

13. ACCOUNTANTS' REPORT



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The Board of Directors
Mega Fortris Berhad
(formerly known as Mega Fortris (Malaysia) Sdn. Bhd.)
29 Jalan Anggerik Mokara 31/47
Kota Kemuning Seksyen 31
40460 Shah Alam
Selangor Darul Ehsan

Date: 22 March 2024

Our ref: BDO/LWH/TKY2/LJX/lmy2

Dear Sirs,

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF MEGA FORTRIS BERHAD (FORMERLY KNOWN AS MEGA FORTRIS (MALAYSIA) SDN. BHD.) ("MEGA FORTRIS" OR THE "COMPANY")

Opinion

We have audited the accompanying Combined Financial Statements of Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) and its Other Combining Entities as defined in Note 1 to the Combined Financial Statements (collectively referred to as the "Group"), which comprise the combined statements of financial position as at 30 June 2021, 30 June 2022 and 30 June 2023, and combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023, and notes to the Combined Financial Statements, including a summary of significant accounting policies as set out in this report (collectively referred to herein as "the Combined Financial Statements").

The Combined Financial Statements have been prepared for inclusion in the Prospectus of the Company in connection with the listing of and quotation for the entire enlarged issued share capital of Mega Fortris on the Main Market of Bursa Malaysia Securities Berhad (the "Listing"). This report is given for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the Combined Financial Statements give a true and fair view of the combined financial position of the Group as at 30 June 2021, 30 June 2022 and 30 June 2023 and of their combined financial performance and combined cash flows for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

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 *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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*Independence and Other Ethical Responsibilities*

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

Directors’ Responsibility for the Combined Financial Statements

The Directors of the Company are responsible for the preparation of the Combined Financial Statements of the Group so as to give a true and fair view in accordance with MFRS and IFRS. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the Combined Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Combined Financial Statements of the Group, the Directors are responsible for assessing the Group’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 to cease operations, or have no realistic alternative but to do so.

Reporting Accountants’ Responsibility for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the Combined Financial Statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 Combined Financial Statements.

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

- Identify and assess the risks of material misstatement of the Combined Financial Statements of the Group, 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 internal control of the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

13. ACCOUNTANTS' REPORT
Reporting Accountants' Responsibility for the Audit of the Combined Financial Statements (continued)

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

- 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 ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the Combined Financial Statements of the Group 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 Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Combined Financial Statements of the Group, including the disclosures, and whether the Combined Financial Statements of the Group represents the underlying transactions and events in a manner that achieve 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 Combined 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.

Other Matters

This report has been prepared solely to comply with Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the Prospectus in connection with the Listing and for no other purposes. We do not assume responsibility to any other person for the content of this report.

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

Lee Wee Hoong
03316/07/2025 J
Chartered Accountant

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*Mega Fortris Berhad (199801004408 (460535 - H))
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COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	2021 RM	2022 RM	2023 RM
ASSETS				
Non-current assets				
Property, plant and equipment	8	41,925,065	41,401,873	59,997,723
Right-of-use assets	9	16,710,916	13,988,910	12,815,230
Intangible assets	10	5,988,259	5,564,857	5,275,183
Other investments	11	835,337	831,028	-
Trade and other receivables	12	4,319,262	5,256,074	11,705,976
Deferred tax assets	13	253,726	374,925	401,458
		70,032,565	67,417,667	90,195,570
Current assets				
Inventories	14	29,498,416	35,395,546	32,655,870
Trade and other receivables	12	41,290,779	45,134,008	42,312,102
Contract assets	15	80,617	39,255	-
Current tax assets		1,841,609	1,914,351	986,723
Cash and bank balances	16	12,762,857	18,184,987	26,591,402
		85,474,278	100,668,147	102,546,097
Assets of disposal group classified as held for sale	35	3,392,636	3,159,464	3,062,674
TOTAL ASSETS		158,899,479	171,245,278	195,804,341
EQUITY AND LIABILITIES				
Equity attributable to owner of the combining entities				
Share capital	17	34,854,974	34,854,974	34,854,974
Reserves	18	36,425,147	39,738,786	70,294,940
Shareholders' equity		71,280,121	74,593,760	105,149,914
Non-controlling interests		599,240	1,296,858	2,214,139
TOTAL EQUITY		71,879,361	75,890,618	107,364,053



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COMBINED STATEMENTS OF FINANCIAL POSITION (continued)

	Note	2021 RM	2022 RM	2023 RM
EQUITY AND LIABILITIES (continued)				
LIABILITIES				
Non-current liabilities				
Other payables	19	640,565	717,454	705,643
Borrowings	20	11,866,699	16,871,288	17,721,806
Lease liabilities	9	11,113,872	7,855,745	6,595,393
Deferred tax liabilities	13	944,817	667,175	3,144,402
		24,565,953	26,111,662	28,167,244
Current liabilities				
Trade and other payables	19	26,718,372	25,122,623	18,593,049
Contract liabilities	15	171,539	371,622	298,542
Borrowings	20	28,974,056	36,630,494	34,297,668
Lease liabilities	9	5,451,957	5,914,140	5,819,976
Current tax liabilities		727,934	822,014	914,132
		62,043,858	68,860,893	59,923,367
Liabilities of disposal group classified as held for sale	35	410,307	382,105	349,677
TOTAL LIABILITIES		<u>87,020,118</u>	<u>95,354,660</u>	<u>88,440,288</u>
TOTAL EQUITY AND LIABILITIES		<u>158,899,479</u>	<u>171,245,278</u>	<u>195,804,341</u>



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COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021 RM	2022 RM	2023 RM
<u>Continuing operations</u>				
Revenue	22	135,098,276	155,210,680	161,303,217
Cost of sales		<u>(87,307,459)</u>	<u>(103,642,128)</u>	<u>(99,578,675)</u>
Gross profit		47,790,817	51,568,552	61,724,542
Other operating income		1,368,215	2,425,145	3,606,396
Net gain on impairment of financial assets		2,505,296	1,049,672	1,939,921
Selling and distribution expenses		(1,910,739)	(1,572,197)	(1,574,025)
Administrative expenses		(39,685,044)	(42,553,744)	(41,808,490)
Other operating expenses		(669,743)	(88,500)	(403,006)
Finance costs	23	<u>(2,392,098)</u>	<u>(2,296,481)</u>	<u>(3,759,936)</u>
Profit before taxation	24	7,006,704	8,532,447	19,725,402
Taxation	25	<u>(2,451,083)</u>	<u>(1,560,330)</u>	<u>(3,824,375)</u>
Profit for the financial year from continuing operations		4,555,621	6,972,117	15,901,027
<u>Discontinuing operations</u>				
Profit/(Loss) for the financial year from discontinuing operations, net of tax	36	<u>4,560,599</u>	<u>(1,402,734)</u>	<u>(1,772,124)</u>
Profit for the financial year		9,116,220	5,569,383	14,128,903



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COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Note	2021 RM	2022 RM	2023 RM
Profit for the financial year		9,116,220	5,569,383	14,128,903
Other comprehensive (loss)/income, net of tax:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Currency translation differences		(357,253)	479,503	4,378,866
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Revaluation of freehold land and buildings		-	-	15,988,241
Total other comprehensive (loss)/income for the financial year		(357,253)	479,503	20,367,107
Total comprehensive income for the financial year		<u>8,758,967</u>	<u>6,048,886</u>	<u>34,496,010</u>
Earnings per share attributable to owner of the combining entities				
Basic (sen)	26	17	13	36
Diluted (sen)	26	17	13	36
Profit after taxation attributable to:				
Equity holder of the Company		5,986,101	4,393,201	12,499,699
Non-controlling interests		3,130,119	1,176,182	1,629,204
		<u>9,116,220</u>	<u>5,569,383</u>	<u>14,128,903</u>
Total comprehensive income attributable to:				
Equity holder of the Company		6,274,716	4,840,541	32,167,664
Non-controlling interests		2,484,251	1,208,345	2,328,346
		<u>8,758,967</u>	<u>6,048,886</u>	<u>34,496,010</u>

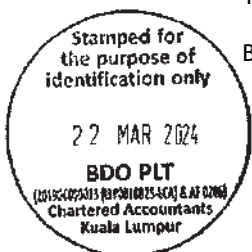


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COMBINED STATEMENTS OF CHANGES IN EQUITY

	<-----Attributable to owner of the Company----->								
	Note	Invested equity RM	Merger reserve RM	General reserve RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Balance as at 1 July 2020		34,854,974	(29,950,024)	248,211	5,431,731	58,998,200	69,583,092	(1,595,391)	67,987,701
Profit for the financial year		-	-	-	-	5,986,101	5,986,101	3,130,119	9,116,220
Other comprehensive income, net of tax		-	-	-	288,615	-	288,615	(645,868)	(357,253)
Total comprehensive income for the financial year		-	-	-	288,615	5,986,101	6,274,716	2,484,251	8,758,967
Transactions with owner:									
Dividends paid to immediate holding company		-	-	-	-	(4,577,687)	(4,577,687)	-	(4,577,687)
Dividends paid to non-controlling interests		-	-	-	-	-	-	(289,620)	(289,620)
Transfer from general reserves to retained earnings		-	-	(248,211)	-	248,211	-	-	-
Total transactions with owner		-	-	(248,211)	-	(4,329,476)	(4,577,687)	(289,620)	(4,867,307)
Balance as at 30 June 2021		34,854,974	(29,950,024)	-	5,720,346	60,654,825	71,280,121	599,240	71,879,361

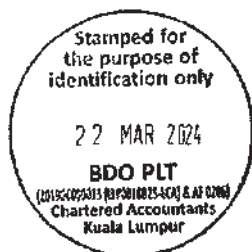


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COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

	Note	Invested equity RM	Merger reserve RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Balance as at 1 July 2021		34,854,974	(29,950,024)	5,720,346	60,654,825	71,280,121	599,240	71,879,361
Profit for the financial year		-	-	-	4,393,201	4,393,201	1,176,182	5,569,383
Other comprehensive income, net of tax		-	-	447,340	-	447,340	32,163	479,503
Total comprehensive income for the financial year		-	-	447,340	4,393,201	4,840,541	1,208,345	6,048,886
Transactions with owner:								
Dividends paid to immediate holding company		-	-	-	(1,526,902)	(1,526,902)	-	(1,526,902)
Dividends paid to non-controlling interests		-	-	-	-	-	(510,727)	(510,727)
Total transactions with owner		-	-	-	(1,526,902)	(1,526,902)	(510,727)	(2,037,629)
Balance as at 30 June 2022		34,854,974	(29,950,024)	6,167,686	63,521,124	74,593,760	1,296,858	75,890,618

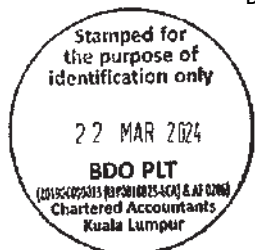


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COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

	<-----Attributable to owner of the Company----->								
	Note	Invested equity RM	Merger reserve RM	Revaluation reserve RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Balance as at 1 July 2022		34,854,974	(29,950,024)	-	6,167,686	63,521,124	74,593,760	1,296,858	75,890,618
Profit for the financial year		-	-	-	-	12,499,699	12,499,699	1,629,204	14,128,903
Other comprehensive income, net of tax		-	-	15,988,241	3,679,724	-	19,667,965	699,142	20,367,107
Total comprehensive income for the financial year		-	-	15,988,241	3,679,724	12,499,699	32,167,664	2,328,346	34,496,010
Transactions with owner:									
Dividends paid to immediate holding company		-	-	-	-	(1,611,510)	(1,611,510)	-	(1,611,510)
Dividends paid to non-controlling interests		-	-	-	-	-	-	(1,411,065)	(1,411,065)
Total transactions with owner		-	-	-	-	(1,611,510)	(1,611,510)	(1,411,065)	(3,022,575)
Balance as at 30 June 2023		34,854,974	(29,950,024)	15,988,241	9,847,410	74,409,313	105,149,914	2,214,139	107,364,053

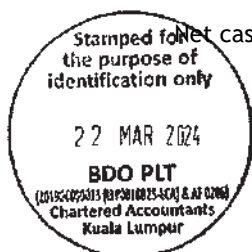


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COMBINED STATEMENTS OF CASH FLOWS

	Note	2021 RM	2022 RM	2023 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit from continuing operations before taxation		7,006,704	8,532,447	19,725,402
Profit/(Loss) from discontinued operations before taxation		4,560,599	(1,402,734)	(1,772,124)
		11,567,303	7,129,713	17,953,278
Adjustments for:				
Allowance for impairment losses:				
- trade receivables	12(c)	1,785,467	1,449,132	736,361
- other receivables	12(d)	44,640	36,741	44,927
Reversal of impairment losses:				
- trade receivables		(2,448,105)	(2,257,719)	(766,493)
- other receivables		(1,887,298)	(277,826)	(2,125,284)
- contract assets	15(a)	(31,580)	(1,068)	(3,175)
Bad debts written off		40,039	15,804	259,219
Amortisation of intangible assets	10	297,707	393,249	395,086
Depreciation of property, plant and equipment		2,639,304	2,503,965	2,244,065
Depreciation of right-of-use assets		5,413,218	6,069,268	6,272,137
Net loss/(gain) on disposal of property, plant and equipment	24	81,138	(478)	(6,276)
Interest expense		2,346,299	2,256,328	3,685,060
Interest income from:				
- lease receivables	24	(6,682)	(1,114)	-
- others		(10,281)	(28,460)	(196,762)
Waiver of debts	24	(60,503)	-	-
Property, plant and equipment written off	24	17,600	7,010	3,516
Gain on derecognition upon early termination		(1,387)	(2,316)	(23,641)
Gain on lease reassessment		(21,550)	-	(28,927)
Waiver of term loan	24	-	(671,354)	-
Net unrealised (gain)/loss on foreign exchange		(737,566)	908,601	2,191,356
Dividend income		-	-	(1,771,377)
Loss on disposal of other investments		-	-	29,230
Operating profit before working capital changes		19,027,763	17,529,476	28,892,300
(Increase)/Decrease in inventories		(1,043,329)	(5,661,329)	3,175,592
Decrease/(Increase) in trade and other receivables		415,925	280,707	(2,570,289)
(Increase)/Decrease in contract assets net of liabilities		(92,498)	242,513	(30,650)
Increase/(Decrease) in trade and other payables		778,334	(2,766,373)	(6,814,325)
Cash generated from operations		19,086,195	9,624,994	22,652,628
Tax paid		(3,261,872)	(1,911,966)	(3,118,640)
Net cash from operating activities		15,824,323	7,713,028	19,533,988



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COMBINED STATEMENTS OF CASH FLOWS (continued)

	Note	2021 RM	2022 RM	2023 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		16,963	29,574	196,762
Dividend received		-	-	1,771,377
Advances to former subsidiaries		(6,118,953)	(4,359,241)	(940,682)
Repayment from a former subsidiary		-	-	396,823
Repayment from immediate holding company		3,294,201	1,374,367	1,543,952
Repayment to immediate holding company		(677,559)	-	(764,087)
Purchase of:				
- property, plant and equipment	8	(2,284,797)	(2,232,943)	(1,419,238)
- intangible assets	10	(278,216)	-	(91,009)
- right-of-use assets		-	-	(75,503)
Proceeds from disposal of property, plant and equipment		77,195	195,504	103,489
Proceeds from disposal of other investments		2,550	4,309	801,798
Purchase of other investments		(14,681)	-	-
Net cash (used in)/from investing activities		(5,983,297)	(4,988,430)	1,523,682
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		(1,418,430)	(1,464,931)	(2,880,565)
Dividends paid to immediate holding company		(4,577,687)	(1,526,902)	(1,611,510)
Dividends paid to non-controlling interest		(289,620)	(510,727)	(1,411,065)
Repayment of bank borrowings		(67,972,549)	(98,124,484)	(68,954,775)
Drawdown of bank borrowings		62,042,000	108,102,870	66,670,796
Net drawdown of lease liabilities		1,679,703	131,019	-
Payment of lease liabilities		(6,456,660)	(7,087,254)	(7,604,960)
Net cash used in financing activities		(16,993,243)	(480,409)	(15,792,079)
Net (decrease)/increase in cash and cash equivalents		(7,152,217)	2,244,189	5,265,591
Effects of exchange rate differences		(52,364)	970,181	3,664,252
Cash and cash equivalents at beginning of financial year		18,198,371	10,993,790	14,208,160
Cash and cash equivalents at end of financial year	16	10,993,790	14,208,160	23,138,003



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COMBINED STATEMENTS OF CASH FLOWS (continued)**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)**

	Bankers' acceptances (Note 20) RM	Invoice financing (Note 20) RM	Lease liabilities (Note 9) RM	Revolving credits (Note 20) RM	Term loans (Note 20) RM
As at 1 July 2020	16,556,000	-	15,778,104	13,000,000	14,588,366
Cash flows:					
- Drawdowns	62,042,000	-	-	-	-
- Repayments	(63,939,000)	-	(6,374,443)	(3,000,000)	(1,033,549)
Non-cash flows:					
- Unwinding of interest	-	-	914,482	-	-
- Effect of foreign exchange	-	-	271,152	-	30,072
- Gain on derecognition upon early termination	-	-	(84,781)	-	-
- Re-measurement	-	-	(11,637)	-	-
- Additions	-	-	6,072,952	-	-
As at 30 June 2021	<u>14,659,000</u>	<u>-</u>	<u>16,565,829</u>	<u>10,000,000</u>	<u>13,584,889</u>
As at 1 July 2021	14,659,000	-	16,565,829	10,000,000	13,584,889
Cash flows:					
- Drawdowns	33,566,000	27,037,823	-	10,000,000	37,499,047
- Repayments	(48,225,000)	(7,236,128)	(7,087,254)	(10,000,000)	(32,663,356)
Non-cash flows:					
- Unwinding of interest	-	-	791,397	-	-
- Effect of foreign exchange	-	284,640	(340,041)	-	918,488
- Gain on derecognition upon early termination	-	-	(133,929)	-	-
- Re-measurement	-	-	22,982	-	-
- Additions	-	-	3,950,901	-	-
- Waiver of term loan	-	-	-	-	(671,354)
As at 30 June 2022	<u>-</u>	<u>20,086,335</u>	<u>13,769,885</u>	<u>10,000,000</u>	<u>18,667,714</u>



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*Mega Fortris Berhad (199801004408 (460535 - H))
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COMBINED STATEMENTS OF CASH FLOWS (continued)**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	Invoice financing (Note 20) RM	Lease liabilities (Note 9) RM	Revolving credits (Note 20) RM	Term loans (Note 20) RM
As at 1 July 2022	20,086,335	13,769,885	10,000,000	18,667,714
Cash flows:				
- Drawdowns	66,670,796	-	-	-
- Repayments	(67,838,072)	(7,604,960)	-	(1,116,703)
Non-cash flows:				
- Unwinding of interest	-	804,495	-	-
- Effect of foreign exchange	325,015	521,238	-	1,065,512
- Gain on derecognition upon early termination	-	(279,727)	-	-
- Re-measurement	-	112,552	-	-
- Additions	-	5,091,886	-	-
As at 30 June 2023	<u>19,244,074</u>	<u>12,415,369</u>	<u>10,000,000</u>	<u>18,616,523</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS**1. GENERAL INFORMATION**

Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) ("Mega Fortris" or the "Company") was incorporated and domiciled in Malaysia under the Companies Act 2016 on 9 April 1998 as a private limited liability company.

