INFORMATION ON ACTIVE FIT

1.0 HISTORY AND BUSINESS

Active Fit was incorporated in Malaysia on 31 July 2004 as a private limited company under the Act. It is principally involved in brand building, concept development, fashion designing, sourcing, marketing, distribution and retailing of casual apparel and accessories. The operational office cum warehouses of Active Fit is located at Seri Kembangan, Selangor. As at the LPD, Active Fit has more than 220 consignment counters nationwide. The sole principal market of Active Fit is Malaysia. Its' apparel and accessories are under the Jeep brand in Malaysia and the production is outsourced to local manufacturers and suppliers.

2.0 SHARE CAPITAL

As at the LPD, the share capital of Active Fit is RM10,670,000 comprising 10,670,000 ordinary shares.

3.0 DIRECTORS

The directors of Active Fit and their respective shareholdings in Active Fit as at the LPD are as follows:-

Directors	Nationality	Designation	Direct		Indirect	
			No. of shares	%	No. of shares	%
Loke Lee Ping	Malaysia	Director	-	-	-	-
Chua Jin Kau	Malaysia	Director	-	-	-	-

4.0 SUBSTANTIAL SHAREHOLDER

The details of the substantial shareholder of Active Fit as at the LPD are as follows:-

Substantial shareholder	Country of Incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
MESB	Malaysia	10,670,000	100.00	-	-

5.0 SUBSIDIARY AND ASSOCIATED COMPANIES

As at the LPD, Active Fit does not have any subsidiary or associated company.

6.0 TYPE OF ASSETS OWNED

As at the LPD, Active Fit does not own any land or building.

7.0 MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, there are no material commitments and contingent liabilities incurred or known to be incurred by Active Fit which upon becoming enforceable, may have a material impact on the financial results/position of Active Fit.

8.0 MATERIAL CONTRACTS

There are no other material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Active Fit within the last two (2) years immediately preceding the date of this Circular.

9.0 MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, Active Fit is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, including those pending or threatened against Active Fit, that may materially affect the business or financial position of Active Fit.

10.0 FINANCIAL INFORMATION

The historical financial information on Active Fit for the past three (3) audited financial years from FYE 30 June 2020 to FYE 30 June 2022 are as follows:-

	<---------- Audited	----------	---------->
	FYE 30 June 2020 RM'000	**FYE 30 June 2021 RM'000**	**FYE 30 June 2022 RM'000**
Revenue	27,306	29,046	39,972
Cost of sales	(13,794)	(13,442)	(23,207)
Gross profit	13,512	15,604	16,765
(LBT)/PBT	(2,183)	3,303	(10,633)
Taxation	-	-	-
(LAT)/PAT	(2,183)	3,303	(10,633)
Shareholders' funds/ NA	17,183	20,486	9,853
Issued share capital	10,670	10,670	10,670
Total borrowings	5,093	2,949	2,324
No. of issued shares ('000)	10,670	10,670	10,670
(LPS)/EPS (RM)	(0.20)	0.31	(1.00)
NA per share (RM)	1.61	1.92	0.92
Current ratio (times)	2.07	2.93	1.38
Gearing ratio (times)	0.30	0.14	0.24
Total dividend paid	-	-	-

There was no exceptional or extraordinary item for the past three (3) audited financial years from FYE 30 June 2020 to FYE 30 June 2022. There was no accounting policy adopted by Active Fit which are peculiar to Active Fit because of the nature of the business or the industry it is involved in and there was no audit qualification of financial statements of Active Fit for the financial years under review.

Commentaries on Past Financial Performance

FYE 30 June 2020

Revenue decreased by 42.09% to RM27.31 million (FPE 30 June 2019 : RM47.16 million) as a result of the closure of departmental stores due to COVID-19 and the implementation of MCO. As a consequence, Active Fit incurred an LAT of RM2.18 million (FPE 30 June 2019 : PAT of RM0.18 million).

FYE 30 June 2021

Revenue increased slightly by 6.37% to RM29.05 million (FYE 30 June 2020 : RM27.31 million) due to higher direct sales to customers by RM0.83 million. In tandem with the improved revenue and coupled with wage subsidy of RM 1.23 million and lower administrative expenses of RM5.53 million, Active Fit registered a higher PAT by 51.38% to RM3.30 million (FYE 30 June 2020 : LAT of RM2.18 million).

FYE 30 June 2022

Revenue increased by 37.59% to RM39.97 million (FYE 30 June 2021 : RM29.05 million) due to the increase of the consumer spending in retail stores following the easing of the various MCO by the Government. Despite the increase in revenue, Active Fit incurred an LAT of RM10.63 million (FYE 30 June 2021 : PAT of RM3.30 million) due to the amount payable to a licensor at RM18.10 million, which consists of royalty payment, common marketing funds, advertising and marketing expenses as well as late payment charges.

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11.0 AUDITED FINANCIAL STATEMENTS OF ACTIVE FIT FOR FYE 30 JUNE 2022

Active Fit Sdn. Bhd.

