½, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan, Malaysia  | Agricultural land with 1 block of warehouse building                                  | Leasehold | 2071                      | 29                            | 103,727                 | 356                              | 14 April 2003 (A)                                     |
| H.S.(M) 35437, PT 56964, Batu 8, Jalan Kapar, 42200 Kapar, Selangor Darul Ehsan, Malaysia   | Workers' quarters   | Freehold  | N/A                       | 16                            | 59,890                  | 2,040                            | 18 December 2006 (A)                                  |
| Title Deed No. 18571, 18572, 19359, 19942 and 19943, Moo 1, Tung Mo Subdistrict, Sadao District, Songkhla Province, Thailand            | Industrial land with 3 blocks of factory buildings and 4 blocks of workers' quarters  | Freehold  | N/A                       | 17                            | 869,024                 | 11,294                           | 21 January 2005 (A)                                   |

PROPERTIES HELD BY  
THE COMPANY AND ITS SUBSIDIARIES  
AS AT 30 JUNE 2023 (CONT'D)

| Location  | Description  | Tenure    | Year<br>Lease<br>Expiring | Age of<br>Building<br>(years) | Site<br>Area<br>(sq ft) | Net<br>Book<br>Value<br>(RM'000) | Date of<br>Revaluation<br>(R) /<br>Acquisition<br>(A) |
|---|--|-----------|---------------------------|-------------------------------|-------------------------|----------------------------------|---|
| Title Deed No. 18604, Moo 1, Tung Mo Subdistrict, Sadao District, Songkhla Province, Thailand           | Vacant land  | Freehold  | N/A                       | N/A                           | 333,860                 | 536                              | 21 January 2005 (A)                                   |
| Title Deed No. 17617 and 42908, Moo 1, Tung Mo Subdistrict, Sadao District, Songkhla Province, Thailand | Vacant land  | Freehold  | N/A                       | N/A                           | 322,401                 | 735                              | 16 February 2017 (A)                                  |
| No. 29, Road DT 743, Song Than Industrial Zone II, Di An District, Binh Duong Province, Vietnam         | Industrial land with 5 blocks of factory building, 1 office building and 2 blocks of workers' quarters | Leasehold | 2045                      | 22                            | 637,869                 | 19,339                           | February 2001 (A)                                     |
| Lot L, Road 27, Song Than Industrial Zone II, Di An District, Binh Duong Province, Vietnam              | Industrial land with 1 block of warehouse building   | Leasehold | 2045                      | 23                            | 140,243                 | 3,935                            | March 2006 (A)  |
| Lot N, Road 26, Song Than Industrial Zone II, Di An District, Binh Duong Province, Vietnam              | Industrial land with 3 blocks of factory building  | Leasehold | 2030                      | 22                            | 111,008                 | 4,720                            | September 2010 (A)                                    |
| Lot 241, 242, 249, 250 and 251, Lai Uyen Commune, Ben Cat District, Binh Duong Province, Vietnam        | Industrial land with 3 blocks of factory building and 1 block of warehouse building                    | Leasehold | 2052                      | 18                            | 780,082                 | 21,790                           | May 2002 (A)  |
| Lot 231 and 240, Lai Uyen Commune, Ben Cat District, Binh Duong Province, Vietnam                       | Industrial land with 2 blocks of factory building and 2 blocks of warehouse building                   | Leasehold | 2052                      | 16                            | 1,011,043               | 21,430                           | May 2002 (A)  |
| Lot 77, 232, 243 and 244, Lai Uyen Commune, Ben Cat District, Binh Duong Province, Vietnam              | Industrial land with 3 blocks of factory building and 1 block of office building                       | Leasehold | 2052                      | 15                            | 1,035,962               | 19,147                           | May 2002 (A)  |
| Lot 299, Lai Uyen Commune, Ben Cat District, Binh Duong Province, Vietnam                               | Industrial land with 2 blocks of factory building and 2 blocks of workers' quarters                    | Leasehold | 2052                      | 16                            | 1,116,670               | 28,434                           | November 2006 (A)                                     |
| Lot A_15B_CN, Bau Bang Industrial Park, Lai Uyen Town, Bau Bang District, Binh Duong Province, Vietnam  | Vacant land  | Leasehold | 2057                      | N/A                           | 475,690                 | 11,264                           | Feb 2020 (A)  |