On 8 August 2023, the Company changed its name from Mega Fortris (Malaysia) Sdn. Bhd. to Mega Fortris Sdn. Bhd.. Subsequently on 31 January 2024, the Company converted from a private limited liability company to a public limited liability company.

The registered office of the Company has changed from Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur to No. 5 & 7-1, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur on 13 June 2023.

The principal place of business of the Company is located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor.

The immediate and ultimate holding companies are Mega Fortris Global Pte. Ltd., a company incorporated in Singapore and Mega Fortris Capital Limited, a company incorporated in British Virgin Islands respectively.

The Company was incorporated to carry on business as manufacturer and trader of security seals. Throughout the financial years under review, restructuring and corporate exercises were undertaken, which resulted in the Company becoming the holding company of Mega Fortris (Europe) ApS Ltd ("MFEU") and its subsidiaries ("MFEU Group"), Mega Fortris Americas, Inc. ("MFA"), Mega Fortris Australia Pty Ltd ("MFAUS") and Mega Fortris New Zealand Limited ("MFNZ") (collectively referred to as the "Other Combining Entities"). Since the acquisitions of the Other Combining Entities by the Company were only completed during the latest financial year required to be reported in accordance with paragraph 10.04 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia and the Group has demerged insignificant part of its economic activities and aimed to present the financial information for its remaining economic activities, for the purpose of this Accountants' Report, the Company has prepared the Combined Financial Statements instead of consolidated financial statements. Note 2 to the Combined Financial Statements explains further the basis of preparation of the Combined Financial Statements. The Group structure after the restructuring exercise is as shown in the following page:

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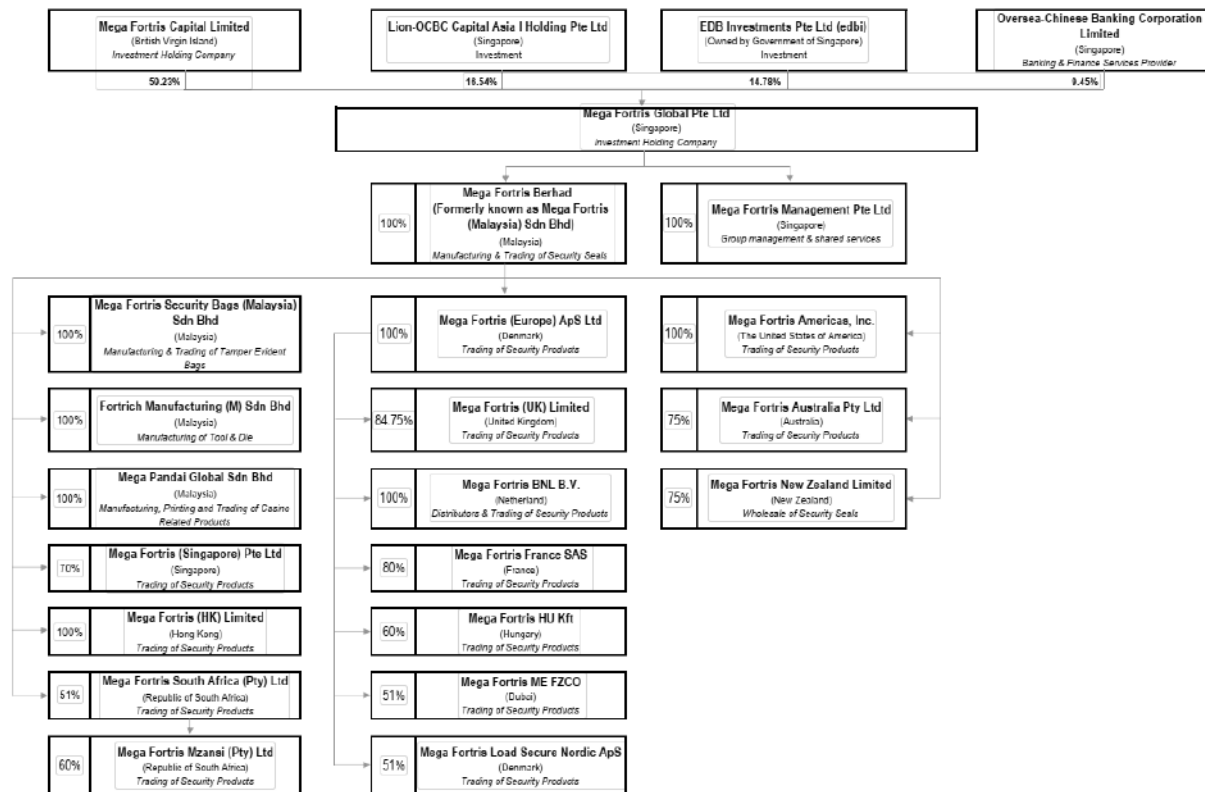


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Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**1. GENERAL INFORMATION (continued)**

During the financial year, the Company changed its principal activities from manufacturing and trading of security seals to investment holding, design and manufacturing of security seals and trading of related products and services. The principal activities of the Other Combining Entities are as disclosed in Note 6 to the Combined Financial Statements. There have been no significant changes in the nature of these activities other than the changes in the principal activities of Fortrich Manufacturing (M) Sdn. Bhd. from manufacturing of die-casting and tooling to manufacturing of tool and die and Mega Pandai Global Sdn. Bhd. from manufacturing, printing and trading of playing cards and other casino related products to manufacturing and printing of paper-based products, during the financial years under review.

These Combined Financial Statements for the financial years ended ("FYE(s)") 30 June 2021, 30 June 2022 and 30 June 2023 are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The Accountants' Report comprises the Combined Financial Statements of the Company and the Other Combining Entities (collectively referred to as the "Group") for the FYEs 30 June 2021, 30 June 2022 and 30 June 2023. The Combined Financial Statements of the Group consist of the audited financial statements of the Company and the Other Combining Entities and are prepared solely for inclusion in the Prospectus of the Company in connection with the listing of and quotation for the entire enlarged issued share capital of Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) on the Main Market of Bursa Malaysia Securities Berhad (the "Listing").

The relevant financial years of the audited financial statements used for the purpose of this Report and the statutory auditors of the respective companies within the Group are as follows:

Company	Relevant Financial Years	Auditors
Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.)	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	BDO PLT BDO PLT BDO PLT
Mega Fortris Security Bags (Malaysia) Sdn. Bhd.	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	BDO PLT BDO PLT BDO PLT
Fortrich Manufacturing (M) Sdn. Bhd.	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	BDO PLT BDO PLT BDO PLT
Mega Pandai Global Sdn. Bhd.	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	BDO PLT BDO PLT BDO PLT
Mega Fortris (Singapore) Pte Ltd	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Lau Chin Huat & Co Lau Chin Huat & Co Lau Chin Huat & Co



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)**

The relevant financial years of the audited financial statements used for the purpose of this Report and the statutory auditors of the respective companies within the Group are as follows:
(continued)

Company	Relevant Financial Years	Auditors
Mega Fortris (HK) Limited	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	C. M. Hui & Co. C. M. Hui & Co. C. M. Hui & Co.
Mega Fortris South Africa (Pty) Ltd *	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Not audited Not audited Not audited
Mega Fortris Americas, Inc	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Wilkin & Guttenplan, P.C. Wilkin & Guttenplan, P.C. Wilkin & Guttenplan, P.C.
Mega Fortris Australia Pty Ltd	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Kirkby Jones Financial Group Kirkby Jones Financial Group Kirkby Jones Financial Group
Mega Fortris New Zealand Limited	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	BDO Auckland CBD JDW Chartered Accountants Limited JDW Chartered Accountants Limited
Mega Fortris (Europe) ApS Ltd	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a. Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a. Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a.
Subsidiary of Mega Fortris South Africa (Pty) Ltd		
Mega Fortris Mzansi (Pty) Ltd *	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Not audited Not audited Not audited
Subsidiaries of Mega Fortris (Europe) ApS Ltd		
Mega Fortris (UK) Ltd	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Tomkinson Teal (Lichfield) LLP Tomkinson Teal (Lichfield) LLP Tomkinson Teal (Lichfield) LLP



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)**

The relevant financial years of the audited financial statements used for the purpose of this Report and the statutory auditors of the respective companies within the Group are as follows: (continued)

Company	Relevant Financial Years	Auditors
Mega Fortris HU Kft	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	FH Audit Ltd. FH Audit Ltd. FH Audit Ltd.
Mega Fortris BNL B.V.	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a. Not audited # Not audited #
Mega Fortris France SAS	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Audit ET Conseil DS Audit ET Conseil DS Audit ET Conseil DS
Mega Fortris Load Secure Nordic Aps	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a. Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a. Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a.
Mega Fortris ME FZCO	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	JAXA Chartered Accountants JAXA Chartered Accountants JAXA Chartered Accountants

* *Subsidiaries are consolidated based on the latest management accounts. The financial statements of these subsidiaries are not required to be audited as they had been placed under liquidation since FYE 30 June 2021. The subsidiaries are not material to the Group.*

The subsidiary has been consolidated based on the unaudited financial statements as the subsidiary is not required to be audited for the financial years ended 30 June 2022 and 30 June 2023 under local regulations. This subsidiary is not material to the Group.

The audited financial statements of the Company and the Other Combining Entities for the relevant financial years reported above were not subject to any qualification or modification.

The Combined Financial Statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").



13. ACCOUNTANTS' REPORT

Mega Fortris Berhad (199801004408 (460535 - H))
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Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)**

The Combined Financial Statements of the Group have also been prepared in accordance with the Guidance Note on "Combined Financial Statements" issued by the Malaysian Institute of Accountants and on the assumption that the Group has been operating as a single economic entity throughout the financial years presented in these Combined Financial Statements.

Throughout the financial years under review, the Company and the Other Combining Entities are under the common control of Mega Fortris Global Pte. Ltd. ("MFGPL") and its substantial shareholder, Mega Fortris Capital Limited. Although the actual acquisition of the combining entities took place on 30 June 2023, the effect of the issuance of ordinary shares by the Company to MFGPL pursuant to the acquisition of the combining entities had been effected on 1 July 2020.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Common control exists when the same parties have ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the Combined Financial Statements from the day that common control commences until the date that control ceases.

The financial information as presented in the Combined Financial Statements may not correspond with the consolidated financial statements of the Group had the relevant acquisitions to legally constitute the Group been incorporated for the respective financial years. Consequently, such financial information in the Combined Financial Statements does not purport to predict the financial positions, results of operations and cash flows of the Group for the financial years under review.

The accounting policies adopted are consistent with those of the previous financial year except for the change in accounting policy with respect to the subsequent measurement of freehold land and buildings from the cost model to the revaluation model as disclosed in Note 8(a) to the financial statements and the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial years are disclosed in Note 4 to the Combined Financial Statements.

The Combined Financial Statements of the Group have been prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies.

The preparation of Combined Financial Statements in conformity with MFRS and IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in the Note 5 to the Combined Financial Statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.



13. ACCOUNTANTS' REPORT

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****3.1 Common control business combinations****3.1.1 Basis of consolidation**

The combined financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group 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. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting of similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual agreements; and
- (c) the voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated in the combined financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests, if any, represent equity in subsidiaries that are not attributable, directly or indirectly, to owner of the parent, and is presented separately in the combined statements of profit or loss and other comprehensive income and within equity in the combined statements of financial position, separately from equity attributable to owner of the Company. Profit or loss and each component of other comprehensive income are attributed to the owner of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 Common control business combinations (continued)****3.1.1 Basis of consolidation (continued)**

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

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

3.1.2 Business combinations

Business combinations other than those involving entities under common control, are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacements by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (c) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 Common control business combinations (continued)****3.1.2 Business combinations (continued)**

Any contingent consideration payable is recognised at fair value at the acquisition date. The Group accounts for changes in fair value of contingent consideration that are not measurement period adjustments as follows:

- (a) Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity.
- (b) Other contingent consideration that:
 - (i) is within the scope of MFRS 9 Financial Instruments shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with MFRS 9 *Financial Instruments* for the relevant period.
 - (ii) is not within the scope of MFRS 9 *Financial Instruments* shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

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

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRS. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 Common control business combinations (continued)****3.1.2 Business combinations (continued)**

Business combinations involving entities under common control are accounted for by applying the pooling of interest method of accounting. The assets and liabilities of the entities are reflected at their carrying amounts reported in the consolidated financial statements of the Group. The excess of the consideration paid over the share capital of the subsidiaries as at the acquisition date, pre-acquisition retained earnings and any goodwill acquired under the pooling of interest method of accounting is reflected within equity as merger reserve. The statements of profit or loss and other comprehensive income reflects the results of the entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

Entities under common control are entities, which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the consolidated financial statements from the day that control commences until the date that control ceases.

3.2 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the subsequent costs would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and buildings are stated at valuation, which is the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.



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*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.2 Property, plant and equipment and depreciation (continued)**

Freehold land and buildings are revalued at least every three (3) years to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of each reporting period. The surplus arising from such revaluations is credited to shareholders' equity as a revaluation reserve, net of deferred tax, if any, and any subsequent deficit is offset against such surplus to the extent of a previous increase for the same property. In all other cases, the deficit would be charged to profit or loss. For a revaluation increase subsequent to a revaluation deficit of the same asset, the surplus is recognised as income to the extent that it reverses the deficit previously recognised as an expense with the balance of increase credited to revaluation reserve.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the industry within which the Group operates. The principal annual depreciation rates are as follows:

Freehold buildings	2%
Plant and machineries	10% - 50%
Tools and equipment	20% - 33%
Electrical installation	20%
Furniture and fittings	7% - 25%
Air-conditioners	20%
Office equipment	5% - 50%
Renovation	2.5% - 20%
Motor vehicles	20%

Freehold land has unlimited useful life and is not depreciated.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 3.6 to the Combined Financial Statements on impairment of non-financial assets).

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

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.



13. ACCOUNTANTS' REPORT

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.3 Leases****The Group as lessee**

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

- (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recorded at cost, which comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use asset is measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.



13. ACCOUNTANTS' REPORT

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.3 Leases (continued)****The Group as lessee (continued)****Right-of-use asset (continued)**

The right-of-use asset is depreciated using the straight-line method from the commencement earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease terms of right-of-use assets are as follows:

Buildings	2 to 6 years
Plant and machineries	5 years
Tools and equipment	3 to 5 years
Motor vehicles	5 years
Office equipment	1 to 3 years

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the incremental borrowing rate of the Group. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

3.4 Intangible assets**(a) Goodwill on consolidation**

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.



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After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives of two (2) to ten (10) years and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group and the Company. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount may be impaired.



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Such intangible assets are not amortised. Their useful lives are reviewed at the end of each reporting period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Expenditure on an intangible item that are initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

3.5 Contract asset

A contract asset is the right to consideration for services transferred to the customer when that right is conditioned on something other than the passage of time (for example, the Company's future performance). A contract asset is transferred to receivable when the rights to economic benefits become unconditional. This would occur when the Company issues billing to the customer.

The policy for the recognition and measurement of impairment loss is in accordance with Note 3.9 to the financial statements.

3.6 Impairment of non-financial assets

The carrying amounts of assets, except for financial assets, inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the CGU or groups of CGU of the Group that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.



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In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is recognised in other comprehensive income for that asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus account.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out basis. Cost of consumables and raw materials comprises all costs of purchase plus other costs incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

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

The Group writes down its slow moving inventories based on specific assessment by Directors which involved judgement about the ageing and design of inventories, coupled with market knowledge of merchandising department and the valuation of inventories which is subject to the fluctuation of the market price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable.



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A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

(a) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at Fair Value Through Profit or Loss ("FVTPL"), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets is as below:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.



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3.8 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Financial assets measured subsequently at fair value

Financial assets that are debt instruments are measured at Fair Value Through Other Comprehensive Income ("FVTOCI") if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments, which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. Any gains or losses arising from the changes in fair value are recognised in profit or loss.

(ii) Financial assets measured subsequently at fair value

The Group does not have any financial assets measured at FVTOCI and FVTPL as at the end of the reporting period.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group has an option to elect an irrevocable option to designate its equity instruments at initial recognition as financial assets measured at FVTOCI if the equity instruments are not held for trading.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss for equity instruments measured at FVTPL. As for equity instruments measured at FVTOCI, any gains or losses arising from the changes in fair value are recognised in other comprehensive income and are not subsequently transferred to profit or loss.