(Registration No. 200401022908 (661413-A))
(Incorporated in Malaysia)

Financial statements for the year ended 30 June 2022

Active Fit Sdn. Bhd.

(Registration No. 200401022908 (661413-A))
(Incorporated in Malaysia)

Directors' report for the year ended 30 June 2022

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 30 June 2022.

Principal activities

The Company is principally engaged in brand building, concept development, fashion designing, sourcing, marketing, distribution and retailing of casual apparels and accessories. There has been no significant change in the nature of these activities during the financial year.

Holding company

The Company is a subsidiary of MESB Berhad, of which is incorporated in Malaysia and regarded by the Directors as the Company's holding company, during the financial year and until the date of this report.

Results

	RM'000
Loss for the year	10,633

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividends

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Loke Lee Ping
Chua Jin Kau

Directors' interests in shares

None of the Directors holding office at 30 June 2022 had any interest in the shares of the Company and of its related corporations during the financial year.

Registration No. 200401022908 (661413-A)

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The directors' benefit paid to or receivables by Directors in respect of the financial year ended 30 June 2022 are as follows:

	From the Company RM'000
Directors of the Company:	
Remuneration	54
Estimated money value of any other benefits	7
	61

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, the total amount of indemnity sum insured and insurance premium paid for Directors and officers of MESB Berhad and its subsidiaries were RM7,500,000 and RM22,896, respectively. The insurance premium was borne by the holding company. There was no indemnity given to or insurance effected for auditors of the Company.

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

i) necessary actions had been taken in relation to the writing off of bad debts and the provisioning for doubtful debts and satisfied themselves that there are no bad debts to be written off and that adequate provision had been made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Registration No. 200401022908 (661413-A)

Other statutory information (continued)

At the date of this report, the Directors are not aware of any circumstances:

i) that would render it necessary to write off any bad debts, or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.

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

i) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, except for accruals made for potential payments by the Company to a licensor as disclosed in Note 13 to the financial statements, the financial performance of the Company for the financial year ended 30 June 2022 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent event

On 22 September 2022, the holding company, MESB Berhad, entered into a conditional share sale agreement for the proposed disposal of its entire equity interests in the Company to Trend Navigator Sdn. Bhd. (a company owned by a former Director of the Company) for a total cash consideration of RM10 million.

The proposed disposal is subject to regulatory and other customary approvals, including the approval from MESB Berhad's shareholders.

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Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Company during the year is RM48,000.

Signed in accordance with a resolution of the Directors:

....

Loke Lee Ping
Director

....

Chua Jin Kau
Director

Kuala Lumpur,

Date: 7 October 2022

Active Fit Sdn. Bhd.

(Registration No. 200401022908 (661413-A))
(Incorporated in Malaysia)

Statement of financial position as at 30 June 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Plant and equipment	3	1,254	1,361
Right-of-use assets	4	-	4
Total non-current assets		1,254	1,365
Inventories	5	7,387	14,042
Trade and other receivables	6	8,580	8,969
Prepayments		21	24
Current tax assets		-	92
Cash and cash equivalents	7	15,203	5,979
Total current assets		31,191	29,106
Total assets		32,445	30,471
Equity			
Share capital	8	10,670	10,670
(Accumulated losses)/Retained earnings		(817)	9,816
Total equity		9,853	20,486
Liabilities			
Lease liabilities		5	35
Total non-current liabilities		5	35
Loans and borrowings	9	2,324	2,949
Lease liabilities		30	30
Trade and other payables	10	20,233	6,971
Total current liabilities		22,587	9,950
Total liabilities		22,592	9,985
Total equity and liabilities		32,445	30,471

The notes on pages 11 to 45 are an integral part of these financial statements.

Active Fit Sdn. Bhd.

(Registration No. 200401022908 (661413-A))
(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 30 June 2022

	Note	2022 RM'000	2021 RM'000
Revenue	11	39,972	29,046
Cost of sales		(23,207)	(13,442)
Gross profit		16,765	15,604
Other income		448	1,332
Selling and distribution expenses		(10,193)	(7,341)
Administrative expenses		(17,361)	(5,529)
Net reversal of loss/(loss) on impairment of financial assets	13	30	(38)
Other expenses		(271)	(549)
Results from operating activities		(10,582)	3,479
Finance income	13	87	84
Finance costs	12	(138)	(260)
Net finance costs		(51)	(176)
(Loss)/Profit before tax	13	(10,633)	3,303
Tax expense	14	-	-
(Loss)/Profit and total comprehensive (loss)/income for the year		(10,633)	3,303

The notes on pages 11 to 45 are an integral part of these financial statements.

Active Fit Sdn. Bhd.

(Registration No. 200401022908 (661413-A))
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 30 June 2022

	Non-distributable		
	Share capital RM'000	**(Accumulated losses)/ Retained earnings RM'000**	**Total equity RM'000**
At 1 July 2020	10,670	6,513	17,183
Profit and total comprehensive income for the year	-	3,303	3,303
At 30 June 2021/1 July 2021	10,670	9,816	20,486
Loss and total comprehensive expense for the year	-	(10,633)	(10,633)
At 30 June 2022	10,670	(817)	9,853
	Note 8		

The notes on pages 11 to 45 are an integral part of these financial statements.