PROPERTIES HELD BY  
THE COMPANY AND ITS SUBSIDIARIES  
AS AT 30 JUNE 2023 (CONT'D)

| Location   | Description  | Tenure    | Year<br>Lease<br>Expiring | Age of<br>Building<br>(years) | Site<br>Area<br>(sq ft) | Net<br>Book<br>Value<br>(RM'000) | Date of<br>Revaluation<br>(R) /<br>Acquisition<br>(A) |
|--|--|-----------|---------------------------|-------------------------------|-------------------------|----------------------------------|---|
| Lot 765, Jalan Haji Sirat,<br>off Jalan Meru, 42100<br>Klang, Selangor Darul<br>Ehsan, Malaysia                                  | Industrial land with<br>a three-storey office<br>building and 1 block<br>of factory building | Freehold  | N/A                       | 29                            | 190,757                 | 19,752                           | 8 October<br>2014 (A)                                 |
| Lot 6102, Jalan Haji<br>Abdul Manan, Kawasan<br>Perindustrian Meru<br>Selatan, 41050 Klang,<br>Selangor Darul Ehsan,<br>Malaysia | Vacant industrial land   | Freehold  | N/A                       | N/A                           | 435,605                 | 30,585                           | 25 November<br>2019 (A)                               |
| No. 6, Jalan Sungai<br>Burung Y 32/Y, Bukit<br>Rimau, Seksyen 32,<br>40460 Shah Alam,<br>Selangor Darul Ehsan,<br>Malaysia       | Two-storey shop  | Freehold  | N/A                       | 12                            | 1,647                   | 1,764                            | 24 May 2022<br>(A)                                    |
| PT 10549, Kawasan<br>Perindustrian Ajil, Mukim<br>Tanggul, 21800 Hulu<br>Terengganu, Terengganu<br>Darul Iman, Malaysia          | Industrial land with<br>1 block of factory<br>building                                       | Leasehold | 2074                      | 6                             | 175,226                 | 4,793                            | 13 July 2014<br>(A)                                   |
| PT 10550, Kawasan<br>Perindustrian Ajil, Mukim<br>Tanggul, 21800 Hulu<br>Terengganu, Terengganu<br>Darul Iman, Malaysia          | Industrial land with<br>1 block of factory<br>building                                       | Leasehold | 2074                      | 6                             | 199,100                 | 4,605                            | 13 July 2014<br>(A)                                   |
| PT 10551, Kawasan<br>Perindustrian Ajil, Mukim<br>Tanggul, 21800 Hulu<br>Terengganu, Terengganu<br>Darul Iman, Malaysia          | Vacant industrial land   | Leasehold | 2074                      | N/A                           | 137,014                 | 164                              | 13 July 2014<br>(A)                                   |

# ANALYSIS OF SHAREHOLDINGS

## AS AT 29 SEPTEMBER 2023

|                               |   |  |
|-------------------------------|---|--|
| Total Number of Issued Shares | : | 194,362,500 (including shares held as Treasury Shares) |
| Treasury Shares               | : | 110,200 Ordinary Shares                                |
| Class of Shares               | : | Ordinary Shares  |
| Voting Rights                 | : | One vote per Ordinary Share                            |

| Size of Holdings                          | No. of Holders | % of Holders  | No. of Shares      | % of Shares   |
|---|----------------|---------------|--------------------|---------------|
| 1 - 99                                    | 366            | 13.78         | 13,301             | 0.01          |
| 100 - 1,000                               | 345            | 12.98         | 148,362            | 0.07          |
| 1,001 - 10,000                            | 1,359          | 51.15         | 5,842,937          | 3.01          |
| 10,001 - 100,000                          | 523            | 19.68         | 13,094,330         | 6.74          |
| 100,001 - 9,712,614                       | 58             | 2.18          | 59,008,756         | 30.38         |
| 9,712,615 (5% of Issued Shares) and above | 6              | 0.23          | 116,144,614        | 59.79         |
| <b>TOTAL</b>                              | <b>2,657</b>   | <b>100.00</b> | <b>194,252,300</b> | <b>100.00</b> |

### THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 29 SEPTEMBER 2023

| Name of Shareholders/Depositors  | No. of Shares | %     |
|--|---------------|-------|
| 1. LIN CHEN, JUI-FEN   | 31,118,800    | 16.02 |
| 2. KONSORTIUM KONTREK SDN. BHD.  | 29,804,400    | 15.34 |
| 3. LIN CHEN, JUI-FEN   | 18,445,326    | 9.50  |
| 4. HSBC NOMINEES (ASING) SDN. BHD.<br>QUINTET LUXEMBOURG FOR SAMARANG UCITS -<br>SAMARANG ASIAN PROSPERITY | 14,888,088    | 7.66  |
| 5. LIN, CHIN-HUNG  | 11,688,000    | 6.02  |
| 6. LIN, CHENG-HUNG   | 10,200,000    | 5.25  |
| 7. AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD.<br>PLEDGED SECURITIES ACCOUNT FOR EONPLUS INDUSTRY SDN. BHD.  | 9,700,786     | 4.99  |
| 8. KENANGA NOMINEES (ASING) SDN. BHD.<br>LIU, HSU-CHOU   | 8,173,460     | 4.21  |
| 9. CHEN, CHIU-CHIN   | 8,081,456     | 4.16  |
| 10. AFFIN HWANG NOMINEES (ASING) SDN. BHD.<br>PLEDGED SECURITIES ACCOUNT FOR LI, YI-PING                   | 4,815,828     | 2.48  |
| 11. KENANGA NOMINEES (ASING) SDN. BHD.<br>LIU, CHIA-HSING  | 3,174,560     | 1.63  |
| 12. LIM PEI TIAM @ LIAM AHAT KIAT  | 3,000,000     | 1.54  |
| 13. HO SUE BIA   | 2,361,242     | 1.22  |
| 14. CIMB GROUP NOMINEES (ASING) SDN. BHD.<br>EXEMPT AN FOR DBS BANK LTD (SFS)                              | 2,019,500     | 1.04  |
| 15. LIN, SHIN-NI   | 1,888,148     | 0.97  |
| 16. AFFIN HWANG NOMINEES (ASING) SDN. BHD.<br>PLEDGED SECURITIES ACCOUNT FOR LIN, CHIN-HUNG                | 1,804,800     | 0.93  |
| 17. TAN JIAN JONG  | 1,644,584     | 0.85  |
| 18. LIU, CHIA-HSING  | 1,313,760     | 0.68  |
| 19. LIU, HSU-CHOU  | 1,144,440     | 0.59  |
| 20. KENANGA NOMINEES (TEMPATAN) SDN. BHD.<br>RAKUTEN TRADE SDN BHD FOR LIM CHIN SOON                       | 931,800       | 0.48  |
| 21. AFFIN HWANG NOMINEES (ASING) SDN. BHD.<br>PHILLIP SECURITIES PTE LTD FOR TOH ONG TIAM                  | 536,300       | 0.28  |

## ANALYSIS OF SHAREHOLDINGS AS AT 29 SEPTEMBER 2023 (CONT'D)

### THIRTY LARGEST SHAREHOLDERS/DEPOSITORS AS AT 29 SEPTEMBER 2023 (CONT'D)

|     | <b>Name of Shareholders/Depositors</b>  | <b>No. of Shares</b> | <b>%</b>     |
|-----|---|----------------------|--------------|
| 22. | TEE KIAM HENG   | 438,600              | 0.23         |
| 23. | MAYBANK NOMINEES (TEMPATAN) SDN. BHD.<br>MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM            | 408,184              | 0.21         |
| 24. | RHB NOMINEES (TEMPATAN) SDN. BHD.<br>PLEDGED SECURITIES ACCOUNT FOR YONG LOY HUAT                 | 408,000              | 0.21         |
| 25. | TEE KIAM HENG   | 367,200              | 0.19         |
| 26. | CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD.<br>PLEDGED SECURITIES ACCOUNT FOR GOALKEY SYSTEM SDN. BHD. | 361,000              | 0.19         |
| 27. | THONG THYE SIANG SDN. BHD.  | 300,080              | 0.15         |
| 28. | LOH KOK WAI   | 285,504              | 0.15         |
| 29. | WONG CHONG HAI  | 250,780              | 0.13         |
| 30. | CHING SOON YEW  | 250,000              | 0.13         |
|     | <b>TOTAL</b>  | <b>169,804,626</b>   | <b>87.41</b> |