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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Financial assets measured subsequently at fair value (continued)

The Group does not have any equity instrument measured at FVTPL and FVTOCI as at the end of the reporting period.

Dividend on equity instruments are recognised in profit or loss when the right to receive payment is established.

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

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

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.



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Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Equity

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

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.



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The Group measures a liability to distribute non-cash assets as a dividend to the owner of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is re-measured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Companies Act 2016 in Malaysia.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Group. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

3.9 Impairment of financial assets

The Group recognises loss allowance for expected credit loss ("ECL") on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables, contract assets and lease receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.



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In measuring the expected credit losses on trade receivables, contract assets and lease receivables, the probability of non-payment by the trade receivables, contract assets and lease receivables is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables, contract assets and lease receivables. For trade receivables, contract assets and lease receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivables, contract assets and lease receivables would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

The Group uses an allowance matrix to measure ECLs of trade receivables. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a "roll rate" method based on probability of a receivable progressing through successive stages of delinquency to 90 days past due.

The Group considers credit loss experience and observable data such as current changes and futures forecasts in economic conditions of the Group's industry to the financial statements to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

Impairment for other receivables, amounts due from immediate holding company, related companies and related parties are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised.

For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment by other receivables, amounts due from immediate holding company, related companies and related parties are adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for other receivables and amounts due from related parties.



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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

3.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

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

3.11 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.



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A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

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 the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

3.12 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.



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Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

3.13 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

3.14 Employee benefits**(a) Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short-term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.



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(b) Defined contribution plan

The Company and its combining entities incorporated in Malaysia make contributions to a statutory provident fund. The contributions are recognised as liabilities after deducting any contributions already paid and as expenses in the period in which the employees render their services.

3.15 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Combined Financial Statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

3.16 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group and the Company recognise revenue when (or as) they transfer control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

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

- (a) the customer simultaneously receives and consumes the benefits provided as the Group and the Company perform;
- (b) the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or



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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue recognition (continued)

- (c) the Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

- (a) Sale of goods

Revenue from sale of goods is recognised at a point in time when the goods have been transferred to the customer and coincides with the delivery of goods and acceptance by customers. Revenue recognised is net of any sales discounts and tax.

- (b) Projects

Projects may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

Revenue from projects is measured at the fixed transaction price agreed under the agreement.

The Group and the Company determine the transaction price of a contract after considering the effect of variable consideration, constraining estimates of variable consideration, effect of significant financing component, non-cash consideration and consideration payable to customer.

When the fair value of variable consideration is uncertain, the Group and the Company estimate the amount of consideration by using the most likely amount method and only recognise to the extent that is highly probable that a significant reversal in cumulative revenue will not occur.

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that the Group and the Company would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Control of the asset is transferred over time if the performance of the Group and of the Company does not create an asset with an alternative use to the Group and the Company and the Group and the Company have an enforceable right to payment for performance completed to date.

The Group and the Company recognise revenue over time using an input method by reference to the labour hours expended relative to the total expected labour hours for satisfaction of that performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group and the Company.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.16 Revenue recognition (continued)****(b) Projects (continued)**

The Group and the Company identify performance obligations that are distinct and material, which are judgemental in the context of contracts. Transaction prices are determined based on estimated profit margins prior to its allocation to the identified performance obligations. The Group and the Company also estimate total performance period in applying the input method to recognise revenue over time. In estimating total performance period to complete, the Group and the Company consider the completeness and accuracy of their performance period estimation, including performance period for contract variations.

(c) Maintenance income

Revenue from sale of maintenance services rendered is recognised over time throughout the period of contracts using an input method. Income for the expired period is recognised in the profit or loss on accrual basis and income relating to the unexpired period is carried forward as deferred maintenance income.

Revenue recognition not relation to performance obligations is described below:

(a) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(b) Dividend income

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

(c) Rental income

Rental income is accounted for on a straight-line basis over the lease term of an ongoing lease.

(d) Management fee

The provision of management fee is recognised when services are rendered.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.17 Operating segments**

Operating segments are defined as components of the Group that:

- (a) engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) whose operating results are regularly reviewed by the chief operating decision maker of the Group particularly in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
 - (i) the combined reported profit of all operating segments that did not report a loss; and
 - (ii) the combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial period in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.18 Earnings per share**

- (a) Basic earnings per ordinary share for the financial year is calculated by dividing the net profit for the financial year attributable to owners of the combining entities by the weighted average number of ordinary shares outstanding during the financial year.
- (b) Diluted earnings per ordinary share for the financial year is calculated by dividing the net profit for the financial year attributable to owners of the combining entities by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

3.19 Fair value measurements

The fair value of an asset or a liability, except for lease transactions is determined as 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 assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant 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.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) a liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) an entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.19 Fair value measurements (continued)**

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value inputs are observable:

- (a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

3.20 Disposal group held for sale and discontinued operations

- (a) Disposal group held for sale and discontinued operations

Disposal group is classified as held for sale if its carrying amount would be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the disposal group shall be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such disposal group and its sale must be highly probable. The probability of shareholders' approval (if required in the jurisdiction) is considered as part of the assessment of whether the sale is highly probable.

The sale is expected to qualify for recognition as a completed sale within one (1) year from the date of classification. However, an extension of the period required to complete the sale does not preclude the disposal group from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Group and there is sufficient evidence that the Group remains committed to its plan to sell the disposal group.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale or otherwise.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.20 Disposal group held for sale and discontinued operations (continued)****(a) Disposal group held for sale and discontinued operations (continued)**

Immediately before the initial classification as held for sale, the carrying amounts of all the assets and liabilities in a disposal group are measured in accordance with applicable MFRSs. On initial classification as held for sale, disposal group (other than investment properties, deferred tax assets, employee benefit assets and financial assets carried at fair value) are measured at the lower of its carrying amount before the initial classification as held for sale and fair value less costs to sell. The differences, if any, are recognised in profit or loss as impairment loss.

The Group measures a disposal group classified as held for distribution to owners at the lower of its carrying amount and fair value less costs to distribute.

Disposal group held for sale is classified as current assets (and current liabilities, in the case of non-current liabilities included within disposal group) in the statements of financial position and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the disposal group classified as held for sale is presented separately.

If the Group has classified a disposal group as held for sale but subsequently, the criteria for classification is no longer met, the Group ceases to classify the disposal group as held for sale. The Group measures a non-current asset that ceases to be included in a disposal group classified as held for sale at the lower of:

- (i) Its carrying amount before the disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the disposal group not been classified as held for sale; and
- (ii) Its recoverable amount at the date of the subsequent decision not to sell.

(b) Discontinued operations

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the beginning of the comparative period.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**4. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs****4.1 New MFRSs adopted during the financial years**

The Group adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the reporting periods:

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Amendment to MFRS 16 Covid-19-Related Rent Concessions</i>	1 June 2020*
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020^
<i>Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
<i>Amendment to MFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021*
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

* Early adopted by the Group.

^ Effective immediately.

Adoption of the above Standards and Amendments did not have any material effect on the financial performance or position of the Group.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**4. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)****4.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023**

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 112 <i>Income Taxes International Tax Reform - Pillar Two Mode Rules</i>	See paragraph 98M of MFRS 112
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 107 <i>Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 121 <i>Lack of Exchangeability</i>	1 January 2025
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for future financial years.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**5.1 Changes in estimates**

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates during the reporting period and at the end of the reporting period.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****5.2 Critical judgements made in applying accounting policies**

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other temporary differences to the extent that it is probable that future taxable profits would be available against which the losses, capital allowances and other temporary differences could be utilised. Significant management's judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

5.3 Key sources of estimation uncertainty

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

(a) Impairment of property, plant and equipment and right-of-use assets

Management used forecasted cash flows and a value-in-use model to determine the recoverable amounts of the property, plant and equipment and right-of-use assets in certain subsidiaries/Cash Generating Units ("CGU") which have indication of impairment to assess if there is any impairment loss required on the property, plant and equipment and right-of-use assets.

The determination of whether or not an impairment loss is necessary involves significant judgements and estimates about the future results and key assumptions applied to cash flow projections of these CGUs in determining their recoverable amounts. These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

(b) Impairment of goodwill on consolidation

The Group determines whether goodwill on consolidation is impaired at least on an annual basis. This requires an estimation of the value-in-use of the subsidiaries to which goodwill is allocated. Estimating a value-in-use amount requires the management to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****5.3 Key sources of estimation uncertainty (continued)****(c) Impairment of intangible assets**

The Group determines whether an asset is impaired by evaluating the extent to which the recoverable amount of an asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. For such discounted cash flows method, it involves the use of estimated future results and a set of assumptions to reflect its income and cash flows. Judgement has been used to determine the discount rate for the cash flows and the future growth of the business.

(d) Impairment of receivables

The impairment allowances for trade receivables are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, the existing market conditions including forward-looking estimates at end of the reporting period.

(e) Net realisable values of inventories

Reviews are made periodically by the management on damaged, obsolete and slow-moving inventories. These reviews require judgements and estimates. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered.

(f) Determination of the lease term of leases

The Group determines the lease term of a lease as the non-cancellable period of the lease, together with periods covered by an option to extend or to terminate the lease if the Group is reasonably certain to exercise the relevant options. The management has considered the relevant facts and circumstances that create an economic incentive for the Group to either exercise the option to extend the lease, or to exercise the option to terminate the lease. Any differences in expectations from the original estimates would impact the carrying amounts of the lease liabilities of the Group.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6. COMBINING ENTITIES

Details of the combining entities are as follows:

Name of combining entities	Effective interest in equity held			Date of incorporation	Country of incorporation/ Principal place of business	Principal activities
	2021	2022	2023			
Mega Fortris (Europe) ApS Ltd	100%	100%	100%	19 April 2002	Denmark	Trading of security seals and tamper evident products
Mega Fortris (UK) Ltd	84.75%	84.75%	84.75%	17 January 1997	United Kingdom	Trading of security seals and tamper evident products
Mega Fortris HU Kft.	60%	60%	60%	1 January 2005	Hungary	Trading of security seals and tamper evident products
Mega Fortris France SAS	80%	80%	80%	2 January 2006	France	Trading of security seals and tamper evident products
Mega Fortris BNL B.V.	100%	100%	100%	15 February 2019	Netherlands	Trading of security seals and tamper evident products
Mega Fortris Load Secure Nordic Aps	51%	51%	51%	9 March 2015	Denmark	Trading of security seals and tamper evident products
Mega Fortris ME FZCO	51%	51%	51%	2 February 2012	United Arab Emirates	Trading of packing and packaging materials and packing and packaging equipment



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6. COMBINING ENTITIES (continued)

Details of the combining entities are as follows: (continued)

Name of combining entities	Effective interest in equity held			Date of incorporation	Country of incorporation/ Principal place of business	Principal activities
	2021	2022	2023			
Mega Fortris Americas, Inc.	100%	100%	100%	26 June 2003	The United States of America	Trading of security seals and tamper evident products
Mega Fortris Australia Pty Ltd	75%	75%	75%	24 January 2006	Australia	Trading of security products
Mega Fortris New Zealand Limited	75%	75%	75%	10 June 1985	New Zealand	Wholesale of security seals

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7. OPERATING SEGMENTS

The Group has arrived at two (2) reportable segments that are organised and managed separately based on information reported internally to the Management and the Board of Directors. The reportable segments are summarised as follows:

Manufacturing: Manufacturing and trading of security seals and tamper evident bags
 Trading: Trading and wholesale of security seals and tamper evident products

The accounting policies of operating segments are the same as those described in this report. The Group evaluates performance on the basis of profit or loss from operations before tax.

Inter-segment revenue is priced lower than sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the FYEs 30 June 2021, 30 June 2022 and 30 June 2023. The Group supplies its portfolio of products to numerous customers and multiple industries across various countries. In this regard, the Group's revenue is also segmented by business activities and product categories.

Segment assets exclude tax assets. Segment liabilities exclude tax liabilities. Even though borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors. Details are provided in the reconciliations from segment assets and liabilities to the position of the Group.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one (1) period for each reportable segment.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**7. OPERATING SEGMENTS (continued)**

2021	Continuing operations		Discontinuing operations	Total RM
	Manufacturing RM	Trading RM	Trading RM	
Revenue				
Total revenue	76,476,042	110,838,524	4,560,125	191,874,691
Inter-segment revenue	(47,630,419)	(4,585,871)	-	(52,216,290)
Revenue from external customers	28,845,623	106,252,653	4,560,125	139,658,401
Finance costs	2,105,486	286,612	13,387	2,405,485
Depreciation and amortisation				
- Property, plant and equipment	2,284,276	315,388	39,640	2,639,304
- Right-of-use assets	3,371,664	1,938,332	103,222	5,413,218
- Intangible assets	195,633	102,074	-	297,707
Segment profit before income tax	2,945,111	4,061,593	4,560,599	11,567,303
Taxation	565,477	1,885,606	-	2,451,083
Other material non-cash items:				
Allowance for impairment losses on trade and other receivables	484,032	1,346,075	-	1,830,107
Reversal of impairment losses on trade and other receivables	2,285,848	2,049,555	-	4,335,403
Capital expenditure	1,785,492	499,305	-	2,284,797
Segment assets	87,176,406	66,235,102	3,345,779	156,757,287
Segment liabilities	63,909,804	21,027,256	410,307	85,347,367



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**7. OPERATING SEGMENTS (continued)**

2022	Continuing operations		Discontinuing operations	Total RM
	Manufacturing RM	Trading RM	Trading RM	
Revenue				
Total revenue	85,579,917	123,121,709	-	208,701,626
Inter-segment revenue	(53,412,046)	(78,900)	-	(53,490,946)
Revenue from external customers	32,167,871	123,042,809	-	155,210,680
Finance costs	1,947,272	349,209	-	2,296,481
Depreciation and amortisation				
- Property, plant and equipment	2,150,587	353,378	-	2,503,965
- Right-of-use assets	4,003,197	2,066,071	-	6,069,268
- Intangible assets	195,634	197,615	-	393,249
Segment (loss)/profit before income tax	(622,547)	9,154,994	(1,402,734)	7,129,713
Taxation	(102,312)	1,662,642	-	1,560,330
Other material non-cash items:				
Allowance for impairment losses on trade and other receivables	198,609	1,287,264	-	1,485,873
Reversal of impairment losses on trade and other receivables	385,249	2,150,296	-	2,535,545
Capital expenditure	1,934,804	298,139	-	2,232,943
Segment assets	87,035,180	78,761,358	3,115,828	168,912,366
Segment liabilities	71,144,306	22,339,060	382,105	93,865,471



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**7. OPERATING SEGMENTS (continued)**

2023	Continuing operations		Discontinuing operations	Total RM
	Manufacturing RM	Trading RM	Trading RM	
Revenue				
Total revenue	88,574,170	121,754,287	-	210,328,457
Inter-segment revenue	(49,023,553)	(1,687)	-	(49,025,240)
Revenue from external customers	39,550,617	121,752,600	-	161,303,217
Finance costs	3,307,384	452,552	-	3,759,936
Depreciation and amortisation				
- Property, plant and equipment	1,906,992	337,073	-	2,244,065
- Right-of-use assets	4,214,388	2,057,749	-	6,272,137
- Intangible assets	203,217	191,869	-	395,086
Segment profit before income tax	7,943,563	11,781,839	(1,772,124)	17,953,278
Taxation	1,272,448	2,551,927	-	3,824,375
Other material non-cash items:				
Revaluation surplus on freehold land and buildings	18,734,528	-	-	18,734,528
Allowance for impairment losses on trade and other receivables	463,581	317,707	-	781,288
Reversal of impairment losses on trade and other receivables	2,373,622	347,587	170,568	2,891,777
Capital expenditure	1,267,833	151,405	-	1,419,238
Segment assets	115,672,063	75,681,423	3,022,741	194,376,227
Segment liabilities	64,723,774	19,308,303	349,677	84,381,754



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**7. OPERATING SEGMENTS (continued)****Analysis of revenue by business activities and products**

	2021 RM	2022 RM	2023 RM
Continuing operations			
Sales of in-house manufactured products			
Security Seals			
Plastic Seals	46,256,020	51,580,537	58,138,219
Container Seals	23,140,947	25,837,177	25,797,556
Cable Seals	32,500,030	35,264,531	32,361,850
Security Bags	6,516,189	8,580,804	6,896,786
	108,413,186	121,263,049	123,194,411
Trading and Services			
Load Secure Products	17,379,694	23,002,197	25,164,127
Other Trading Products and Services	9,305,396	10,945,434	12,944,679
	26,685,090	33,947,631	38,108,806
Total revenue from continuing operations	135,098,276	155,210,680	161,303,217
Discontinued operations			
Sales of in-house manufactured products			
Security Seals			
Plastic Seals	1,602,566	-	-
Container Seals	913,917	-	-
Cable Seals	547,218	-	-
Security Bags	1,341,579	-	-
	4,405,280	-	-
Trading and Services			
Load Secure Products	-	-	-
Other Trading Products and Services	154,845	-	-
	154,845	-	-
Total revenue from discontinued operations	4,560,125	-	-
Total	139,658,401	155,210,680	161,303,217



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**7. OPERATING SEGMENTS (continued)**

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to the corresponding amounts of the Group are as follows:

Revenue	2021 RM	2022 RM	2023 RM
Total revenue for reportable segment	191,874,691	208,701,626	210,328,457
Elimination of inter-segmental revenue	(52,216,290)	(53,490,946)	(49,025,240)
Revenue from discontinuing operations	<u>(4,560,125)</u>	<u>-</u>	<u>-</u>
Revenue of the Group per statements of profit or loss and other comprehensive income	<u>135,098,276</u>	<u>155,210,680</u>	<u>161,303,217</u>
Profit for the financial year			
Total profit for reportable segment	11,567,303	7,129,713	17,953,278
Less: Taxation	<u>(2,451,083)</u>	<u>(1,560,330)</u>	<u>(3,824,375)</u>
Profit for the financial year per statements of profit or loss and other comprehensive income	<u>9,116,220</u>	<u>5,569,383</u>	<u>14,128,903</u>
Assets			
Total assets for reportable segments	156,757,287	168,912,366	194,376,227
Deferred tax assets	299,005	417,092	440,046
Current tax assets	<u>1,843,187</u>	<u>1,915,820</u>	<u>988,068</u>
Total assets per statements of financial position	<u>158,899,479</u>	<u>171,245,278</u>	<u>195,804,341</u>
Liabilities			
Total liabilities for reportable segments	85,347,367	93,865,471	84,381,754
Deferred tax liabilities	944,817	667,175	3,144,402
Current tax liabilities	<u>727,934</u>	<u>822,014</u>	<u>914,132</u>
Total liabilities per statements of financial position	<u>87,020,118</u>	<u>95,354,660</u>	<u>88,440,288</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**7. OPERATING SEGMENTS (continued)****Geographical information**

In presenting information on the basis of geographical areas, segment revenue is based on the region and country of operations. The composition of each geographical segment is Asia Pacific, Europe, the United States of America ("USA"), Middle East and Africa.