Active Fit Sdn. Bhd.

(Registration No. 200401022908 (661413-A))
(Incorporated in Malaysia)

Statement of cash flows for the year ended 30 June 2022

	Note	2022 RM'000	2021 RM'000
Cash flows from operating activities			
(Loss)/Profit before tax		(10,633)	3,303
Adjustments for:			
Depreciation of plant and equipment	3	268	281
Depreciation of right-of-use assets	4	4	267
(Reversal of impairment losses)/Impairment losses on trade receivables	13	(30)	38
Finance costs	12	138	260
Finance income	13	(87)	(84)
(Reversal of write-down)/Write-down of inventories	5	(222)	119
Operating (loss)/profit before changes in working capital		(10,562)	4,184
Changes in inventories		6,877	3,850
Changes in trade and other receivables and prepayments		422	(2,979)
Changes in trade and other payables		14,176	(2,983)
Cash generated from operations		10,913	2,072
Interest paid		(138)	(260)
Tax refunded		92	-
Net cash from operating activities		10,867	1,812
Cash flows from investing activities			
Acquisition of plant and equipment	3	(161)	(41)
Change in deposits pledged		(585)	(76)
Interest received from fixed deposits		87	84
Net cash used in investing activities		(659)	(33)
Cash flows from financing activities			
Advances from holding company		-	1,246
Repayment of advances from holding company		(914)	(443)
Net (repayment)/drawdown of bankers' acceptances		(461)	(500)
Payment of lease liabilities		(30)	(265)
Repayment of term loans		(60)	(114)
Net cash used in financing activities		(1,465)	(76)
Net increase in cash and cash equivalents		8,743	1,703
Cash and cash equivalents at 1 July 2021/2020		1,795	92
Cash and cash equivalents at 30 June	(i)	10,538	1,795

Registration No. 200401022908 (661413-A)

Statement of cash flows for the year ended 30 June 2022 (continued)

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2022 RM'000	2021 RM'000
Deposits placed with licensed banks	7	9,665	4,080
Less: Pledged deposits	7	(4,665)	(4,080)
		5,000	-
Cash and bank balances	7	5,538	1,899
Bank overdrafts	9	-	(104)
		10,538	1,795

(ii) Cash outflows for leases as a lessee

	Note	2022 RM'000	2021 RM'000
Included in net cash from operating activities:			
Interest paid in relation to lease liabilities	12	3	22
Payment relating to short-term leases	13	161	29
		164	51
Included in net cash used in financing activities:			
Payment of lease liabilities		30	265
Total cash outflows for leases		194	316

Registration No. 200401022908 (661413-A)

Statement of cash flows for the year ended 30 June 2022 (continued)

(iii) Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1.7.2020 RM'000	Net changes from financing cash flows RM'000	At 30.6.2021/ 1.7.2021 RM'000	Net changes from financing cash flows RM'000	At 30.6.2022 RM'000
Term loans - secured	174	(114)	60	(60)	-
Lease liabilities	330	(265)	65	(30)	35
Bankers' acceptances - secured	3,285	(500)	2,785	(461)	2,324
Amount due to holding company	111	803	914	(914)	-
Total liabilities from financing activities	3,900	(76)	3,824	(1,465)	2,359

The notes on pages 11 to 45 are an integral part of these financial statements.

Active Fit Sdn. Bhd.

(Registration No. 200401022908 (661413-A))
(Incorporated in Malaysia)

Notes to the financial statements

Active Fit Sdn. Bhd. is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Lot 1903A, 1st Floor, Jalan KPB 7
Kawasan Perindustrian Kg. Baru Balakong
43300 Seri Kembangan, Selangor

Registered office
Third Floor, No. 77, 79 & 81
Jalan SS21/60, Damansara Utama
47400 Petaling Jaya, Selangor

The Company is principally engaged in brand building, concept development, fashion designing, sourcing, marketing, distribution and retailing of casual apparels and accessories.

The holding company is MESB Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These financial statements were authorised for issue by the Board of Directors on 7 October 2022.

1. Basis of preparation

(a) Statement of compliance

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

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Company plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022.
- from the annual period beginning on 1 July 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.

The initial application of the applicable accounting standards, interpretations and amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Information about critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements is discussed below:

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(i) Write-down of inventories

The Company writes down the inventories in accordance with the Company's policy. Judgement is required to assess the appropriate level of provisioning for items which may be ultimately sold below cost as a result of changing consumer demands and fashion trends.

Based on the assessment, the reversal of write-down of inventories recognised in profit or loss amounted to RM222,000 (2021: write-down of inventories amounted to RM119,000).

(ii) Recognition of deferred tax assets

The Company has not recognised deferred tax assets (see Note 14) because it is not probable that future taxable profits will be available against which the Company can utilise the benefits therefrom.