### LIST OF SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

| <b>Name of Substantial Shareholders</b>       | <b>Direct</b>        |          | <b>Indirect</b>           |          |
|---|----------------------|----------|---------------------------|----------|
|   | <b>No. of Shares</b> | <b>%</b> | <b>No. of Shares</b>      | <b>%</b> |
| Lin Chen, Jui-Fen                             | 49,738,036           | 25.60    | -                         | -        |
| Konsortium Kontrek Sdn. Bhd.                  | 29,804,400           | 15.34    | -                         | -        |
| Samarang UCITS –<br>Samarang Asian Prosperity | 14,888,088           | 7.66     | -                         | -        |
| Lin, Chin-Hung                                | 13,492,800           | 6.95     | -                         | -        |
| Lin, Cheng-Hung                               | 10,200,000           | 5.25     | -                         | -        |
| Yek Siew Liong                                | -                    | -        | 29,804,400 <sup>(1)</sup> | 15.34    |

**Note:**

- <sup>(1)</sup> Deemed interested by virtue of Section 8(4)(c) of the Companies Act 2016, held through Konsortium Kontrek Sdn. Bhd.

### DIRECTORS' SHAREHOLDINGS ACCORDING TO THE REGISTER OF DIRECTORS' SHAREHOLDINGS

| <b>Name of Directors</b>               | <b>Direct</b>        |          | <b>Indirect</b>           |          |
|--|----------------------|----------|---------------------------|----------|
|  | <b>No. of Shares</b> | <b>%</b> | <b>No. of Shares</b>      | <b>%</b> |
| Dato' Dr Norraesah Binti Haji Mohamad  | -                    | -        | -                         | -        |
| Lin Chen, Jui-Fen                      | 49,738,036           | 25.60    | -                         | -        |
| Lin, Chin-Hung                         | 13,492,800           | 6.95     | -                         | -        |
| Sandra Segaran A/L Muniandy @ Krishnan | -                    | -        | -                         | -        |
| Toh Seng Thong                         | -                    | -        | -                         | -        |
| Yek Siew Liong                         | -                    | -        | 29,804,400 <sup>(1)</sup> | 15.34    |

**Note:**

- <sup>(1)</sup> Deemed interested by virtue of Section 8(4)(c) of the Companies Act 2016, held through Konsortium Kontrek Sdn. Bhd.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Ninth (“29th”) Annual General Meeting (“AGM”) of the Company will be held at Glenmarie Hotel & Golf Resort, No. 1, Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor Darul Ehsan, Malaysia on Wednesday, 29 November 2023 at 12.00 noon to transact the following business:

## AGENDA

### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 June 2023 together with Reports of the Directors and Auditors thereon. (Please refer to Explanatory Note A)
2. To approve a final single-tier dividend of 3.0 sen per ordinary share for the financial year ended 30 June 2023. **Resolution 1**  
(Please refer to Explanatory Note B)
3. To approve the payment of Directors’ fees and Directors’ benefits up to RM350,000.00 for the period from 30 November 2023 until the next Annual General Meeting of the Company payable quarterly in arrears. **Resolution 2**  
(Please refer to Explanatory Note C)
4. To re-elect the following Directors, who retire in accordance with Clause 96 of the Constitution of the Company and being eligible offer themselves for re-election:
  - (a) Mr. Toh Seng Thong **Resolution 3**
  - (b) Mr. Lin, Chin-Hung **Resolution 4**
 (Please refer to Explanatory Note D)
5. To re-appoint Messrs Ernst & Young PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 5**  
(Please refer to Explanatory Note E)