Segment assets are based on the geographical location of the assets of the Group. The non-current assets do not include deferred tax assets.

	2021 RM	2022 RM	2023 RM
Revenue from external customers			
Continuing operations			
Asia Pacific	42,735,609	46,835,884	56,363,356
Europe	53,448,502	57,865,971	53,188,053
USA	32,463,958	42,564,889	42,081,278
Middle East	<u>6,450,207</u>	<u>7,943,936</u>	<u>9,670,530</u>
	135,098,276	155,210,680	161,303,217
Discontinued operations			
Africa	<u>4,560,125</u>	-	-
	<u>139,658,401</u>	<u>155,210,680</u>	<u>161,303,217</u>
Non-current assets			
Continuing operations			
Asia Pacific	59,099,469	58,131,109	75,004,737
Europe	8,440,431	7,883,679	14,225,713
USA	1,405,075	956,056	519,049
Middle East	<u>100,032</u>	<u>71,898</u>	<u>44,613</u>
	<u>69,045,007</u>	<u>67,042,742</u>	<u>89,794,112</u>

Major customers

The Group does not have any major customer with revenue equal or more than ten percent (10%) of revenue of the Group.



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

8. PROPERTY, PLANT AND EQUIPMENT

	As at 1.7.2020 RM	Transfer to right-of-use assets RM	Transfer from right-of-use assets RM	Additions RM	Disposals RM	Written off RM	Foreign currency translation differences RM	As at 30.6.2021 RM
Cost								
Freehold land	20,000,000	-	-	-	-	-	-	20,000,000
Freehold buildings	17,399,950	-	-	-	-	-	146,519	17,546,469
Plant and machineries	14,289,431	(1,057,344)	169,206	219,858	(465,517)	(98,330)	109,565	13,166,869
Tools and equipment	20,398,042	(155,000)	231,000	437,832	-	(508,599)	-	20,403,275
Electrical installation	1,688,916	-	-	-	-	-	-	1,688,916
Furniture and fittings	1,073,379	-	-	46,842	-	(380)	24,634	1,144,475
Air-conditioners	195,100	-	-	26,475	-	(2,470)	-	219,105
Office equipment	3,951,731	(55,426)	-	334,944	(44,378)	(9,880)	26,463	4,203,454
Renovation	5,453,277	-	-	907,258	-	-	1,305	6,361,840
Motor vehicles	1,304,208	(270,241)	-	311,588	(83,482)	-	(1,648)	1,260,425
	<u>85,754,034</u>	<u>(1,538,011)</u>	<u>400,206</u>	<u>2,284,797</u>	<u>(593,377)</u>	<u>(619,659)</u>	<u>306,838</u>	<u>85,994,828</u>



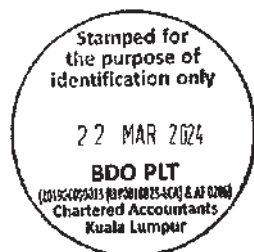
13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation	As at 1.7.2020 RM	Transfer to right-of-use assets RM	Transfer from right-of-use assets RM	Depreciation charge for the financial year RM	Disposals RM	Written off RM	Foreign currency translation differences RM	As at 30.6.2021 RM
Freehold buildings	2,153,696	-	-	332,955	-	-	28,183	2,514,834
Plant and machineries	11,789,114	(35,245)	145,356	414,935	(307,184)	(98,330)	98,281	12,006,927
Tools and equipment	15,861,814	(5,166)	231,000	1,160,581	-	(490,999)	-	16,757,230
Electrical installation	1,600,338	-	-	33,433	-	-	-	1,633,771
Furniture and fittings	842,880	-	-	69,958	-	(380)	14,383	926,841
Air-conditioners	103,281	-	-	30,756	-	(2,470)	-	131,567
Office equipment	3,501,251	(8,313)	-	182,675	(44,378)	(9,880)	22,482	3,643,837
Renovation	4,887,766	-	-	351,827	-	-	1,305	5,240,898
Motor vehicles	1,291,362	(15,300)	-	22,544	(83,482)	-	(1,266)	1,213,858
	<u>42,031,502</u>	<u>(64,024)</u>	<u>376,356</u>	<u>2,599,664</u>	<u>(435,044)</u>	<u>(602,059)</u>	<u>163,368</u>	<u>44,069,763</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	As at 1.7.2021 RM	Transfer to right-of-use assets RM	Transfer from right-of-use assets RM	Additions RM	Disposals RM	Written off RM	Foreign currency translation differences RM	As at 30.6.2022 RM
Cost								
Freehold land	20,000,000	-	-	-	-	-	-	20,000,000
Freehold buildings	17,546,469	-	-	-	-	-	(358,182)	17,188,287
Plant and machineries	13,166,869	-	1,217,601	260,855	(95,355)	(105,940)	(132,271)	14,311,759
Tools and equipment	20,403,275	(78,000)	297,000	273,033	-	(28,650)	-	20,866,658
Electrical installation	1,688,916	-	-	7,800	-	-	-	1,696,716
Furniture and fittings	1,144,475	-	-	37,693	-	-	(18,546)	1,163,622
Air-conditioners	219,105	-	-	24,130	-	(17,970)	-	225,265
Office equipment	4,203,454	-	-	172,586	(71,307)	(11,335)	(69,468)	4,223,930
Renovation	6,361,840	-	-	1,409,439	-	-	(12,217)	7,759,062
Motor vehicles	1,260,425	-	398,583	47,407	(262,426)	-	18,121	1,462,110
	85,994,828	(78,000)	1,913,184	2,232,943	(429,088)	(163,895)	(572,563)	88,897,409



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

Accumulated depreciation	As at 1.7.2021 RM	Transfer to right-of-use assets RM	Transfer from right-of-use assets RM	Depreciation charge for the financial year RM	Disposals RM	Written off RM	Foreign currency translation differences RM	As at 30.6.2022 RM
Freehold buildings	2,514,834	-	-	329,969	-	-	(77,401)	2,767,402
Plant and machineries	12,006,927	-	1,217,597	423,978	(95,355)	(98,933)	(127,350)	13,326,864
Tools and equipment	16,757,230	(1,300)	216,531	830,307	-	(28,650)	-	17,774,118
Electrical installation	1,633,771	-	-	29,141	-	-	-	1,662,912
Furniture and fittings	926,841	-	-	73,729	-	-	(11,981)	988,589
Air-conditioners	131,567	-	-	34,249	-	(17,967)	-	147,849
Office equipment	3,643,837	-	-	195,672	(67,209)	(11,335)	(61,226)	3,699,739
Renovation	5,240,898	-	-	536,504	-	-	(12,217)	5,765,185
Motor vehicles	1,213,858	-	167,926	50,416	(71,498)	-	2,176	1,362,878
	<u>44,069,763</u>	<u>(1,300)</u>	<u>1,602,054</u>	<u>2,503,965</u>	<u>(234,062)</u>	<u>(156,885)</u>	<u>(287,999)</u>	<u>47,495,536</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation/Cost	As at 1.7.2022 RM	Revaluation (Note 18) RM	Elimination of accumulated depreciation upon revaluation RM	Transfer from right-of-use assets RM	Additions RM	Disposals RM	Written off RM	Foreign currency translation differences RM	As at 30.6.2023 RM
<u>Assets at valuation</u>									
Freehold land	20,000,000	12,500,000	-	-	-	-	-	-	32,500,000
Freehold buildings	17,188,287	6,234,528	(1,875,528)	-	-	-	-	512,877	22,060,164
	<u>37,188,287</u>	<u>18,734,528</u>	<u>(1,875,528)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>512,877</u>	<u>54,560,164</u>
<u>Assets at cost</u>									
Plant and machineries	14,311,759	-	-	2,308,612	132,504	(227,806)	(1,357,235)	275,117	15,442,951
Tools and equipment	20,866,658	-	-	420,000	771,383	-	(706,637)	-	21,351,404
Electrical installation	1,696,716	-	-	-	46,581	-	-	-	1,743,297
Furniture and fittings	1,163,622	-	-	-	44,041	(16,493)	(438,138)	32,481	785,513
Air-conditioners	225,265	-	-	-	13,716	-	(6,270)	-	232,711
Office equipment	4,223,930	-	-	-	73,184	(371,288)	(1,347,233)	87,926	2,666,519
Renovation	7,759,062	-	-	-	337,829	-	-	13,853	8,110,744
Motor vehicles	1,462,110	-	-	-	-	(170,472)	(4,000)	71,729	1,359,367
	<u>51,709,122</u>	<u>-</u>	<u>-</u>	<u>2,728,612</u>	<u>1,419,238</u>	<u>(786,059)</u>	<u>(3,859,513)</u>	<u>481,106</u>	<u>51,692,506</u>
	<u>88,897,409</u>	<u>18,734,528</u>	<u>(1,875,528)</u>	<u>2,728,612</u>	<u>1,419,238</u>	<u>(786,059)</u>	<u>(3,859,513)</u>	<u>993,983</u>	<u>106,252,670</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	As at 1.7.2022 RM	Transfer from right-of-use assets RM	Depreciation charge for the financial year RM	Elimination upon revaluation RM	Disposals RM	Written off RM	Foreign currency translation differences RM	As at 30.6.2023 RM
Accumulated depreciation								
<u>Assets at valuation</u>								
Freehold buildings	2,767,402	-	329,156	(1,875,528)	-	-	121,819	1,342,849
<u>Assets at cost</u>								
Plant and machineries	13,326,864	2,080,612	433,956	-	(177,771)	(1,356,851)	231,241	14,538,051
Tools and equipment	17,774,118	315,866	519,827	-	-	(703,506)	-	17,906,305
Electrical installation	1,662,912	-	26,764	-	-	-	-	1,689,676
Furniture and fittings	988,589	-	70,433	-	(16,493)	(438,138)	26,832	631,223
Air-conditioners	147,849	-	36,987	-	-	(6,269)	-	178,567
Office equipment	3,699,739	-	196,237	-	(360,771)	(1,347,233)	80,044	2,268,016
Renovation	5,765,185	-	605,880	-	-	-	13,854	6,384,919
Motor vehicles	1,362,878	-	24,825	-	(133,811)	(4,000)	65,449	1,315,341
	44,728,134	2,396,478	1,914,909	-	(688,846)	(3,855,997)	417,420	44,912,098
	47,495,536	2,396,478	2,244,065	(1,875,528)	(688,846)	(3,855,997)	539,239	46,254,947



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

	2021 RM	2022 RM	2023 RM
Carrying amount			
<u>Assets at valuation</u>			
Freehold land	-	-	32,500,000
Freehold buildings	-	-	20,717,315
	<u>-</u>	<u>-</u>	<u>53,217,315</u>
<u>Assets at cost</u>			
Freehold land	20,000,000	20,000,000	-
Freehold buildings	15,031,635	14,420,885	-
Plant and machineries	1,159,942	984,895	904,900
Tools and equipment	3,646,045	3,092,540	3,445,099
Electrical installation	55,145	33,804	53,621
Furniture and fittings	217,634	175,033	154,290
Air-conditioners	87,538	77,416	54,144
Office equipment	559,617	524,191	398,503
Renovation	1,120,942	1,993,877	1,725,825
Motor vehicles	46,567	99,232	44,026
	<u>41,925,065</u>	<u>41,401,873</u>	<u>6,780,408</u>
	<u>41,925,065</u>	<u>41,401,873</u>	<u>59,997,723</u>

- (a) During the financial year ended 30 June 2023, the Group changed its accounting policy with respect to the subsequent measurement of freehold land and buildings from the cost model to the revaluation model, with revaluation surplus recognised in revaluation reserve, net of deferred tax.

The carrying amount of the Group's freehold land located in Denmark was based on an independent valuation performed on 19 April 2023 by an external independent valuer, EDC Erhverv Poul Erik Bech.

The carrying amount of the Group's and the Company's freehold land and buildings located in Malaysia was based on an independent valuation performed on 30 June 2023 by an external independent valuer, VPC Alliance (PJ) Sdn. Bhd..



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

(a) (continued)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models,

Property category	Description of valuation techniques and inputs used	Significant unobservable inputs	Inter-relationship between key observable inputs and fair value
Freehold land	Sales comparison method: Entails recent transactions and asking prices of similar property in and around the locality for comparison purposes with adjustments made for differences in location, physical characteristics, time element, if any and other relevant characteristics to arrive at the market value.	Price per square feet RM222 - 223	The estimated fair value would increase if the price per square foot is higher.
Freehold buildings	Sales comparison method: Entails recent transactions and asking prices of similar property in and around the locality for comparison purposes with adjustments made for differences in location, physical characteristics, time element, if any and other relevant characteristics to arrive at the market value.	Price per square feet RM125 - 570	The estimated fair value would increase if the price per square foot is higher.

Had the revalued assets been carried at cost, the carrying amounts would have been:

	2023 RM
Freehold land	20,000,000
Freehold buildings	14,482,787
	<u>34,482,787</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

- (b) The fair value of freehold land and buildings (at valuation) of the Group and of the Company are categorised as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2023				
Freehold land	-	-	32,500,000	32,500,000
Freehold buildings	-	-	20,717,315	20,717,315
	-	-	<u>53,217,315</u>	<u>53,217,315</u>

- (i) Level 3 fair value of land and buildings (at valuation) was based on the highest and best use, which does not differ from their actual use. The land and buildings (at valuation) of the Group are for own use.
- (ii) Land and buildings at Level 3 fair value measurements were recommended by the Directors as at the end of the reporting period based on update valuation exercises carried out by independent property valuers.
- (c) The carrying amounts of property, plant and equipment of the Group pledged as securities for banking facilities granted to the Group as disclosed in Note 20 to the financial statements are as follows:

	2021 RM	2022 RM	2023 RM
Freehold land	20,000,000	20,000,000	32,500,000
Freehold buildings	<u>15,031,635</u>	<u>14,420,885</u>	<u>20,717,315</u>
	<u>35,031,635</u>	<u>34,420,885</u>	<u>53,217,315</u>

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*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**9. LEASES****The Group as lessee****(a) Right-of-use assets**

	Buildings RM	Plant and machineries RM	Tools and equipment RM	Motor vehicles RM	Office equipment RM	Total RM
Carrying value						
As at 1 July 2020	5,196,666	9,652,501	390,201	765,478	-	16,004,846
Transfers from property, plant and equipment	-	1,022,099	149,834	254,941	47,113	1,473,987
Transfers to property, plant and equipment	-	(23,850)	-	-	-	(23,850)
Additions	3,739,333	37,050	354,000	262,866	-	4,393,249
Depreciation charge for the financial year	(1,744,960)	(2,878,700)	(196,899)	(489,437)	-	(5,309,996)
Derecognition upon early termination	(83,394)	-	-	-	-	(83,394)
Re-measurement	12,873	-	-	(2,960)	-	9,913
Foreign currency translation differences	231,418	4,096	-	10,647	-	246,161
As at 30 June 2021/1 July 2021	7,351,936	7,813,196	697,136	801,535	47,113	16,710,916
Transfers from property, plant and equipment	-	-	76,700	-	-	76,700
Transfers to property, plant and equipment	-	(4)	(80,469)	(230,657)	-	(311,130)
Additions	1,502,575	561,460	596,000	1,159,847	-	3,819,882
Depreciation charge for the financial year	(2,357,223)	(2,834,373)	(296,528)	(570,302)	(10,842)	(6,069,268)
Derecognition upon early termination	(11,428)	-	-	-	-	(11,428)
Re-measurement	22,982	-	-	-	-	22,982
Foreign currency translation differences	(137,302)	(3,555)	-	(106,188)	(2,699)	(249,744)
As at 30 June 2022	6,371,540	5,536,724	992,839	1,054,235	33,572	13,988,910



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*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

9. LEASES (continued)

The Group as lessee (continued)

(a) Right-of-use assets (continued)

	Buildings RM	Plant and machineries RM	Tools and equipment RM	Motor vehicles RM	Office equipment RM	Total RM
Carrying value						
As at 1 July 2022	6,371,540	5,536,724	992,839	1,054,235	33,572	13,988,910
Transfers to property, plant and equipment	-	(228,000)	(104,134)	-	-	(332,134)
Additions	955,671	3,262,131	308,000	641,587	-	5,167,389
Depreciation charge for the financial year	(2,501,114)	(2,906,665)	(298,815)	(555,054)	(10,489)	(6,272,137)
Derecognition upon early termination	(232,851)	-	-	(23,235)	-	(256,086)
Re-measurement	141,479	-	-	-	-	141,479
Foreign currency translation differences	240,383	702	-	134,132	2,592	377,809
As at 30 June 2023	4,975,108	5,664,892	897,890	1,251,665	25,675	12,815,230