Assumptions on generation of future taxable profits depend on management's estimates of future cash flows. Judgement is also required on the application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, therefore there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(f)(i)) where the effective interest rate is applied to the amortised cost.

All financial assets are subject to impairment assessment (see Note 2(f)(i)).

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

(iii) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the 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.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(b) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

2. Significant accounting policies (continued)

(b) Plant and equipment (continued)

(i) Recognition and measurement (continued)

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

• Furniture and fittings	10 years
• Office equipment	10 years
• Computer software	3 - 4 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

2. Significant accounting policies (continued)

(c) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

2. Significant accounting policies (continued)

(c) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

2. Significant accounting policies (continued)

(c) Leases (continued)

(iii) Subsequent measurement (continued)

As a lessee (continued)

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Covid-19-related rent concessions

The Company has applied the amendment to MFRS 16, *Covid-19-Related Rent Concessions.* The Company applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the Covid-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company assesses whether there is a lease modification.

(d) Inventories

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

The cost of inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits placed with licensed banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of its short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. Significant accounting policies (continued)

(f) Impairment

(i) Financial assets

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Company measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

The Company estimates the expected credit losses on trade receivables individually with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovering the amounts due.

2. Significant accounting policies (continued)

(f) Impairment (continued)

(ii) Other assets

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

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

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. 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. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(g) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

2. Significant accounting policies (continued)

(h) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Company's contributions to the statutory pension funds are charged to profit and loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(i) Revenue and other income

(i) Revenue - sale of goods

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

The Company transfers control of a good at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Company performs;

(b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

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

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

2. Significant accounting policies (continued)

(i) Revenue and other income (continued)

(iii) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

(j) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(k) Income tax

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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2. Significant accounting policies (continued)

(k) Income tax (continued)

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

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

(l) Fair value measurements

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 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.

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

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

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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3. Plant and equipment

	Furniture and fittings RM'000	Office equipment RM'000	Computer software RM'000	Total RM'000
Cost				
At 1 July 2020	3,102	7	71	3,180
Additions	41	-	-	41
At 30 June 2021/1 July 2021	3,143	7	71	3,221
Additions	156	-	5	161
At 30 June 2022	3,299	7	76	3,382
Accumulated depreciation				
At 1 July 2020	1,520	2	57	1,579
Depreciation for the year	270	1	10	281
At 30 June 2021/1 July 2021	1,790	3	67	1,860
Depreciation for the year	263	1	4	268
At 30 June 2022	2,053	4	71	2,128
Carrying amounts				
At 1 July 2020	1,582	5	14	1,601
At 30 June 2021/1 July 2021	1,353	4	4	1,361
At 30 June 2022	1,246	3	5	1,254

4. Right-of-use assets

	Buildings RM'000	Motor vehicles RM'000	Total RM'000
At 1 July 2020	229	42	271
Depreciation for the year	(229)	(38)	(267)
At 30 June 2021/1 July 2021	-	4	4
Depreciation for the year	-	(4)	(4)
At 30 June 2022	-	-	-

The Company leases a number of warehouse, office building and motor vehicles that run between 1 year and 3 years and in some cases, with an option to renew the lease after that date.

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4. Right-of-use assets (continued)

4.1 Extension options

Some lease contracts contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The extension options of the leases are currently included in the lease term as the Company assessed that it is reasonably certain to exercise the extension options, which is supported by the high historical rate of extensions exercised by the Company. Therefore, as at 30 June 2022 and 30 June 2021, there are no potential future lease payments not included in lease liabilities.

4.2 Judgements and assumptions in relation to lease

The Company assesses at lease commencement by applying judgement whether it is reasonably certain to exercise the extension options. The Company considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help it determine the lease term.

The Company also applies judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Company first determines the closest available borrowing rates before using judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4.3 Security

The leased motor vehicles secured lease obligations.

5. Inventories

	2022 RM'000	2021 RM'000
Trading merchandise	7,387	14,042
Recognised in profit or loss:		
- Inventories recognised as cost of sales	14,985	11,997
- (Reversal of write down)/Write-down of inventories	(222)	119

The (reversal of write-down)/write-down of inventories are recognised in cost of sales.

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6. Trade and other receivables

	Note	2022 RM'000	2021 RM'000
Trade			
Trade receivables		8,343	8,757
Amount due from a related company	6.1	188	156
		8,531	8,913
Non-trade			
Other receivables		1	8
Deposits		48	48
		49	56
		8,580	8,969

6.1 The trade amount due from a related company is unsecured, interest free, and subject to negotiated trade terms.

6.2 Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and financial liabilities that have been set off for presentation purposes:

	Note	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount in the statement of financial position RM'000
2022				
Trade receivables		8,413	(70)	8,343
Trade payables	10	(1,527)	70	(1,457)
2021				
Trade receivables		8,830	(73)	8,757
Trade payables	10	(4,301)	73	(4,228)

Certain trade receivables and trade payables were set off for presentation purpose because the Company has enforceable right to set off and intends to settle on a net basis.