### SPECIAL BUSINESS

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

6. **ORDINARY RESOLUTION** **Resolution 6**  
**PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES** (Please refer to Explanatory Note F)

“THAT subject to the Companies Act 2016 (“the Act”), the Constitution of the Company, the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise the maximum amount of funds available in the Company which shall not exceed the Company’s aggregate retained earnings to purchase such amount of shares in the Company (“Proposed Renewal of Share Buy-Back Authority”) 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 the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company;

THAT an amount not exceeding the Company’s retained earnings account be allocated by the Company for the Proposed Renewal of Share Buy Back Authority;

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either cancel and/or retain the shares so purchased as treasury shares (in accordance with Section 127 of the Act);

THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:

- (a) the conclusion of the next AGM of the Company following the 29th AGM, at which such resolution was passed, at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (c) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first,

but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any);

AND THAT the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Share Buy-Back Authority as may be agreed or allowed by any relevant governmental and/or regulatory authority."

### 7. ORDINARY RESOLUTION

#### **AUTHORITY FOR DIRECTORS TO ISSUE AND ALLOT SHARES IN THE COMPANY PURSUANT TO SECTION 76 OF THE COMPANIES ACT 2016**

**Resolution 7**  
(Please refer to Explanatory  
Note G)

"THAT subject to Section 76 of the Act, the Directors be and are hereby empowered to issue and allot shares in the Company at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies being obtained for such allotment and issuance.

THAT in connection with the above, pursuant to Section 85 and Clause 59 of the Constitution of the Company, the shareholders do hereby waive the statutory pre-emptive rights of the offered shares in proportion of their holdings at such price and at such terms to be offered arising from any issuance of new shares above by the Company.



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares.”

8. To transact any other business of which due notice shall have been given in accordance with the Act.

### BY ORDER OF THE BOARD

**YEOH JOE SON (MIA 9238)**  
**(SSM PC No.: 202008004222)**  
**TAI YIT CHAN (MAICSA 7009143)**  
**(SSM PC No.: 202008001023)**  
**TIA HWEI PING (MAICSA 7057636)**  
**(SSM PC No.: 202008001687)**  
 Company Secretaries

Selangor Darul Ehsan  
 Dated: 30 October 2023

### **NOTES:**

- (1) A member [other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991] entitled to attend and vote at the meeting is entitled to appoint a maximum of two (2) proxies to attend, participate, speak and vote on his/her behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.
- (2) Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
- (3) Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one (1) securities account (“omnibus account”) as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (4) The Proxy Form shall be signed by the appointer or his/her attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.
- (5) The original instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Company’s Share Registrar office at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid.
- (6) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available a Record of Depositors as at 22 November 2023 and only Members whose names appear on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.
- (7) Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of the 29th AGM will be put to vote by way of poll. Poll administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### **EXPLANATORY NOTES:**

#### **(A) Audited Financial Statements for Financial Year Ended 30 June 2023**

Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval from shareholders of the Company and hence, Agenda 1 is not put forward for voting.

#### **(B) Ordinary Resolution 1: Final Single-tier Dividend**

The Board of Directors ("Board") had on 24 August 2023 proposed a final single-tier dividend of 3.0 sen per ordinary share for the financial year ended 30 June 2023, subject to the shareholders' approval at the forthcoming 29th AGM of the Company.

#### **(C) Ordinary Resolution 2: Directors' Fees and Benefits Payable**

Pursuant to Section 230(1) of the Act, the fees of the directors and any benefits payable to the directors of the Company and its subsidiaries shall be approved at a general meeting.

The Proposed Ordinary Resolution 2 is to facilitate the payment of Directors' fees and Directors' benefits for the period from 30 November 2023 up to the date of the next AGM, calculated based on the current board size and the number of scheduled Board and Board Committees meetings for the period commencing from the date immediately after this AGM. In the event the Directors' fees and Directors' benefits proposed are insufficient (due to enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall. The Directors' benefits comprised of meeting allowances.