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

9. LEASES (continued)

The Group as lessee (continued)

(b) Lease liabilities

	Buildings RM	Plant and machineries RM	Tools and equipment RM	Motor vehicles RM	Office equipment RM	Total RM
Carrying value						
As at 1 July 2020	5,555,323	9,186,441	229,485	806,855	-	15,778,104
Additions	4,028,210	1,083,629	509,000	396,688	55,425	6,072,952
Lease payments	(2,322,508)	(3,248,229)	(275,638)	(519,754)	(8,314)	(6,374,443)
Interest expense	268,493	590,751	27,131	28,107	-	914,482
Derecognition upon early termination	(84,781)	-	-	-	-	(84,781)
Re-measurement	(8,676)	-	-	(2,961)	-	(11,637)
Foreign currency translation differences	251,901	4,950	-	14,301	-	271,152
As at 30 June 2021/1 July 2021	7,687,962	7,617,542	489,978	723,236	47,111	16,565,829
Additions	1,504,636	560,178	674,000	1,212,087	-	3,950,901
Lease payments	(2,535,604)	(3,358,927)	(430,407)	(751,987)	(10,329)	(7,087,254)
Interest expense	265,425	430,818	45,928	49,226	-	791,397
Derecognition upon early termination	(133,929)	-	-	-	-	(133,929)
Re-measurement	22,982	-	-	-	-	22,982
Foreign currency translation differences	(157,496)	(5,223)	-	(174,110)	(3,212)	(340,041)
As at 30 June 2022	6,653,976	5,244,388	779,499	1,058,452	33,570	13,769,885



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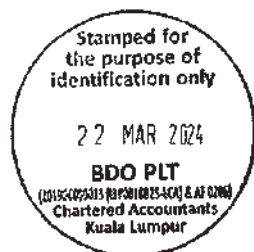
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

9. LEASES (continued)

The Group as lessee (continued)

(b) Lease liabilities (continued)

	Buildings RM	Plant and machineries RM	Tools and equipment RM	Motor vehicles RM	Office equipment RM	Total RM
Carrying value						
As at 1 July 2022	6,653,976	5,244,388	779,499	1,058,452	33,570	13,769,885
Additions	949,771	3,205,417	308,000	628,698	-	5,091,886
Lease payments	(2,823,786)	(3,619,157)	(420,168)	(727,585)	(14,264)	(7,604,960)
Interest expense	244,023	447,440	45,765	67,267	-	804,495
Derecognition upon early termination	(253,225)	-	-	(26,502)	-	(279,727)
Re-measurement	112,552	-	-	-	-	112,552
Foreign currency translation differences	335,974	3,120	-	178,628	3,516	521,238
As at 30 June 2023	5,219,285	5,281,208	713,096	1,178,958	22,822	12,415,369



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**9. LEASES (continued)****The Group as lessee (continued)****(b) Lease liabilities (continued)**

Represented by:	2021 RM	2022 RM	2023 RM
Current liabilities	5,451,957	5,914,140	5,819,976
Non-current liabilities	<u>11,113,872</u>	<u>7,855,745</u>	<u>6,595,393</u>
	<u>16,565,829</u>	<u>13,769,885</u>	<u>12,415,369</u>
Lease liabilities owing to:			
Financial institutions	8,357,882	6,321,201	6,054,238
Non-financial institutions	<u>8,207,947</u>	<u>7,448,684</u>	<u>6,361,131</u>
	<u>16,565,829</u>	<u>13,769,885</u>	<u>12,415,369</u>

(c) The Group has certain leases of buildings, plant and machineries, motor vehicles and office equipment with lease term of 12 months or less, and low-value leases of office equipment of RM20,000 and below. The Group applies the "short-term lease" exemption for these leases.

(d) The following are the amounts recognised in profit or loss:

	2021 RM	2022 RM	2023 RM
Continuing operations:			
Depreciation charge of right-of-use assets			
- cost of sales	3,272,603	3,870,422	4,164,606
- administrative expenses	2,037,393	2,198,846	2,107,531
Interest expense on lease liabilities (included in finance costs)	914,482	791,397	804,495
Expenses relating to short-term leases (included in administrative expenses)	274,661	374,412	220,709
Expenses relating to short-term leases (included in cost of sales)	233,895	231,942	121,313
Expenses relating to low-value leases (included in administrative expenses)	7,670	7,318	11,857
Gain on derecognition upon early termination	(1,387)	(2,316)	(23,641)
Gain on lease reassessment	<u>(21,550)</u>	<u>-</u>	<u>(28,927)</u>
	<u>6,717,767</u>	<u>7,472,021</u>	<u>7,377,943</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**9. LEASES (continued)****The Group as lessee (continued)**

(d) The following are the amounts recognised in profit or loss: (continued)

	2021 RM	2022 RM	2023 RM
Discontinuing operations:			
Depreciation charge of right-of-use assets (included in administrative expenses)	103,222	-	-
Interest expense on lease liabilities (included in finance costs)	<u>13,387</u>	<u>-</u>	<u>-</u>
	<u>116,609</u>	<u>-</u>	<u>-</u>

(e) The following are total cash outflows for leases as a lessee:

	2021 RM	2022 RM	2023 RM
Included in net cash from operating activities:			
Payment relating to short-term leases	508,556	606,354	342,022
Payment relating to low-value leases	7,670	7,318	11,857
Included in net cash from investing activities:			
Purchase of right-of-use assets	-	-	75,503
Included in net cash from financing activities:			
Payment of lease liabilities	<u>6,456,660</u>	<u>7,087,254</u>	<u>7,604,960</u>
	<u>6,972,886</u>	<u>7,700,926</u>	<u>8,034,342</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**9. LEASES (continued)****The Group as lessor**

The Group has entered into non-cancellable lease agreements on certain properties for terms of two years and are renewable at the end of the lease period. The monthly rental consists of a fixed base rent.

	2021 RM	2022 RM	2023 RM
Carrying amount			
Less than one (1) year	283,241	480,000	306,207
One (1) to two (2) years	-	306,207	-
	<u>283,241</u>	<u>786,207</u>	<u>306,207</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

10. INTANGIBLE ASSETS

	Goodwill RM	Development in progress RM	Technical know-how RM	Computer software RM	Total RM
Cost					
As at 1 July 2020	4,410,871	318,220	1,083,981	886,469	6,699,541
Additions	-	-	-	278,216	278,216
Reclassification	-	(318,220)	-	318,220	-
Foreign currency translation differences	-	-	-	8,866	8,866
As at 30 June 2021	<u>4,410,871</u>	<u>-</u>	<u>1,083,981</u>	<u>1,491,771</u>	<u>6,986,623</u>
Accumulated amortisation					
As at 1 July 2020	-	-	198,730	501,787	700,517
Amortisation charge for the financial year	-	-	108,398	189,309	297,707
Foreign currency translation differences	-	-	-	140	140
As at 30 June 2021	<u>-</u>	<u>-</u>	<u>307,128</u>	<u>691,236</u>	<u>998,364</u>
Carrying amount					
As at 30 June 2021	<u>4,410,871</u>	<u>-</u>	<u>776,853</u>	<u>800,535</u>	<u>5,988,259</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

10. INTANGIBLE ASSETS (continued)

	Goodwill RM	Technical know-how RM	Computer software RM	Total RM
Cost				
As at 1 July 2021	4,410,871	1,083,981	1,491,771	6,986,623
Foreign currency translation differences	-	-	(46,755)	(46,755)
As at 30 June 2022	<u>4,410,871</u>	<u>1,083,981</u>	<u>1,445,016</u>	<u>6,939,868</u>
Accumulated amortisation				
As at 1 July 2021	-	307,128	691,236	998,364
Amortisation charge for the financial year	-	108,398	284,851	393,249
Foreign currency translation differences	-	-	(16,602)	(16,602)
As at 30 June 2022	<u>-</u>	<u>415,526</u>	<u>959,485</u>	<u>1,375,011</u>
Carrying amount				
As at 30 June 2022	<u>4,410,871</u>	<u>668,455</u>	<u>485,531</u>	<u>5,564,857</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

10. INTANGIBLE ASSETS (continued)

	Goodwill RM	Technical know-how RM	Computer software RM	Total RM
Cost				
As at 1 July 2022	4,410,871	1,083,981	1,445,016	6,939,868
Additions	-	-	91,009	91,009
Foreign currency translation differences	-	-	62,659	62,659
	<u>4,410,871</u>	<u>1,083,981</u>	<u>1,598,684</u>	<u>7,093,536</u>
As at 30 June 2023				
Accumulated amortisation				
As at 1 July 2022	-	415,526	959,485	1,375,011
Amortisation charge for the financial year	-	108,398	286,688	395,086
Foreign currency translation differences	-	-	48,256	48,256
	<u>-</u>	<u>523,924</u>	<u>1,294,429</u>	<u>1,818,353</u>
As at 30 June 2023				
Carrying amount				
As at 30 June 2023	<u>4,410,871</u>	<u>560,057</u>	<u>304,255</u>	<u>5,275,183</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**10. INTANGIBLE ASSETS (continued)**

(a) Goodwill from business combinations

The carrying amounts of goodwill allocated to the Group's cash-generating-units ("CGUs") are as follows:

	2021 RM	2022 RM	2023 RM
Goodwill on consolidation			
Mega Fortris (HK) Limited	24,435	24,435	24,435
Mega Fortris Security Bags (Malaysia) Sdn. Bhd.	1,846,478	1,846,478	1,846,478
Mega Fortris Americas, Inc. Fortrich Manufacturing (M) Sdn. Bhd.	691,890	691,890	691,890
Mega Fortris (UK) Limited	1,477,435	1,477,435	1,477,435
	370,633	370,633	370,633
	4,410,871	4,410,871	4,410,871
Less: Impairment loss			
Mega Fortris (HK) Limited	-	-	-
Mega Fortris Security Bags (Malaysia) Sdn. Bhd.	-	-	-
Mega Fortris Americas, Inc. Fortrich Manufacturing (M) Sdn. Bhd.	-	-	-
Mega Fortris (UK) Limited	-	-	-
	-	-	-
Carrying amount	<u>4,410,871</u>	<u>4,410,871</u>	<u>4,410,871</u>

The management carried out an annual review of recoverable amount of its goodwill each financial year. The recoverable amount is determined based on a value-in-use calculation using cash flows projection based on financial budgets approved by the management covering a five-year period and projected to terminal year.

The key assumptions used in the value-in-use calculations are as follows:

- (i) The anticipated average annual revenue growth rates used in the cash flow projections of the subsidiaries ranged from 16% to 23% (2022: 18% to 46%, 2021: 21% to 36%) per annum.
- (ii) Pre-tax discount rates ranged from 10.41% to 11.63% per annum (2022: 11.06% to 12.06% per annum) were applied over the projection periods in determining the recoverable amount of the subsidiaries. The discount rates used reflect the current market assessment of the risks specific to the subsidiaries.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**10. INTANGIBLE ASSETS (continued)**

- (a) Goodwill from business combinations (continued)

Based on these annual impairment testing undertaken by the Group, the Directors are of the view that no impairment loss was required as at 30 June 2023 as the recoverable amounts determined was higher than the carrying amounts of goodwill.

Sensitivity to changes in assumptions

The management is not aware of any reasonably possible changes in the assumptions above that could cause any impairment loss on goodwill.

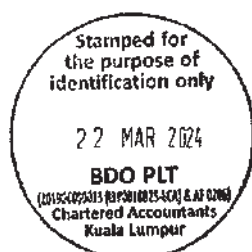
11. OTHER INVESTMENTS

	2021 RM	2022 RM	2023 RM
Non-current			
At cost			
Equity securities (unquoted shares)	<u>835,337</u>	<u>831,028</u>	<u>-</u>

Other investments comprised of unquoted shares representing 100%, 51%, 57.5%, 100% and 100% equity interest in Mega Security Devices (M) Sdn. Bhd., PT. Mega Fortris Indonesia, Shaoxing Mega Fortris Seals Co. Ltd. and Mega Fortris Software Solutions Sdn. Bhd. and Mega Fortris Iberica, S.L respectively which were acquired for a total cash consideration of RM835,337.

The financial position, profit or loss and other comprehensive income and cash flows of the abovementioned subsidiaries had been carved out from the combined financial statements because by 30 June 2023, the Group had either liquidated or disposed of its entire equity interest of the abovementioned subsidiaries for the purposes of the Proposed Listing analysed as follows:

- (a) During the financial year 2021, the Group had disposed of its entire equity interest comprising 2,550 ordinary shares in Mega Security Devices (M) Sdn. Bhd. for total cash consideration of RM2,550. The Group also acquired 100% equity interest comprising 3,000 ordinary shares in Mega Fortris Iberica, S.L for total consideration of RM14,681.
- (b) During the financial year 2022, the Group had disposed of its 30% equity interest comprising 900 ordinary shares in Mega Fortris Iberica, S.L for total cash consideration of RM4,309.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**11. OTHER INVESTMENTS (continued)**

(c) During the financial year 2023:

- (i) The liquidation of a subsidiary, Shaoxing Mega Fortris Seals Co. Ltd., has been finalised and the distribution, net of tax received by the Group during the financial year amounting to RM2,124,136, consisting of liquidating dividend net of withholding tax of RM1,594,338 and cost of investment of RM529,798.
- (ii) The Group disposed its entire equity interest comprising 100,000 shares in Mega Fortris Software Solutions Sdn. Bhd., for total cash consideration of RM100,000.
- (iii) The Group disposed its entire equity interest comprising 63,750 ordinary shares in its subsidiary, PT. Mega Fortris Indonesia for total cash consideration of RM172,000.
- (iv) The Group disposed of its entire 70% equity interest comprising 2,100 ordinary shares in Mega Fortris Iberica, S.L ('MFIB') for total cash consideration of RM7.

The Directors are of the view that the carve out effects of the abovementioned subsidiaries are insignificant to the combined financial statements other than Shaoxing Mega Fortris Seals Co. Ltd. which incurred loss after tax of RM3,108,519 for financial year ended 30 June 2022 and generated profits after tax of RM557,826 and RM726,139 for financial years ended 30 June 2021 and 30 June 2023 respectively.

12. TRADE AND OTHER RECEIVABLES

	2021 RM	2022 RM	2023 RM
Non-current receivables:			
Trade receivables			
Third parties	-	149,005	-
Less: Impairment losses	-	(3,671)	-
	-	145,334	-
Other receivables			
Third parties	3,141,725	3,890,282	11,992,783
Lease receivables	29,642	-	-
	3,171,367	3,890,282	11,992,783
Less: Impairment losses - third parties	(202,350)	(212,597)	(1,643,357)
	2,969,017	3,677,685	10,349,426
Prepayment	1,350,245	1,433,055	1,356,550
Total non-current receivables	4,319,262	5,256,074	11,705,976



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

	2021 RM	2022 RM	2023 RM
Total non-current receivables (continued)	4,319,262	5,256,074	11,705,976
Current receivables:			
Trade receivables			
Third parties	34,880,219	42,700,895	34,094,275
Amount due from a related party	14,224	34,770	18,745
	34,894,443	42,735,665	34,113,020
Less: Impairment losses			
- third parties	(4,781,850)	(3,891,794)	(1,379,507)
	30,112,593	38,843,871	32,733,513
Other receivables			
Third parties	8,312,251	4,348,443	3,704,892
Amount due from ultimate holding company	-	42	46
Amount due from immediate holding company	2,505,163	1,543,954	-
Amounts due from related companies	-	39	-
Deposits	515,128	537,587	2,507,325
Lease receivables	116,206	-	-
	11,448,748	6,430,065	6,212,263
Less: Impairment losses			
- third parties	(2,599,728)	(2,416,561)	(158,067)
- amount due from ultimate holding company	-	(2)	(2)
- amount due from immediate holding company	(146,918)	(80,332)	-
- amounts due from related companies	-	(2)	-
- deposits	(42,025)	(40,440)	(3,552)
	(2,788,671)	(2,537,337)	(161,621)
	8,660,077	3,892,728	6,050,642
Total current receivables	38,772,670	42,736,599	38,784,155
Prepayments	2,518,109	2,397,409	3,527,947
Total trade and other receivables (current)	41,290,779	45,134,008	42,312,102
Total trade and other receivables (non- current and current)	45,610,041	50,390,082	54,018,078



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

- (a) Trade receivables are non-interest bearing and the normal credit terms of the Group ranged from 30 to 120 days (2022: 30 to 120 days, 2021: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (b) The current non-trade amounts due from ultimate holding company, immediate holding company and related companies represent advances and payments on behalf, which are unsecured, interest-free and receivable within the next twelve (12) months in cash and cash equivalents.
- (c) Included in other receivables from third parties are amounts owing from former subsidiaries as follows:

	2021 RM	2022 RM	2023 RM
Amounts owing from former subsidiaries, net of impairment			
Non-current	2,939,375	3,677,685	10,349,426
Current	2,495,392	5,074,702	1,813,070
	<u>5,434,767</u>	<u>8,752,387</u>	<u>12,162,496</u>

These amounts arose from arrangements between the Group with the respective present shareholders of these former subsidiaries as part of the contractual terms in the disposal of these subsidiaries in the financial year ended 30 June 2023, whereby the repayment terms of the amounts owing from former subsidiaries are revised from payable within twelve months to payable over five year period. These amounts are unsecured and interest-free.