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7. Cash and cash equivalents

	Note	2022 RM'000	2021 RM'000
Cash and bank balances		5,538	1,899
Deposits placed with licensed banks	7.1	9,665	4,080
		15,203	5,979

7.1 Included in deposits placed with licensed banks of the Company is RM4,665,000 (2021: RM4,080,000) pledged as security for banking facilities granted to the Company (see Note 9).

8. Share capital

	Number of shares 2022 '000	Amount 2022 RM'000	Number of shares 2021 '000	Amount 2021 RM'000
Issued and fully paid ordinary shares with no par value	10,670	10,670	10,670	10,670

Ordinary shares

The holder of ordinary shares is entitled to receive dividends as declared from time to time, and is entitled to one vote per share at meetings of the Company.

9. Loans and borrowings

	Note	2022 RM'000	2021 RM'000
Current			
Term loans - secured	9.1	-	60
Bank overdrafts - secured	9.2	-	104
Bankers' acceptances - secured	9.2	2,324	2,785
		2,324	2,949

9.1 Term loans

The term loans were secured by a pledge over the deposits placed with licensed banks (see Note 7) and were supported by corporate guarantees provided by the holding company.

9.2 Bank overdrafts and bankers' acceptances

The bank overdrafts and bankers' acceptances are secured by a pledge over the deposits placed with licensed banks (see Note 7) and are supported by corporate guarantees provided by the holding company and personal guarantee by a former Director.

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10. Trade and other payables

	Note	2022 RM'000	2021 RM'000
Trade			
Trade payables		1,457	4,228
Amount due to a related company	10.1	68	323
		1,525	4,551
Non-trade			
Other payables		141	296
Amount due to a related company	10.2	34	164
Amount due to holding company	10.3	-	914
Accrued expenses	10.4	18,533	1,046
		18,708	2,420
		20,233	6,971

10.1 The trade amount due to a related company is unsecured, interest free and subject to negotiated trade terms.

10.2 The non-trade amount due to a related company is unsecured, interest free and repayable on demand.

10.3 The non-trade amount due to holding company was unsecured, subject to interest at 6.45% per annum and repayable on demand.

10.4 Included in accrued expenses of the Company is an amount payable to a licensor of RM18,099,000 (2021: RM860,000), which comprise the following:

(i) Accruals of RM2,868,000 (2021: RM860,000) relating to royalty expenses, common marketing funds and advertising and marketing expenses for a brand.

(ii) Accruals made for potential payments by the Company to the licensor of RM15,231,000 (2021: Nil) relating to claims by the licensor on additional amounts payable for royalty expenses, common marketing funds, advertising and marketing expenses and late payment charges for the brand based on sales made by the Company in the current and previous financial years.

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11. Revenue

	2022 RM'000	2021 RM'000
Revenue from contracts with customers	39,972	29,046

11.1 Disaggregation of revenue

	2022 RM'000	2021 RM'000
Major product lines		
Sale of apparels, leather products and others	39,972	29,046
Primary geographical markets		
Malaysia	39,972	29,046
Sales channels		
Directly to customers	978	1,038
Through departmental stores	38,022	27,017
Through intermediary	972	991
	39,972	29,046
Timing of recognition		
At a point in time	39,972	29,046

11.2 Nature of goods

The following information reflects the typical transactions of the Company:

Nature of goods	Timing of recognition or method used to recognise revenue	Significant payment terms	Obligation for returns or refunds
Sale of apparels, leather products and others	Revenue is recognised when the goods are accepted by the customers over the counter; or when the delivery of goods is accepted by customers (for online sales).	Credit period of 0 - 60 days from invoice date.	The Company allows returns only for exchange with new goods (i.e. no cash refunds are offered).

12. Finance costs

	2022 RM'000	2021 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:		
- Advances from holding company	33	45
- Bankers' acceptances	97	107
- Bank overdrafts	5	78
- Term loans	-	8
	135	238
Interest expense on lease liabilities	3	22
	138	260

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13. Profit/(Loss) before tax

	2022 RM'000	2021 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):		
Auditors' remuneration		
Audit fees	48	45
Material expenses/(income)		
Depreciation of plant and equipment	268	281
Depreciation of right-of-use assets	4	267
Government grants (Note b)	(442)	(1,229)
Interest income of financial assets at amortised cost calculated using the effective interest method	(87)	(84)
Personnel expenses (including key management personnel):		
- Contributions to Employees' Provident Fund	575	485
- Wages, salaries and others	4,684	3,825
Royalty expenses (excluding the amount disclosed below)	2,186	1,444
Accruals made for potential payments to a licensor on the following expenses for a brand (Note 10.4(ii)):		
- Royalty expenses	6,036	-
- Common marketing funds	1,346	-
- Advertising and promotion expenses	5,517	-
- Late payment charges	2,332	-
(Reversal of write-down)/Write-down of inventories	(222)	119
Expenses arising from leases		
Expenses relating to short-term leases (Note a)	161	29
Net (reversal of loss)/loss on impairment of financial assets		
Financial assets at amortised cost	(30)	38

Note a

The Company leases a number of temporary consignment counters, booths and warehouse with contract terms of not more than 1 year. These leases are short-term. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

Note b

The government grants of RM442,000 (2021: RM1,229,000) recognised during the financial year were related to the wage subsidies received from the Government of Malaysia in response to the Covid-19 pandemic. The grants were recognised in profit or loss as other income.