#### **(D) Ordinary Resolutions 3 and 4: Re-election of Directors**

Mr. Toh Seng Thong and Mr. Lin, Chin-Hung, who retire in accordance with Clause 96 of the Constitution of the Company, are eligible for re-election and hence, they have offered themselves for re-election as the Directors of the Company at the 29th AGM.

Each of the Directors standing for re-election had undergone a performance evaluation and had provided their annual declaration on their fitness and propriety to continue acting as Directors of the Company in accordance with the Fit and Proper Policy of the Group.

Upon the Nomination Committee's ("NC") assessment, the performance and suitability of each of the retiring Directors was found to be satisfactory and that each of the retiring Directors had demonstrated their commitment to the role and continues to be the effective and valuable members of the Board.

Based on the above premise, the NC had recommended for the retiring Directors to be re-elected at the 29th AGM and the Board had endorsed NC's recommendations. The retiring Directors had abstained from deliberations and decisions on their re-election at the NC and Board meetings.

The detailed profile of each retiring Director, including their career history, competencies and experience can be found on pages 13 and 14 of the Annual Report 2023.

#### **(E) Ordinary Resolution 5: Re-appointment of Messrs Ernst & Young PLT**

The Audit Committee and the Board have considered the re-appointment of Messrs Ernst & Young PLT ("EY") as Auditors of the Company following the annual assessment of the suitability and independence of the Auditors and collectively agreed that EY have met the relevant criteria prescribed by Paragraph 15.21 of the MMLR of Bursa Securities.

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### (F) Ordinary Resolution 6: Proposed Renewal of Share Buy-Back Authority

Ordinary Resolution 6 is to seek the renewal of the share buy-back authority granted by the shareholders to the Company at the Twenty-Eighth ("28th") AGM of the Company held on 29 November 2022, which will lapse at the conclusion of the 29th AGM to be held on 29 November 2023. The resolution, if passed, will authorise the Company to make market purchases of its own shares as permitted by the Act.

If the share buy-back authority is renewed at the 29th AGM, the Board will be allowed to purchase up to ten percent (10%) of the Company's total number of issued shares, should market conditions and price justify such purchase(s). The Board intends to make such purchase(s) under the share buy-back authority if doing so could lead to an increase in the net assets value per share held by the remaining shareholders and the purchase(s) are in the best interests of the Company in general, having due regard to appropriate gearing levels, alternative investment opportunities and the overall financial position of the Company.

Any purchase of shares of the Company would be by means of market purchases through Bursa Securities. Shares purchased under the share buy-back authority may either be cancelled or held as treasury shares by the Company. Such treasury shares may subsequently be cancelled, or resold for cash, or distributed as dividends or be dealt with by the Directors in the manners allowed by the Act.

### (G) Ordinary Resolution 7: Authority for Directors to Issue and Allot Shares in the Company pursuant to Section 76 of the Companies Act 2016

The Company had, during its 28th AGM held on 29 November 2022, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 76 of the Act. As at the date of the notice, the Company did not issue any shares pursuant to this mandate obtained.

Ordinary Resolution 7 is a renewal of the general mandate for issuance of shares by the Company under Section 76 of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares (excluding treasury shares, if any) of the Company for such purpose as the Directors consider would be in the best interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM.

With this renewed General Mandate, the Company will be able to carry any fund-raising activities, including but not limit to further placing of shares, for purpose of funding investment project(s) and/or working capital.

The waiver of pre-emptive rights pursuant to Section 85 of the Act and Clause 59 of the Constitution will allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer the new shares to all existing shareholders of the Company prior to issuance of new shares in the Company under the General Mandate.