- (d) The reconciliation of movements in the impairment losses on trade receivables is as follows:

	Lifetime ECL Allowance RM	Credit impaired RM	Total allowance RM
As at 1 July 2020	3,296,654	2,100,954	5,397,608
Charge for the financial year	1,138,507	646,960	1,785,467
Reversal of impairment losses	(2,123,446)	(324,659)	(2,448,105)
Reclassification	-	124,976	124,976
Exchange difference	(51,069)	(27,027)	(78,096)
	<u>2,260,646</u>	<u>2,521,204</u>	<u>4,781,850</u>
As at 30 June 2021			



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

- (d) The reconciliation of movements in the impairment losses on trade receivables is as follows: (continued)

	Lifetime ECL Allowance RM	Credit impaired RM	Total allowance RM
As at 1 July 2021	2,260,646	2,521,204	4,781,850
Charge for the financial year	154,393	1,294,739	1,449,132
Reversal of impairment losses	(1,611,505)	(646,214)	(2,257,719)
Exchange difference	(45,402)	(32,396)	(77,798)
As at 30 June 2022	<u>758,132</u>	<u>3,137,333</u>	<u>3,895,465</u>
As at 1 July 2022	758,132	3,137,333	3,895,465
Charge for the financial year	732,994	3,367	736,361
Reversal of impairment losses	(271,282)	(495,211)	(766,493)
Written off	-	(1,085,690)	(1,085,690)
Transfer to credit impaired	(1,083,759)	1,083,759	-
Reclassification	-	(1,641,355)	(1,641,355)
Exchange difference	29,472	211,747	241,219
As at 30 June 2023	<u>165,557</u>	<u>1,213,950</u>	<u>1,379,507</u>

Credit impaired refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

- (e) The reconciliation of movements in the impairment losses on other receivables, amount due from ultimate holding company, amount due from immediate holding company and amounts due from related companies is as follows:

	Lifetime ECL Allowance RM	Credit impaired RM	Total allowance RM
At 1 July 2020	1,811,861	3,021,808	4,833,669
Charge for the financial year	44,640	-	44,640
Reversal of impairment losses	(1,163,631)	(723,667)	(1,887,298)
Exchange difference	10	-	10
At 30 June 2021	<u>692,880</u>	<u>2,298,141</u>	<u>2,991,021</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

- (e) The reconciliation of movements in the impairment losses on other receivables, amount due from ultimate holding company, amount due from immediate holding company and amounts due from related companies is as follows: (continued)

	Lifetime ECL Allowance RM	Credit impaired RM	Total allowance RM
At 1 July 2021	692,880	2,298,141	2,991,021
Charge for the financial year	36,741	-	36,741
Reversal of impairment losses	(277,826)	-	(277,826)
Exchange difference	(2)	-	(2)
At 30 June 2022	<u>451,793</u>	<u>2,298,141</u>	<u>2,749,934</u>
At 1 July 2022	451,793	2,298,141	2,749,934
Charge for the financial year	44,927	-	44,927
Reversal of impairment losses	(319,717)	(1,634,999)	(1,954,716)
Written off	(13,373)	(663,142)	(676,515)
Reclassification	-	1,641,355	1,641,355
Exchange difference	(7)	-	(7)
At 30 June 2023	<u>163,623</u>	<u>1,641,355</u>	<u>1,804,978</u>

- (f) During the financial year, the Group renegotiated the terms of one of its trade receivables and certain advances to former subsidiaries of the Group, which led to changes in the timing of the payments. The impact arising from the renegotiation is negligible to the Group.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

(g) The ageing analysis of trade receivables of the Group are as follows:

2021	Gross Carrying Amount RM	Total allowance RM	Balance as at 30.6.2021 RM
Current (not past due)	16,876,189	(1,016,695)	15,859,494
Past due:			
1 to 30 days	8,861,147	(648,842)	8,212,305
31 to 60 days	3,295,403	(410,907)	2,884,496
61 to 90 days	1,397,467	(184,202)	1,213,265
	<u>13,554,017</u>	<u>(1,243,951)</u>	<u>12,310,066</u>
	30,430,206	(2,260,646)	28,169,560
Credit-impaired:			
More than 90 days	3,014,425	(1,071,392)	1,943,033
Individually impaired	1,449,812	(1,449,812)	-
	<u>4,464,237</u>	<u>(2,521,204)</u>	<u>1,943,033</u>
	<u><u>34,894,443</u></u>	<u><u>(4,781,850)</u></u>	<u><u>30,112,593</u></u>
2022			
Current (not past due)	17,980,429	(85,838)	17,894,591
Past due:			
1 to 30 days	9,436,975	(5,535)	9,431,440
31 to 60 days	1,753,472	(81,429)	1,672,043
61 to 90 days	3,833,834	(585,330)	3,248,504
	<u>15,024,281</u>	<u>(672,294)</u>	<u>14,351,987</u>
	33,004,710	(758,132)	32,246,578
Credit-impaired:			
More than 90 days	8,424,084	(1,681,457)	6,742,627
Individually impaired	1,455,876	(1,455,876)	-
	<u>9,879,960</u>	<u>(3,137,333)</u>	<u>6,742,627</u>
	<u><u>42,884,670</u></u>	<u><u>(3,895,465)</u></u>	<u><u>38,989,205</u></u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

(g) The ageing analysis of trade receivables of the Group are as follows: (continued)

2023	Gross carrying amount RM	Total allowance RM	Balance as at 30.6.2023 RM
Current (not past due)	20,968,738	(42,049)	20,926,689
Past due:			
1 to 30 days	7,433,048	(17,062)	7,415,986
31 to 60 days	2,274,716	(41,313)	2,233,403
61 to 90 days	505,876	(65,133)	440,743
	<u>10,213,640</u>	<u>(123,508)</u>	<u>10,090,132</u>
	31,182,378	(165,557)	31,016,821
Credit-impaired:			
More than 90 days	2,882,642	(1,165,950)	1,716,692
Individually impaired	48,000	(48,000)	-
	<u>2,930,642</u>	<u>(1,213,950)</u>	<u>1,716,692</u>
	<u><u>34,113,020</u></u>	<u><u>(1,379,507)</u></u>	<u><u>32,733,513</u></u>

(h) Movement of lease receivables is as follows:

	2021 RM	2022 RM	2023 RM
As at beginning of financial year	257,008	145,848	-
Interest income	6,682	1,114	-
Lease payments received	(119,225)	(29,806)	-
Derecognition upon early termination	-	(120,185)	-
Foreign currency translation differences	1,383	3,029	-
As at end of financial year	<u>145,848</u>	<u>-</u>	<u>-</u>

(i) No expected credit losses were recognised arising from the lease receivables because the probability of default by these lease receivables were negligible.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

- (j) The maturity profile of lease receivables at the end of each reporting period is summarised as follows:

	2021 RM	2022 RM	2023 RM
Present value of finance lease:			
Non-current	29,642	-	-
Current	116,206	-	-
	<u>145,848</u>	<u>-</u>	<u>-</u>
Maturity:			
Within one year	119,225	-	-
One to two years	29,803	-	-
	<u>149,028</u>	<u>-</u>	<u>-</u>
Total undiscounted lease payments	149,028	-	-
Less: Unearned interest income	(3,180)	-	-
	<u>145,848</u>	<u>-</u>	<u>-</u>

- (k) Information on financial risks of trade and other receivables is disclosed in Note 31 to the financial statements.

13. DEFERRED TAX ASSETS/(LIABILITIES)

The deferred tax assets and liabilities are made up of the following:

	Note	2021 RM	2022 RM	2023 RM
As at beginning of financial year		220,363	(691,091)	(292,250)
Recognised in profit or loss:				
- continuing operations	24	(903,241)	373,083	314,135
Recognised in other comprehensive income ("OCI"):				
- continuing operations	17	-	-	(2,746,287)
Foreign currency translation reserve		(8,213)	25,758	(18,542)
As at end of financial year		<u>(691,091)</u>	<u>(292,250)</u>	<u>(2,742,944)</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets		253,726	374,925	401,458
Deferred tax liabilities		(944,817)	(667,175)	(3,144,402)
		<u>(691,091)</u>	<u>(292,250)</u>	<u>(2,742,944)</u>



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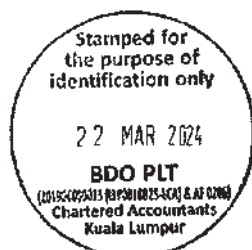
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**13. DEFERRED TAX ASSETS/(LIABILITIES) (continued)**

- (a) The movement of deferred tax assets/(liabilities) during the financial year prior to offsetting are as follows:

Deferred tax assets

	2021 RM	2022 RM	2023 RM
As at beginning of financial year	887,734	253,726	374,925
Recognised in profit or loss:			
Temporary differences on the excess of capital allowances over the corresponding depreciation	(524,533)	(300,706)	247,833
Unabsorbed reinvestment allowances	-	254,355	(254,355)
Other temporary differences	(116,566)	171,762	29,541
	(641,099)	125,411	23,019
Foreign currency translation:			
Other temporary differences	7,091	(4,212)	3,514
	7,091	(4,212)	3,514
As at end of financial year	<u>253,726</u>	<u>374,925</u>	<u>401,458</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**13. DEFERRED TAX ASSETS/(LIABILITIES) (continued)**

- (a) The movement of deferred tax assets/(liabilities) during the financial year prior to offsetting are as follows: (continued)

Deferred tax liabilities

	2021 RM	2022 RM	2023 RM
As at beginning of financial year	667,371	944,817	667,175
Recognised in profit or loss:			
Temporary differences on the excess of capital allowances over the corresponding depreciation	107,857	(663,500)	(225,818)
Unabsorbed reinvestment allowances	178,596	454,433	-
Other temporary differences	(24,311)	(38,605)	(65,298)
	262,142	(247,672)	(291,116)
Recognised in other comprehensive income ("OCI"):			
Revaluation of freehold land and buildings (Note 18)	-	-	2,746,287
	-	-	2,746,287
Foreign currency translation:			
Temporary differences on the excess of capital allowances over the corresponding depreciation	15,304	(29,970)	22,056
	15,304	(29,970)	22,056
As at end of financial year	<u>944,817</u>	<u>667,175</u>	<u>3,144,402</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**13. DEFERRED TAX ASSETS/(LIABILITIES) (continued)**

- (b) The components of deferred tax assets and liabilities during the financial year are as follows:

Deferred tax assets

	2021 RM	2022 RM	2023 RM
Temporary differences on the excess of capital allowances over the corresponding depreciation	6,476	(294,229)	(46,396)
Unabsorbed reinvestment allowances available for set off against future taxable profits	-	254,355	-
Other temporary differences	<u>247,250</u>	<u>414,799</u>	<u>447,854</u>
	<u>253,726</u>	<u>374,925</u>	<u>401,458</u>

Deferred tax liabilities

	2021 RM	2022 RM	2023 RM
Temporary differences on the excess of capital allowances over the corresponding depreciation	1,099,455	405,985	202,223
Unabsorbed reinvestment allowances available for set off against future taxable profits	(454,433)	-	-
Revaluation of freehold land and buildings	-	-	2,746,287
Other temporary differences	<u>299,795</u>	<u>261,190</u>	<u>195,892</u>
	<u>944,817</u>	<u>667,175</u>	<u>3,144,402</u>

- (c) The amount of temporary difference for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	2021 RM	2022 RM	2023 RM
Unabsorbed capital allowances	428,369	603,556	2,089,766
Unused tax losses			
- Expires by 30 June 2031	137,103	137,103	137,103
Other temporary differences	<u>153,875</u>	<u>(2,535)</u>	<u>(2,483)</u>
	<u>719,347</u>	<u>738,124</u>	<u>2,224,386</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**13. DEFERRED TAX ASSETS/(LIABILITIES) (continued)**

(c) (continued)

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that future taxable profit of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the respective local tax authorities.

14. INVENTORIES

	2021 RM	2022 RM	2023 RM
At cost			
Raw materials	7,428,712	9,918,843	8,027,757
Packing materials	169,430	193,750	116,735
Trading goods	80,583	243,750	254,769
Work-in-progress	2,353,360	3,857,003	3,527,705
Finished goods	19,466,331	21,182,200	20,728,904
	<u>29,498,416</u>	<u>35,395,546</u>	<u>32,655,870</u>

During the financial year, inventories of the Group recognised as cost of sales amounted to RM89,597,461 (2022: RM89,272,464, 2021: RM78,170,789).

15. CONTRACT ASSETS/(LIABILITIES)

	2021 RM	2022 RM	2023 RM
Contract assets			
Project	84,860	42,430	-
Less: Impairment loss	(4,243)	(3,175)	-
	<u>80,617</u>	<u>39,255</u>	<u>-</u>
Contract liabilities			
Deferred income	<u>(171,539)</u>	<u>(371,622)</u>	<u>(298,542)</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**15. CONTRACT ASSETS/(LIABILITIES) (continued)**

(a) Contract assets

	2021 RM	2022 RM	2023 RM
As at beginning of financial year	220,056	80,617	39,255
Add: Revenue recognised during the financial year	-	-	-
Add: Reversal of impairment loss	<u>31,580</u>	<u>1,068</u>	<u>3,175</u>
	251,636	81,685	42,430
Less: Progress billings	<u>(171,019)</u>	<u>(42,430)</u>	<u>(42,430)</u>
As at end of financial year	<u><u>80,617</u></u>	<u><u>39,255</u></u>	<u><u>-</u></u>

(b) Contract liabilities

	2021 RM	2022 RM	2023 RM
As at beginning of financial year	(435,056)	(171,539)	(371,622)
Additions during the financial year	(136,865)	(511,847)	(309,636)
Revenue recognised during the financial year	<u>400,382</u>	<u>311,764</u>	<u>382,716</u>
As at end of financial year	<u><u>(171,539)</u></u>	<u><u>(371,622)</u></u>	<u><u>(298,542)</u></u>

(c) The reconciliation of movement in allowance for impairment account on contract assets is as follows:

	2021 RM	2022 RM	2023 RM
Lifetime ECL allowance			
As at beginning of financial year	35,823	4,243	3,175
Reversal of impairment loss	<u>(31,580)</u>	<u>(1,068)</u>	<u>(3,175)</u>
As at end of financial year	<u><u>4,243</u></u>	<u><u>3,175</u></u>	<u><u>-</u></u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**16. CASH AND CASH EQUIVALENTS**

	Note	2021 RM	2022 RM	2023 RM
Cash and bank balances as reported in statements of financial position		12,762,857	18,184,987	26,591,402
Bank overdrafts	20	<u>(2,596,866)</u>	<u>(4,747,733)</u>	<u>(4,158,877)</u>
		10,165,991	13,437,254	22,432,525
Cash and cash equivalents included in disposal group held for sale	35	<u>827,799</u>	<u>770,906</u>	<u>705,478</u>
Cash and cash equivalents as reported in statements of cash flows		<u>10,993,790</u>	<u>14,208,160</u>	<u>23,138,003</u>

- (a) No expected credit losses were recognised arising from the cash at banks because the probability of default by these financial institutions were negligible.
- (b) Information on financial risks of cash and cash equivalents are disclosed in Note 31 to the financial statements.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

17. SHARE CAPITAL

	2021		2022		2023	
	Number of shares	RM	Number of shares	RM	Number of shares	RM
Ordinary shares						
Issued and fully paid						
Balance as at 30 June	34,854,974	34,854,974	34,854,974	34,854,974	34,854,974	34,854,974

- (a) The owner of the Company is entitled to receive dividends as and when declared by the Company and is entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.
- (b) Although the actual acquisition of the combining entities took place on 30 June 2023, the effect of the issuance of ordinary shares by the Company to MFGPL pursuant to the acquisition of the combining entities had been effected on 1 July 2020. Reconciliation of the aggregate of the share capital of the Company and the Other Combining Entities, namely MFEU Group, MFA, MFAUS and MFNZ before and after the acquisition of the Other Combining Entities is as follows:

	Company RM	MFNZ RM	MFAUS RM	MFA RM	MFEU RM	Total RM
Balance as at 1 July 2020 (pre-acquisition)	1,143,000	149,149	254	32,140	53,750	1,378,293
Elimination upon acquisition of the Other Combining Entities	-	(149,149)	(254)	(32,140)	(53,750)	(235,293)
Issuance pursuant to acquisition of the Other Combining Entities	33,711,974	-	-	-	-	33,711,974
Balance as at 1 July 2020 (post-acquisition)	34,854,974	-	-	-	-	34,854,974



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**18. RESERVES**

	Note	2021 RM	2022 RM	2023 RM
Non-distributable				
Foreign currency translation reserve	(a)	5,720,346	6,167,686	9,847,410
Merger reserve	(b)	(29,950,024)	(29,950,024)	(29,950,024)
Revaluation reserve	(c)	-	-	15,988,241
Distributable				
Retained earnings		<u>60,654,825</u>	<u>63,521,124</u>	<u>74,409,313</u>
		<u>36,425,147</u>	<u>39,738,786</u>	<u>70,294,940</u>

- (a) The foreign currency translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in the functional currencies of the foreign operations.