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14. Tax expense

There is no tax expense in the current and previous financial years.

	2022 RM'000	2021 RM'000
Reconciliation of tax expense		
(Loss)/Profit before tax	(10,633)	3,303
Income tax calculated using Malaysian tax rate of 24%	(2,552)	793
Non-deductible expenses	17	33
Effect of deferred tax assets not recognised	2,535	-
Utilisation of previously unrecognised deferred tax assets	-	(826)
	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	2022 RM'000	2021 RM'000
Inventories	430	651
Unutilised tax losses	34	5,171
Other deductible temporary differences	15,922	-
	16,386	5,822

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Company can utilise the benefits therefrom.

The comparative figures have been restated to reflect the revised temporary differences of the Company based on the final tax computation for year of assessment 2021.

Pursuant to the latest tax legislation, unutilised tax losses from a year of assessment can only be carried forward up to 10 (2021: 7) consecutive years of assessment. The table below shows the unutilised tax losses expire in respective years of assessment:

	2022 RM'000	2021 RM'000
2025	-	3,767
2027	-	1,404
2030	34	-
	34	5,171

The other temporary differences do not expire under current tax legislation.

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15. Financial instruments

15.1 Categories of financial instruments

The table below shows the carrying amount of financial instruments categorised as amortised cost ("AC").

	Carrying amount RM'000	AC RM'000
2022		
Financial assets		
Trade and other receivables	8,580	8,580
Cash and cash equivalents	15,203	15,203
	23,783	23,783
Financial liabilities		
Trade and other payables	(20,233)	(20,233)
Loans and borrowings	(2,324)	(2,324)
	(22,557)	(22,557)
2021		
Financial assets		
Trade and other receivables	8,969	8,969
Cash and cash equivalents	5,979	5,979
	14,948	14,948
Financial liabilities		
Trade and other payables	(6,971)	(6,971)
Loans and borrowings	(2,949)	(2,949)
	(9,920)	(9,920)

15.2 Net losses arising from financial instruments

	2022 RM'000	2021 RM'000
Net gains/(losses) on:		
Financial assets measured at amortised cost	117	46
Financial liabilities measured at amortised cost	(135)	(238)
	(18)	(192)

15. Financial instruments (continued)

15.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

15.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its trade receivables, which mainly comprise departmental stores where the Company sells its products through the consignment counters. There are no significant changes as compared to prior years.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Company assesses whether any of the trade receivables are credit impaired.

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

There are no significant changes as compared to previous year.

15. Financial instruments (continued)

15.4 Credit risk (continued)

Trade receivables (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amount in the statement of financial position.

The trade receivables of the Company are not secured by any collateral or supported by any other credit enhancements. However, a significant portion of these trade receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

Concentration of credit risk

The exposure of credit risk for trade receivables by geographic region as at the end of the current and previous reporting periods is solely domestic.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days. The Company's debt recovery process is as follows:

a) Above 30 days past due after credit term, the Company will start to initiate a structured debt recovery process which is monitored jointly by the Finance Department and Sales and Marketing Department; and

b) The Company will commence a legal proceeding against the customer who fails to pay after the Company initiates the debt recovery process.

The Company estimates the expected credit losses ("ECLs") on trade receivables individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these debtors have low risk of default, except for those which have been credit impaired.

The Company also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Company's view of economic conditions over the expected lives of the receivables.

Registration No. 200401022908 (661413-A)

15. Financial instruments (continued)

15.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2022 and 30 June 2021.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2022			
Current (not past due)	8,300	-	8,300
1 - 30 days past due	42	-	42
31 - 60 days past due	1	-	1
	8,343	-	8,343
Credit impaired			
Past due more than 90 days	8	(8)	-
	8,351	(8)	8,343
2021			
Current (not past due)	4,184	-	4,184
1 - 30 days past due	3,277	-	3,277
31 - 60 days past due	1,142	-	1,142
61 - 90 days past due	21	-	21
Past due more than 90 days	125	-	125
	8,749	-	8,749
Credit impaired			
Past due more than 90 days	46	(38)	8
	8,795	(38)	8,757

The movements in the allowance for impairment in respect of trade receivables during the year are shown below:

	Trade receivables Credit impaired RM'000
Balance at 1 July 2020	-
Net remeasurement of loss allowance	38
Balance at 30 June 2021/1 July 2021	38
Net remeasurement of loss allowance	(30)
Balance at 30 June 2022	8

15. Financial instruments (continued)

15.4 Credit risk (continued)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by a government agency. Consequently, the Company is of the view that the loss allowance is not material and therefore, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office building and warehouse rented. The deposits will be received at the end of each lease term, where the Company manages the credit risk together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Company did not recognise any allowance for impairment losses.