### Personal data privacy:

*By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

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I/We, \_\_\_\_\_ of \_\_\_\_\_ NRIC No./Passport No./Registration No. \_\_\_\_\_  
and telephone no. \_\_\_\_\_  
email address \_\_\_\_\_

being a member/members of RHONG KHEN INTERNATIONAL BERHAD (the "Company"), hereby appoint:

| Full Name:                      | NRIC/Passport No.: | Proportion of shareholding to be represented by the proxy/proxies: |   |
|---------------------------------|--------------------|--|---|
|                                 |                    | No. of Shares  | % |
| Address:                        |                    |  |   |
| Tel. No.:                       |                    |  |   |
| Email Address:                  |                    |  |   |
| *And/or (delete as appropriate) |                    |  |   |
| Full Name:                      | NRIC/Passport No.: | Proportion of shareholding to be represented by the proxy/proxies: |   |
|                                 |                    | No. of Shares  | % |
| Address:                        |                    |  |   |
| Tel. No.:                       |                    |  |   |
| Email Address:                  |                    |  |   |
| *And/or (delete as appropriate) |                    |  |   |

*\*failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us, and on my/our behalf at the Twenty-Ninth ("29th") Annual General Meeting ("AGM") of the Company, will be held at Glenmarie Hotel & Golf Resort, No. 1, Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor Darul Ehsan, Malaysia on Wednesday, 29 November 2023 at 12.00 noon or any adjournment thereof.*

*\* Please delete the words "THE CHAIRMAN OF THE MEETING" if you wish to appoint some other person to be your proxy.*

I/We indicate with an "X" in the spaces below how I/We wish my/our vote to be cast.

| No. | Ordinary Business  | For | Against |
|-----|--|-----|---------|
| 1.  | To approve a final single-tier dividend of 3.0 sen per ordinary share for the financial year ended 30 June 2023.   |     |         |
| 2.  | To approve the payment of Directors' fees and Directors' benefits up to RM350,000.00 for the period from 30 November 2023 until the next Annual General Meeting of the Company payable quarterly in arrears. |     |         |
| 3.  | To re-elect Mr. Toh Seng Thong who retires in accordance with Clause 96 of the Constitution of the Company.  |     |         |
| 4.  | To re-elect Mr. Lin, Chin-Hung who retires in accordance with Clause 96 of the Constitution of the Company.  |     |         |
| 5.  | To re-appoint Messrs Ernst & Young PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.   |     |         |
|     | <b>Special Business</b>  |     |         |
| 6.  | Proposed renewal of authority for the Company to purchase its own shares.  |     |         |
| 7.  | Authority for Directors to issue and allot shares in the Company pursuant to Section 76 of the Companies Act 2016.   |     |         |

Please indicate with an "X" in the spaces provided, how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2023

|   |   |
|---|---|
| If appointment of proxy is under hand<br>Signed by "individual member/*officer or attorney of member/*authorised nominee of _____ (beneficial owner)  | No. of shares held: _____<br>Securities Account No.: _____<br>(CDS Account No.) (Compulsory)<br>Date: _____   |
| If appointment of proxy is under seal<br>The Common Seal of _____<br>was hereto affixed _____ in<br>accordance with its Constitution in the presence of:<br>_____<br>Director                                  Director / Secretary | Seal<br><br><br><br><br><br><br><br><br><br>No. of shares held: _____<br>Securities Account No.: _____<br>(CDS Account No.) (Compulsory)<br>Date: _____ |
| In its capacity as *member/*attorney of member/*authorised nominee of _____ (beneficial owner)  |   |

**NOTES:**

- (1) A member [other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991] entitled to attend and vote at the meeting is entitled to appoint a maximum of two (2) proxies to attend, participate, speak and vote on his/her behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.
- (2) Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
- (3) Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (4) The Proxy Form shall be signed by the appointer or his/her attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.
- (5) The original instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Company's Share Registrar office at Securities Services (Holdings) Sdn. Bhd., Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting, otherwise the instrument of proxy should not be treated as valid.
- (6) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available a Record of Depositors as at 22 November 2023 and only Members whose names appear on such Record of Depositors shall be entitled to attend, speak and vote at this meeting and entitled to appoint proxy or proxies.
- (7) Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of the 29th AGM will be put to vote by way of poll. Poll administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 30 October 2023.

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**AFFIX STAMP**

**RHONG KHEN INTERNATIONAL BERHAD**  
Level 7, Menara Milenium  
Jalan Damanlela, Pusat Bandar Damansara  
Damansara Heights, 50490 Kuala Lumpur  
Malaysia

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**RHONG KHEN INTERNATIONAL BERHAD**

[REGISTRATION NO.: 199401017151 (302829-W)]

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