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18. RESERVES (continued)

- (b) Merger reserve represents the excess of the consideration paid over the share capital of the subsidiaries as at the acquisition date, pre-acquisition retained earnings and any goodwill acquired under the pooling of interest method of accounting as follows:

	MFNZ RM	MFAUS RM	MFA RM	MFEU RM	Total RM
Equity instruments issued (33,711,974 ordinary shares of the Company)	1,367,715	2,045,445	15,762,593	14,536,221	33,711,974
Less:					
Share capital as at acquisition date	(149,149)	(254)	(32,140)	(53,750)	(235,293)
Pre-acquisition retained earnings [#]	(272,603)	(1,284,312)	(1,277,852)	-	(2,834,767)
Goodwill*	-	-	(691,890)	-	(691,890)
	<u>945,963</u>	<u>760,879</u>	<u>13,760,711</u>	<u>14,482,471</u>	<u>29,950,024</u>
Merger reserve					

[#] Pre-acquisition retained earnings arising from acquisition of the subsidiaries from third parties in the previous financial year

* Reinstatement of goodwill in the Group's investments in MFA which was previously derecognised upon disposal to the holding company in the previous financial year



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**18. RESERVES (continued)**

- (c) Revaluation reserve represents net of tax surplus from revaluation of freehold land and buildings included under property, plant and equipment. The movements of the Group's revaluation reserve during the financial years are as follows:

	Note	2021 RM	2022 RM	2023 RM
Revaluation of freehold land and buildings				
As at beginning of financial year		-	-	-
Revaluation surplus during the financial year	8	-	-	18,734,528
Deferred tax effect on current financial year revaluation surplus	13	-	-	(2,746,287)
As at end of financial year		-	-	<u>15,988,241</u>

19. TRADE AND OTHER PAYABLES

	2021 RM	2022 RM	2023 RM
Non-current payables:			
Other payables			
Third parties, representing total non-current payables	<u>640,565</u>	<u>717,454</u>	<u>705,643</u>
Current payables:			
Trade payables			
Third parties	15,894,915	11,275,085	7,394,355
Amounts due to related parties	47,840	9,614	-
	<u>15,942,755</u>	<u>11,284,699</u>	<u>7,394,355</u>
Other payables			
Third parties	5,429,272	6,164,448	5,307,900
Amount due to immediate holding company	350,887	764,087	-
Amount due to a related party	45,000	45,000	-
Amounts due to Directors	1,303,834	1,303,834	1,303,794
Amounts due to minority shareholders of the subsidiaries	245,551	287,267	474,345
Accruals	3,308,573	5,173,288	4,004,721
Refundable deposits	92,500	100,000	107,934
	<u>10,775,617</u>	<u>13,837,924</u>	<u>11,198,694</u>
Total current payables	<u>26,718,372</u>	<u>25,122,623</u>	<u>18,593,049</u>
Total trade and other payables (non-current and current)	<u>27,358,937</u>	<u>25,840,077</u>	<u>19,298,692</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**19. TRADE AND OTHER PAYABLES (continued)**

- (a) Trade payables are non-interest bearing and normal credit terms of the Group ranged from 0 to 90 days (2022: 0 to 90 days, 2021: 0 to 90 days) from date of invoice.
- (b) Non-trade amounts due to immediate holding company, a related party and Directors are unsecured, interest-free and payable within the next twelve months in cash and cash equivalents.
- (c) Information on financial risks of trade and other payables is disclosed in Note 31 to the financial statements.

20. BORROWINGS

	Note	2021 RM	2022 RM	2023 RM
Non-current liabilities				
Secured:				
Term loans	20	<u>11,866,699</u>	<u>16,871,288</u>	<u>17,721,806</u>
Current liabilities				
Secured:				
Bankers' acceptances		14,659,000	-	-
Invoice financing		-	20,086,335	19,244,074
Revolving credits		10,000,000	10,000,000	10,000,000
Term loans	21	1,718,190	1,796,426	894,717
Bank overdrafts	16	<u>2,596,866</u>	<u>4,747,733</u>	<u>4,158,877</u>
		<u>28,974,056</u>	<u>36,630,494</u>	<u>34,297,668</u>
Total borrowings				
Secured:				
Bankers' acceptances		14,659,000	-	-
Invoice financing		-	20,086,335	19,244,074
Revolving credits		10,000,000	10,000,000	10,000,000
Term loans	20	13,584,889	18,667,714	18,616,523
Bank overdrafts		<u>2,596,866</u>	<u>4,747,733</u>	<u>4,158,877</u>
		<u>40,840,755</u>	<u>53,501,782</u>	<u>52,019,474</u>

- (a) The secured bankers' acceptance, invoice financing, revolving credits, term loans and bank overdrafts are secured by:
- (i) First party legal charge over property comprising a piece of industrial land with a 3-storey office annexed with a 1 ½-storey warehouse and ancillary building held under GRN 104308, Lot 69297, Mukim Klang, Daerah Klang bearing postal address No.29, Jalan Anggerik Mokara 31/47, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor as disclosed in Note 8 to the financial statements;



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

20. BORROWINGS (continued)

- (a) (continued)
- (ii) First party legal charge over single storey warehouse cum 2 storey office held under H.S.(D) 102312, PT 111841, Mukim Klang, Daerah Klang, bearing postal address No. 25 & 27, Jalan Anggerik Mokara 31/47, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor registered in the name of the Company;
 - (iii) A fixed and floating charge over all the assets, properties, and undertakings (both movable and immovable, present and future) of a subsidiary as disclosed in Note 8 to the financial statements;
 - (iv) A legal charge over the property, plant and equipment of a subsidiary as disclosed in Note 8 to the financial statements;
 - (v) Joint and several guarantees by certain Directors of the Company; and
 - (vi) Corporate guarantee by immediate holding company.
- (b) In the financial year ended 30 June 2021, the secured bankers' acceptances, revolving credits and bank overdrafts were secured by:
- (i) First legal charge over property comprising a piece of industrial land with a 3-storey office annexed with a 1 ½-storey warehouse and ancillary building held under GRN 104308, Lot 69297, Mukim Klang, Daerah Klang bearing postal address No.29, Jalan Anggerik Mokara 31/47, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor as disclosed in Note 8 to the financial statements;
 - (ii) A fixed and floating charge over all the assets, properties, and undertakings (both movable and immovable, present and future) of a subsidiary as disclosed in Note 8 to the financial statements;
 - (iii) A legal charge over the property, plant and equipment of a subsidiary as disclosed in Note 8 to the financial statements; and
 - (iv) Joint and several guarantees by certain Directors of the Company.
- (c) In the financial year ended 30 June 2021, revolving credits of RM6 million and term loans were secured by a fixed charge over single storey warehouse cum 2 storey office held under H.S.(D) 102312, PT 111841, Mukim Klang, Daerah Klang, bearing postal address No. 25 & 27, Jalan Anggerik Mokara 31/47, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor registered in the name of the Company.
- (d) Information on financial risks of borrowings is disclosed in Note 31 to financial statements.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**21. TERM LOANS (SECURED)**

	2021 RM	2022 RM	2023 RM
Repayable as follows:			
Current liabilities (Note 20)	1,718,190	1,796,426	894,717
Non-current liabilities (Note 20)	11,866,699	16,871,288	17,721,806
	<u>13,584,889</u>	<u>18,667,714</u>	<u>18,616,523</u>

- (a) The term loans are repayable by:
- (i) Yearly instalments of USD415,298 (2022: USD415,296, 2021: RM1,158,120) and mature on December 2026 (2022: December 2026, 2021: December 2034);
 - (ii) Yearly instalments of EUR50,832 (2022: EUR50,832, 2021: EUR50,832) and mature on December 2028 (2022: December 2028, 2021: December 2030);
 - (iii) Monthly instalments of EUR853 (2022: EUR853, 2021: EUR Nil) and mature on March 2024 (2022: March 2024, 2021: Nil);
 - (iv) Monthly instalments of EUR895 and matured on April 2023; and
 - (v) Monthly instalments of GBP812 and matured on December 2022.
- (b) In the financial year ended 30 June 2021, Mega Fortris Americas, Inc. "the subsidiary" obtained a loan of USD158,600 under the Paycheck Protection Program (the "Program"), which was administered by the Small Business Administration (the "SBA"). Under the Program, the subsidiary might request the forgiveness of the loan based on the use of the loan proceeds for eligible expenses (as defined in the Program) during the eight-week period following the receipt of the loan proceeds. The portion of the loan not forgiven, if any, would be required to be repaid at an interest rate of 1% per annum and would mature in May 2022. Monthly payments of principal and interest were required, however, the first payment under the loan was deferred until December 2020, with interest continuing to accrue on the loan from May 2020. Prepayment of the loan would not be subject to penalties. In the previous financial year, the entire amount of RM671,354 (equivalent to USD158,600) of loan principal plus accrued interest of the payback protection program was forgiven by the subsidiary's lender and recognised as other income as disclosed in Note 22 to the financial statements.
- (c) Information on financial risks of term loans is disclosed in Note 31 to the financial statements.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**22. REVENUE**

	2021 RM	2022 RM	2023 RM
Revenue from contracts with customers	<u>135,098,276</u>	<u>155,210,680</u>	<u>161,303,217</u>
Timing of revenue recognition			
Transferred at a point in time	134,669,095	154,898,916	160,779,207
Transferred over time	<u>429,181</u>	<u>311,764</u>	<u>524,010</u>
	<u>135,098,276</u>	<u>155,210,680</u>	<u>161,303,217</u>

Disaggregation of revenue from contracts with customers by business activities and products and country of operations are presented in Note 7 to the financial statements.

23. FINANCE COSTS

	2021 RM	2022 RM	2023 RM
Interest expenses:			
- bankers' acceptances	537,984	516,391	-
- invoice financing	-	-	1,181,687
- lease liabilities	914,482	791,397	804,495
- bank overdrafts	9,759	103,587	183,739
- term loans	411,608	519,551	999,408
- revolving credits	459,079	325,402	515,731
- others	<u>59,186</u>	<u>40,153</u>	<u>74,876</u>
	<u>2,392,098</u>	<u>2,296,481</u>	<u>3,759,936</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**24. PROFIT BEFORE TAXATION**

Other than those disclosed elsewhere in the financial statements, profit before taxation for continuing operations is arrived at:

	2021 RM	2022 RM	2023 RM
After charging:			
Auditors' remuneration:			
- current year	331,199	315,927	473,063
- under provision in prior years	68,666	193,101	97,210
Bad debts written off:			
- trade receivables	40,039	15,804	49,714
- other receivables	-	-	209,505
Loss on foreign exchange:			
- realised	1,604,521	2,352,660	-
- unrealised	-	-	69,600
Loss on disposal of other investments	-	-	29,230
Net loss on disposal of property, plant and equipment	81,138	-	-
Property, plant and equipment written off	17,600	7,010	3,516
And crediting:			
Gain on foreign exchange:			
- realised	-	-	(385,007)
- unrealised	(55,700)	(649,841)	-
Interest income on:			
- lease receivables	(6,682)	(1,114)	-
- others	(9,827)	(28,460)	(196,762)
Rental income from:			
- office premises	(585,157)	(664,656)	(769,466)
- machinery	-	-	(6,354)
Dividend income	-	-	(1,771,377)
Management fees	(162,000)	(139,500)	(120,000)
Net gain on disposal of property, plant and equipment	-	(478)	(6,276)
Waiver of debts	(60,503)	-	-
Waiver of term loan	-	(671,354)	-



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**25. TAXATION**

	2021 RM	2022 RM	2023 RM
Continuing operations:			
Malaysian income tax:			
Current year	140,455	233,886	1,113,699
(Over)/Under provision in prior years	(432,829)	(14,338)	18,368
	(292,374)	219,548	1,132,067
Foreign income tax:			
Current year	1,843,367	1,740,195	3,006,443
Over provision in prior years	(3,151)	(26,330)	-
	1,840,216	1,713,865	3,006,443
Deferred tax (Note 13):			
Current year	323,684	509,970	202,358
Under/(Over) provision in prior years	579,557	(883,053)	(516,493)
	903,241	(373,083)	(314,135)
	<u>2,451,083</u>	<u>1,560,330</u>	<u>3,824,375</u>
Discontinuing operations:			
Foreign income tax	-	-	-
(a)	Malaysian income tax is calculated at the statutory rate of 24% (2022: 24%, 2021: 24%) of the estimated taxable profit for the fiscal year.		
(b)	Tax expense for other authorities is calculated at the rates prevailing in those respective jurisdictions.		



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**25. TAXATION (continued)**

- (c) The numerical reconciliation between the tax expense in the statements of profit or loss and other comprehensive income and income tax expense applicable to profit before taxation at the statutory income tax rates of the Group is as follows:

	2021 RM	2022 RM	2023 RM
Profit from continuing operations before taxation	<u>7,006,704</u>	<u>8,532,447</u>	<u>19,725,402</u>
Tax at the applicable statutory rates of 24% (2022: 24%, 2021: 24%)	1,681,609	2,047,787	4,734,096
Tax effect of income not subject to tax	(1,043,962)	(772,037)	(1,489,618)
Tax effect of expenses not deductible for tax purposes	1,030,703	935,086	357,908
Deferred tax assets not recognised	66,388	22,038	366,901
Difference in tax rates in other countries	594,103	291,267	168,943
Utilisation of previously unrecognised deferred tax assets	-	(17,532)	(10,198)
Withholding tax	3,357	9,109	186,888
(Over)/Under provision in prior years:			
- Malaysian income tax	(432,829)	(14,338)	18,368
- Foreign income tax	(3,151)	(26,330)	-
- Deferred tax	579,557	(883,053)	(516,493)
Others	<u>(24,692)</u>	<u>(31,667)</u>	<u>7,580</u>
Tax expense	<u>2,451,083</u>	<u>1,560,330</u>	<u>3,824,375</u>

- (d) Tax on each component of other comprehensive income is as follows:

	Before tax RM	Tax effect RM	After tax RM
2021			
Currency translation differences	<u>(349,040)</u>	<u>(8,213)</u>	<u>(357,253)</u>
2022			
Currency translation differences	<u>453,745</u>	<u>25,758</u>	<u>479,503</u>
2023			
Currency translation differences	4,397,408	(18,542)	4,378,866
Revaluation of freehold land and buildings (Note 16(e))	<u>18,734,528</u>	<u>(2,746,287)</u>	<u>15,988,241</u>
	<u>23,131,936</u>	<u>(2,764,829)</u>	<u>20,367,107</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**26. EARNINGS PER SHARE**

(a) Basic earnings per ordinary share

	2021	2022	2023
Profit for the financial year attributable to equity holder of the Company (RM)	<u>5,986,101</u>	<u>4,393,201</u>	<u>12,499,699</u>
Weighted average number of ordinary shares outstanding	<u>34,854,974</u>	<u>34,854,974</u>	<u>34,854,974</u>
Basic earnings per ordinary share (sen)	<u>17</u>	<u>13</u>	<u>36</u>

(b) Diluted earnings per ordinary share

The diluted earnings per ordinary share equal the basic earnings per ordinary share as there were no dilutive potential ordinary shares throughout the relevant reporting periods.

27. EMPLOYEE BENEFITS

	2021 RM	2022 RM	2023 RM
Continuing operations:			
Salaries, wages, bonuses and allowances	33,028,536	35,273,064	36,508,921
Defined contribution plan	1,749,781	1,959,535	1,970,089
Social security contribution	1,304,944	1,316,677	1,325,375
Other employee benefits	<u>4,406,534</u>	<u>4,027,592</u>	<u>4,425,049</u>
	<u>40,489,795</u>	<u>42,576,868</u>	<u>44,229,434</u>
Discontinuing operations:			
Salaries, wages, bonuses and allowances	452,886	-	-
Defined contribution plan	7,922	-	-
Social security contribution	2,782	-	-
Other employee benefits	<u>1,460</u>	-	-
	<u>465,050</u>	-	-

Included in the employee benefits of the Group are Directors' remuneration amounting to RM8,500,371 (2022: RM8,239,131, 2021: RM8,495,676).



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**28. DIRECTORS' REMUNERATION**

The remuneration of the Directors recognised in profit or loss are as follows:

	2021 RM	2022 RM	2023 RM
Continuing operations:			
Salaries, bonuses and allowances	7,182,203	7,301,243	7,593,948
Defined contribution plan	283,514	427,239	380,562
Social security contribution	457,284	257,072	245,196
Other employee benefits	537,287	253,577	280,665
	<u>8,460,288</u>	<u>8,239,131</u>	<u>8,500,371</u>
Discontinuing operations:			
Salaries, bonuses and allowances	35,147	-	-
Social security contribution	241	-	-
	<u>35,388</u>	<u>-</u>	<u>-</u>

The estimated monetary value of benefits-in-kind received by the Directors other than in cash from the Group amounted to RM128,689 (2022: RM204,464, 2021: RM232,210).

29. DIVIDENDS

	2021		2022		2023	
	Dividend per share sen	Amount of dividend RM	Dividend per share sen	Amount of dividend RM	Dividend per share sen	Amount of dividend RM
In respect of current financial year: - First and final single tier dividend declared and paid by the combined entities	<u>14</u>	<u>4,867,307</u>	<u>6</u>	<u>2,037,629</u>	<u>9</u>	<u>3,022,575</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**30. RELATED PARTIES TRANSACTIONS**

(a) Identities of related parties

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

Related parties of the Group include:

- (i) The immediate and ultimate holding companies and their respective direct and indirect subsidiaries;
- (ii) Companies in which the Directors have substantial financial interests; and
- (iii) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include the Directors of the Group.

(b) Significant transactions with related parties

The Group had the following transactions with its related parties during the financial year:

	2021 RM	2022 RM	2023 RM
Transactions with related companies:			
Income:			
- Lease payments received on building	119,225	29,806	-
Transactions with companies in which certain Directors have substantial financial interests:			
Lease payment made on factory	540,000	540,000	585,000
Lease payments made on offices and warehouses	249,989	251,685	229,876
Income:			
- Sales of goods	193,575	137,933	75,789
Expenses:			
- Purchase of goods	260,222	331,620	440,305
- Electricity costs	23,282	20,257	24,691
- Purchase of services	84,000	83,327	87,452



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30. RELATED PARTIES TRANSACTIONS

- (b) Significant transactions with related parties (continued)

The related party transactions described above were carried out on negotiated terms and conditions mutually agreed with the related parties of the Group.

Information regarding outstanding balances arising from related party transactions as at 30 June 2023 is disclosed in Notes 12 and 19 to the financial statements.

- (c) Compensation of key management personnel

The remuneration of Directors, who are the only key management personnel of the Group during the financial year are disclosed in Note 28 to the financial statements.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing their interest rate, liquidity and cash flow, credit and foreign exchange risks. The Group's overall business strategies outline their tolerance to risk and their general risk management philosophy and is determined by the management in accordance with prevailing economic and operating conditions. The Group's policy is not to engage in speculative transactions.

- (a) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and is managed regularly for the purpose of reducing net interest costs and to achieve interest rates within predictable and desired ranges. The Group does not use derivative financial instruments to hedge their risk.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk (continued)

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") of the Group's financial instruments as at the reporting date and the periods in which they mature:

	Note	WAEIR per annum %	Within 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
At 30 June 2021						
Financial liabilities						
Fixed rate						
Revolving credits (secured)	20	3.52	10,000,000	-	-	10,000,000
Bankers' acceptances (secured)	20	3.26	14,659,000	-	-	14,659,000
Floating rate						
Bank overdraft (secured)	20	2.91	2,596,866	-	-	2,596,866
Term loans (secured)	21	1.86	1,718,190	4,159,989	7,706,710	13,584,889



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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk (continued)

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") of the Group's financial instruments as at the reporting date and the periods in which they mature: (continued)

	Note	WAEIR per annum %	Within 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
At 30 June 2022						
Financial liabilities						
Fixed rate						
Revolving credits (secured)	20	3.35	10,000,000	-	-	10,000,000
Floating rate						
Bank overdraft (secured)	20	5.32	4,747,733	-	-	4,747,733
Invoice financing (secured)	20	3.60	20,086,335	-	-	20,086,335
Term loans (secured)	21	2.01	1,796,426	16,654,003	217,285	18,667,714

* *Note: COF referring to Bank's Effective Cost of Funds.*



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(a) Interest rate risk (continued)

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") of the Group's financial instruments as at the reporting date and the periods in which they mature: (continued)

	Note	WAEIR per annum %	Within 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
At 30 June 2023						
Financial liabilities						
Fixed rate						
Revolving credits (secured)	20	4.63	10,000,000	-	-	10,000,000
Floating rate						
Bank overdraft (secured)	20	5.79	4,158,877	-	-	4,158,877
Invoice financing (secured)	20	7.07	19,244,074	-	-	19,244,074
Term loans (secured)	21	6.72	894,717	17,632,046	89,760	18,616,523

* *Note: COF referring to Bank's Effective Cost of Funds.*



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(a) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates on the floating rate financial instruments had been 100 basis points lower/higher, with all other variables held constant, then the Group's profit before taxation and equity would have been RM420,195 (2022: RM435,018, 2021: RM161,818) higher/lower.

The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

(b) Liquidity and cash flow risk

The Group maintains sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available. The Group reviews its cash flow position regularly to manage its exposures to fluctuations in future cash flows associated with its monetary financial instruments.

The summary of the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayments obligations is as follows:

	Within 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
At 30 June 2021				
Trade and other payables	26,718,372	640,565	-	27,358,937
Borrowings	29,428,295	5,698,057	9,059,695	44,186,047
Lease liabilities	6,151,326	11,835,458	-	17,986,784
	<u>62,297,993</u>	<u>18,174,080</u>	<u>9,059,695</u>	<u>89,531,768</u>
At 30 June 2022				
Trade and other payables	25,122,623	717,454	-	25,840,077
Borrowings	37,008,395	18,553,615	621,038	56,183,048
Lease liabilities	6,462,846	8,258,250	-	14,721,096
	<u>68,593,864</u>	<u>27,529,319</u>	<u>621,038</u>	<u>96,744,221</u>
At 30 June 2023				
Trade and other payables	18,593,049	705,643	-	19,298,692
Borrowings	35,631,324	20,822,172	124,208	56,577,704
Lease liabilities	6,345,652	7,034,968	-	13,380,620
	<u>60,570,025</u>	<u>28,562,783</u>	<u>124,208</u>	<u>89,257,016</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

Credit risk arises when sales are made or provided on deferred credit terms. The Group seeks to invest cash assets safely and profitably. It also seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit history. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

As the Group does not hold any collateral, the maximum exposure to credit risk is the carrying amount of the related financial assets recognised on the statements of financial position.

Other financial assets of the Group with exposure to credit risk include cash and cash equivalents which are placed with financial institutions with good standing.

Significant concentration of credit risk

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial asset.

(d) Foreign exchange risk

The Company is exposed to foreign currency risk as a result of its normal operating activities, where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Company's policy is to keep the foreign exchange exposure to an acceptable level.

Subsidiaries operating in overseas have assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency translations. However, the Group monitors the movement in foreign currency exchange rates closely to ensure that the net exposures of each currency are minimised.

The Group holds cash and cash equivalents denominated in foreign currencies for working capital purposes.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(d) Foreign exchange risk (continued)**

The net unhedged financial assets and financial liabilities of the Group that are not denominated in the functional currency are as follows:

Financial assets and liabilities held in non-functional currency:

	2021 RM	2022 RM	2023 RM
Trade and other receivables			
Pound Sterling	4,060,514	5,089,374	4,511,214
Chinese Renmimbi	3,187,613	-	-
United States Dollar	15,783,866	21,515,308	18,932,233
Euro Dollar	6,527,389	8,665,285	11,407,805
Danish Krone	338,120	131,546	71,556
Hong Kong Dollar	66,705	22,790	54,594
Hungarian Forint	421,287	354,241	586,855
Australian Dollar	1,529,674	1,562,997	1,309,149
New Zealand Dollar	733,273	1,137,740	1,019,786
Singapore Dollar	337,749	334,703	273,518
Japanese Yen	430,710	184,624	245,837
Swedish Krona	346,987	625,166	13,539
United Arab Emirates Dirham	1,644,084	97,116	49,468
Norwegian Krone	3,368	3,098	-
Cash and cash equivalents			
Pound Sterling	1,858,320	1,622,124	3,759,173
Chinese Renmimbi	2,432	2,464	2,616
United States Dollar	4,040,121	9,012,438	12,975,345
Euro Dollar	1,542,362	1,938,633	3,846,977
Danish Krone	228,093	1,106	704,997
Hong Kong Dollar	75,981	71,198	82,230
Hungarian Forint	356,517	698,678	361,448
Australian Dollar	2,329,986	2,244,019	969,978
New Zealand Dollar	837,458	652,094	598,884
Singapore Dollar	547,954	288,834	370,841
Swedish Krona	198,395	225,357	24,405
United Arab Emirates Dirham	304,598	452,064	657,137
Turkish Lira	121	70	59



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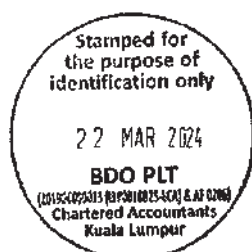
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(d) Foreign exchange risk (continued)

Financial assets and liabilities held in non-functional currency: (continued)

	2021 RM	2022 RM	2023 RM
Trade and other payables			
Pound Sterling	3,168,536	4,037,908	3,166,948
Chinese Renmimbi	4,913,490	-	-
United States Dollar	5,552,021	5,843,616	5,230,136
Euro Dollar	2,183,958	2,353,202	2,019,337
Danish Krone	1,155,258	861,257	580,856
Hong Kong Dollar	107,710	169,733	298,460
Hungarian Forint	79,227	47,466	117,477
Australian Dollar	1,109,121	1,325,485	640,011
New Zealand Dollar	507,896	414,137	567,199
Singapore Dollar	39,746	181,070	42,853
Swedish Krona	1,459	78,086	-
United Arab Emirates Dirham	632,242	-	-
Borrowings			
Pound Sterling	81,636	25,848	-
United States Dollar	658,983	37,676,957	36,933,431
Euro Dollar	3,338,154	1,070,166	927,166
Danish Krone	362,156	2,923,544	2,787,912
Swedish Krona	-	888	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(d) Foreign exchange risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrated the sensitivity of the Group's profit before taxation to a reasonably possible change in foreign exchange rates against the functional currency of the Group, with all other variables held constant. The Group's profit before taxation would increase/decrease, as applicable, by the amounts stated below if the individual foreign currency had strengthened/weakened by 5% (2022: 5%, 2021: 5%):

	2021 RM	2022 RM	2023 RM
Pound Sterling	133,433	132,387	255,172
Chinese Renmimbi	(86,172)	123	131
United States Dollar	680,649	(649,641)	(512,799)
Euro Dollar	127,382	359,028	615,414
Danish Krone	(47,560)	(182,607)	(129,611)
Hong Kong Dollar	1,749	(3,787)	(8,082)
Hungarian Forint	34,929	50,273	41,541
Australian Dollar	137,527	124,077	81,956
New Zealand Dollar	53,142	68,785	52,574
Singapore Dollar	42,298	22,123	30,075
Japanese Yen	21,536	9,231	12,292
Swedish Krona	27,196	38,577	1,897
United Arab Emirates Dirham	65,822	27,459	35,330
Norwegian Krone	168	155	-
Turkish Lira	6	4	3

32. CAPITAL MANAGEMENT

The Group's objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and unpredictability of the financial markets. The Group's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future business developments. The Group funds its operations and growth through a mix of equity and debts. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity where required.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**32. CAPITAL MANAGEMENT (continued)**

In the management of capital risk, the management takes into consideration the gearing ratio as well as the Group's working capital requirement. The gearing ratio is calculated as net debt divided by total capital plus net debt. Net debt is calculated as loans and borrowing (including lease liabilities) less cash and cash equivalents. Total capital comprises share capital and reserves attributable to equity holder of the Company.

	2021 RM	2022 RM	2023 RM
Net debt	<u>44,643,727</u>	<u>49,086,680</u>	<u>37,843,441</u>
Total capital	<u>71,282,851</u>	<u>74,596,490</u>	<u>105,152,644</u>
Capital and net debt	<u>115,926,578</u>	<u>123,683,170</u>	<u>142,966,085</u>
Gearing ratio	<u>39%</u>	<u>40%</u>	<u>26%</u>

33. COMMITMENTS

Capital commitments

	2021 RM	2022 RM	2023 RM
Capital expenditure in respect of purchase of property, plant and equipment:			
Contracted but not provided	<u>99,711</u>	<u>105,684</u>	<u>11,900,000</u>

34. CONTINGENT LIABILITIES

- (a) On 8 December 2015, a claim relating to the cancellation of a distribution agreement which resulted in damages and loss to the distributor, Vikela Aluvin (Pty) Ltd. has been instituted by the distributor jointly against the Company and its subsidiary, Mega Fortris South Africa (Pty) Ltd. The claim amounted to approximately RM5.97 million (ZAR18.11 million) which includes interest at a rate of 9% per annum. The cost of the legal proceeding is estimated between RM66,000 to RM165,000 (ZAR200,000 to ZAR500,000). As at November 2023, all parties involved have signed a settlement agreement agreeing to withdraw the case, which is still pending registration with the court as at reporting date.
- (b) Subsequent to the financial year end, pursuant to a private legal claim made by certain directors of the Company (collectively known as the "Plaintiffs") against certain third parties (collectively known as the "Defendants") for breach of contracts, a counterclaim was made by the Defendants against the Plaintiffs, including the Company and its holding companies. The Board of Directors of the Company is of view, with consultation of legal advice, that the counterclaim against the Company is wholly frivolous and without any factual foundation considering the Company is not a party to any of the contracts entered into between the Plaintiffs and the Defendants and the Company was not involved in the private dispute. The Company has made an application to the court to strike off the inclusion of its name in the counterclaim.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**35. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE**

	2021 RM	2022 RM	2023 RM
Assets of disposal group classified as held for sale	3,392,636	3,159,464	3,062,674
Liabilities of disposal group classified as held for sale	<u>(410,307)</u>	<u>(382,105)</u>	<u>(349,677)</u>
	<u>2,982,329</u>	<u>2,777,359</u>	<u>2,712,997</u>

During the financial year ended 30 June 2021, a subsidiary of the Company, Mega Fortris South Africa Pty Ltd, and its subsidiary, were presented as a disposal group held for sale following the commitment of the Group to a plan on 30 June 2020 to liquidate the entities. The liquidation proceeding is ongoing as at the end of the reporting period.

As at the end of the reporting period, the assets and liabilities of the disposal group are as follows:

	2021 RM	2022 RM	2023 RM
Assets of disposal group classified as held for sale			
Property, plant and equipment	239,398	222,944	204,023
Right-of-use assets	223,626	208,256	190,582
Intangible assets	965	898	822
Deferred tax assets	45,279	42,167	38,588
Trade and other receivables	2,053,991	1,912,824	1,921,836
Current tax assets	1,578	1,469	1,345
Cash and bank balances	<u>827,799</u>	<u>770,906</u>	<u>705,478</u>
	<u>3,392,636</u>	<u>3,159,464</u>	<u>3,062,674</u>
Liabilities of disposal group classified as held for sale			
Trade and other payables	154,498	143,877	131,668
Lease liabilities	<u>255,809</u>	<u>238,228</u>	<u>218,009</u>
	<u>410,307</u>	<u>382,105</u>	<u>349,677</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**36. DISCONTINUED OPERATIONS**

- (a) An analysis of the results of the discontinued operations is as follows:

	2021 RM	2022 RM	2023 RM
Statements of profit or loss and other comprehensive income			
Revenue	4,560,125	-	-
Cost of sales	<u>(2,973,961)</u>	<u>-</u>	<u>-</u>
Gross profit	1,586,164	-	-
Other operating income	3,992,127	-	-
Net gain on impairment of financial assets	-	-	170,568
Selling and distribution expenses	(194)	-	-
Administrative expenses	(1,004,111)	(1,402,734)	(1,942,692)
Finance costs	<u>(13,387)</u>	<u>-</u>	<u>-</u>
Profit/(Loss) before taxation	4,560,599	(1,402,734)	(1,772,124)
Taxation	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(Loss) for the financial year	<u>4,560,599</u>	<u>(1,402,734)</u>	<u>(1,772,124)</u>

- (b) The following amounts have been included in arriving at profit/(loss) before taxation of the discontinued operations:

	2021 RM	2022 RM	2023 RM
After charging:			
Interest expenses on lease liabilities	13,387	-	-
Loss on foreign exchange:			
- unrealised	-	1,558,442	2,121,756
Depreciation and amortisation:			
- Property plant and equipment	39,640	-	-
- Right-of-use assets	103,222	-	-
And crediting:			
Gain on foreign exchange:			
- realised	(3,309,807)	(155,708)	(179,064)
- unrealised	(681,866)	-	-
Interest income	<u>(454)</u>	<u>-</u>	<u>-</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**36. DISCONTINUED OPERATIONS (continued)**

(c) The cash flows attributable to the discontinued operations are as follows:

	2021 RM	2022 RM	2023 RM
Cash flows from operating activities	565,788	-	-
Cash flows from investing activities	489	-	-
Cash flows used in financing activities	<u>(83,258)</u>	<u>-</u>	<u>-</u>
	<u>483,019</u>	<u>-</u>	<u>-</u>

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Acquisitions of subsidiaries pursuant to the Listing

On 30 June 2023, the Company entered into a conditional share sale and purchase agreement with Mega Fortris Global Pte. Ltd. ("MFGPL") for the following acquisitions:

- (i) Acquisition of the entire issued share capital of MFEU from MFGPL, comprising 125,000 ordinary shares in MFEU for a purchase consideration of RM14,536,221, satisfied via the issuance of 14,536,221 Mega Fortris shares at an issue price of RM1.00 each;
- (ii) Acquisition of the entire issued share capital of MFA from MFGPL, comprising 2,000 ordinary shares in MFA for a purchase consideration of RM15,762,593 (equivalent to USD3,421,444), satisfied via the issuance of 15,762,593 Mega Fortris shares at an issue price of RM1.00 each;
- (iii) Acquisition of the 75 percent of the issued share capital of MFAUS from MFGPL, comprising 75 ordinary shares in MFAUS for a purchase consideration of RM2,045,445 (equivalent to AUD681,429), satisfied via the issuance of 2,045,445 Mega Fortris shares at an issue price of RM1.00 each; and
- (iv) Acquisition of the 75 percent of the issued share capital of MFNZ from MFGPL, comprising 10,000 ordinary shares in MFNZ for a purchase consideration of RM1,367,715 (equivalent to NZD491,224), satisfied via the issuance of 1,367,715 Mega Fortris shares at an issue price of RM1.00 each.

The aggregate purchase consideration of RM33,711,974, to be satisfied via the issuance of 33,711,974 new Mega Fortris shares to MFGPL at RM1.00 per share was arrived at on a willing buyer-willing seller basis and after taking into consideration the audited net assets of the respective subsidiaries as at 30 June 2022.

The acquisitions of subsidiaries have been completed on 30 June 2023 in accordance with the terms and conditions of the SPA.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

38. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) On 6 July 2023, the Group disposed of a building located in Helsingor Municipality for total cash consideration of DKK7,700,000. As a result of the disposal of the building, the term loan amounted to RM888,360 as at 30 June 2023 has been settled.
- (b) On 17 August 2023, the Company acquired a piece of freehold land together with one unit of single-storey factory annexed with three-storey office building located at No.56, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor for total purchase consideration of RM14,000,000.
- (c) On 13 October 2023, the Company carried out the share split involving the subdivision of every one (1) ordinary share in the Company into thirty (30) ordinary shares held by eligible member of the Company. Upon completion of the share split, the total number of ordinary shares in the Company increased from 34,854,974 shares to 1,045,649,220 shares.
- (d) On 26 January 2024, the Company carried out an alteration of share capital where every three (3) existing ordinary shares in the capital of the Company be consolidated into two (2) ordinary shares. Consequently, the total number of ordinary shares in the Company be altered from 1,045,649,220 shares to 697,099,480 shares.

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STATEMENT BY DIRECTORS

We, Datuk Ng Meng Poh and Ng Weng Choi, being two of the Directors of Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.), state that, in the opinion of the Directors, the Combined Financial Statements set out on pages 4 to 122 are drawn up so as to give a true and fair view of the financial position of the Group as at 30 June 2021, 30 June 2022 and 30 June 2023 and of the financial performance and cash flows of the Group for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution dated 22 March 2024,



.....
Datuk Ng Meng Poh
Director



.....
Ng Weng Choi
Director