Inter-company receivables

Risk management objectives, policies and processes for managing the risk

The Company has inter-company receivables arising from trade transactions with a related company. The Company monitors the repayments made by the related company regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

Inter-company receivables are not secured by any collateral or supported by any other credit enhancements.

Registration No. 200401022908 (661413-A)

15. Financial instruments (continued)

15.4 Credit risk (continued)

Inter-company receivables (continued)

Recognition and measurement of impairment loss

Generally, the Company considers receivables from the related company to have low credit risk. The Company assumes that there is a significant increase in credit risk when the related company's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the related company receivables when they are payable, the Company considers the related company receivables to be in default when the related company is not able to pay when demanded. The Company considers the related company receivables to be credit impaired when:

- The related company is unlikely to repay its amounts owing to the Company in full; or

- The related company is continuously loss making and is having a deficit in shareholder's fund.

The Company determines the probability of default for the related company receivables individually using internal information available.

As at the end of the reporting period, there was no indication that the related company receivables are not recoverable. As these amounts are considered to have low credit risk, the Company is of the view that the loss allowance is not material and therefore, it is not provided for.

15.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Company maintains a level of cash and cash equivalents and banking facilities deemed adequate by the Directors to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Registration No. 200401022908 (661413-A)

15. Financial instruments (continued)

15.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ Discount rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2022						
Non-derivative financial liabilities						
Trade and other payables	20,233	-	20,233	20,233	-	-
Lease liabilities	35	2.62 - 3.38%	36	31	5	-
Bankers' acceptances - secured	2,324	3.40 - 4.10%	2,324	2,324	-	-
2021						
Non-derivative financial liabilities						
Trade and other payables	6,057	-	6,057	6,057	-	-
Amount due to holding company	914	6.45%	973	973	-	-
Lease liabilities	65	2.62 - 3.38%	69	33	31	5
Term loans - secured	60	*	62	62	-	-
Bank overdrafts - secured	104	**	104	104	-	-
Bankers' acceptances - secured	2,785	2.44 - 3.40%	2,785	2,785	-	-

* Represented lenders' cost of funds plus a margin of 1.00% per annum

** Represented lenders' cost of funds plus a margin of 1.25 - 1.50% per annum

15. Financial instruments (continued)

15.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates that will affect the Company's financial position or cash flows. The Company is not exposed to currency risk and other price risk.

15.6.1 Interest rate risk

The Company's fixed deposits placed with licensed banks and its fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Company does not have any specific policy to manage its interest rate risk as the Directors are of the opinion that the exposure to interest rate risk is not significant. Nonetheless, the Company adopts a practice to continuously seek alternative banking facilities which provide competitive interest rates to finance its working capital requirements.

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period is as follows:

	2022 RM'000	2021 RM'000
Fixed rate instruments		
Financial assets	9,665	4,080
Financial liabilities	(2,324)	(3,699)
Lease liabilities	(35)	(65)
	7,306	316
Floating rate instruments		
Financial liabilities	-	(164)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

15. Financial instruments (continued)

15.6 Market risk (continued)

15.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have (decreased)/increased post-tax profit or loss by the amounts shown below. This analysis is based on the interest rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables remain constant.

	Profit or loss			
	50 bp increase 2022 RM'000	**50 bp decrease 2022 RM'000**	**50 bp increase 2021 RM'000**	**50 bp decrease 2021 RM'000**
Floating rate instruments	-	-	(1)	1

15.7 Fair value information

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

Registration No. 200401022908 (661413-A)

15. Financial instruments (continued)

15.7 Fair value information (continued)

The table below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022										
Financial liabilities										
Term loans	-	-	-	-	-	-	-	-	-	-
2021										
Financial liabilities										
Term loans	-	-	-	-	-	-	(60)	(60)	(60)	(60)

Level 3 fair value

Valuation process applied by the Company for Level 3 fair value

For financial instruments not carried at fair value, the Company has applied discounted cash flows valuation technique using a rate based on the current market rate of borrowings of the Company at the reporting date in the determination of fair value within Level 3. The Directors have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair value.

16. Capital management

The Company's objectives when managing capital are to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. In particular for the current and previous financial years, the Directors view sound capital management as essential and imperative to ensure that the Company comes through the current difficult Covid-19 situation. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with regulatory requirements and debt covenants, if any.

The debt-to-equity ratios at the end of the reporting periods were as follows:

	Note	2022 RM'000	2021 RM'000
Loans and borrowings	9	2,324	2,949
Lease liabilities		35	65
Total debt		2,359	3,014
Total equity		9,853	20,486
Debt-to-equity ratio		0.24	0.15

There was no change in the Company's approach to capital management during the financial year.

17. Related parties

Identity of related parties

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

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

The Company has related party relationship with the holding company, related company, companies in which a former Director has significant financial interests and key management personnel.

17. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Notes 6 and 10.

	2022 RM'000	2021 RM'000
A. Holding company		
Advances from holding company	-	1,246
Repayment of advances from holding company	(914)	(443)
Interest expense on advances from holding company	33	45
B. Related company		
Payment of lease liabilities	-	(17)
Rental expenses	19	-
Purchase of goods	746	-
Commission expenses on consignment sales	535	545
Sub-licensing income	(197)	(95)
Royalty expense	200	186
Interest expense on lease liabilities	-	2
Administrative expenses paid on behalf	1	1
C. Companies in which a former Director has significant financial interests		
Sale of goods	-	(217)

Key management personnel compensation

The key management personnel are the Directors of the Company. The remuneration received by the Directors of the Company during the financial year is RM54,000 (2021: Nil).

The estimated monetary value of Directors' benefit-in-kind of the Company is RM6,500 (2021: RM6,500).

18. Subsequent event

On 22 September 2022, the holding company, MESB Berhad, entered into a conditional share sale agreement for the proposed disposal of its entire equity interests in the Company to Trend Navigator Sdn. Bhd. (a company owned by a former Director of the Company) for a total cash consideration of RM10 million.

The proposed disposal is subject to regulatory and other customary approvals, including the approval from MESB Berhad's shareholders.

Active Fit Sdn. Bhd.

(Registration No. 200401022908 (661413-A))
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 5 to 45 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2022 and of its financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the Directors:

....

Loke Lee Ping
Director

....

Chua Jin Kau
Director

Kuala Lumpur,

Date: 7 October 2022

Active Fit Sdn. Bhd.
(Registration No. 200401022908 (661413-A))
(Incorporated in Malaysia)

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Loke Lee Ping**, the Director primarily responsible for the financial management of Active Fit Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 5 to 45 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Loke Lee Ping, NRIC: 790214-14-5571, at Kuala Lumpur in the Federal Territory on 7 October 2022.

....
Loke Lee Ping

Before me:

PESURUHJAYA SUMPAH
No. PJS: W 904
ROSLI BIN SAAD
1.2.2022 - 31.12.2024
MALAYSIA

50A-1, Jalan Kemuja
Bangsar Utama,
59000 Kuala Lumpur

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Website www.kpmg.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ACTIVE FIT SDN. BHD.

(Registration No. 200401022908 (661413-A))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Active Fit Sdn. Bhd., which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 45.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 June 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

Auditors' Responsibilities for the Audit of the 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:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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.

KPMG

Other Matter

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

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Eric Kuo Sze-Wei
Approval Number: 03473/11/2023 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 7 October 2022

12.0 DIRECTORS' REPORT ON ACTIVE FIT

Registered address:
Third Floor, No. 77, 79 & 81
Jalan SS21/60
Damansara Utama
47400 Petaling Jaya

Date: 17 NOV 2022

To: The shareholders of MESB Berhad ("**MESB**")

Dear Sir/Madam,

On behalf of the board of directors ("**Board**") of Active Fit Sdn Bhd ("**Active Fit**"), I report after making due enquiries in relation to Active Fit during the period between 30 June 2022 (being the date on which the latest audited financial statements of Active Fit have been made up) to the date hereof (being a date not earlier than 14 days before the date of the circular to the shareholders of MESB), that:

(a) in the opinion of the Board, the business of Active Fit has been satisfactorily maintained;

(b) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of Active Fit which have adversely affected the trading or the value of the assets of Active Fit;

(c) the current assets of Active Fit appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no other contingent liabilities which have arisen by reason of any guarantees or indemnities given by Active Fit;

(e) since the latest audited financial statements of Active Fit, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums for any borrowings in which the Board is aware of; and

(f) since the latest audited financial statements of Active Fit, there have been no material changes in the published reserves or any unusual factors affecting the profits of Active Fit.

Yours faithfully
For and on behalf of the Board of
ACTIVE FIT SDN BHD

Loke Lee Ping
Director

ACTIVE FIT SDN. BHD. Co. No. 200401022908 (661413-A)
Lot 1903A First Floor, Jalan KPB 7, Kawasan Perindustrian Kampung Baru Balakong, 43300 Seri Kembangan, Selangor.
Tel: 603-8961 8818 Fax: 603-8961 8810

INFORMATION ON MCD

1.0 HISTORY AND BUSINESS

MCD was incorporated in Malaysia on 18 October 1990 as a private limited company under the Act. It is principally engaged in investment holding activities. The revenue of MCD is solely derived from the rental income generated from a 6-storey corner shop office located at Bandar Tasik Selatan, Kuala Lumpur. Please refer to Section 6.0 of Appendix IV for further details of the property.

2.0 SHARE CAPITAL

As at the LPD, the share capital of MCD is RM2,666,974 comprising 2,666,974 ordinary shares.

3.0 DIRECTORS

The directors of MCD and their respective shareholdings in MCD as at the LPD are as follows:-

Directors	Nationality	Designation	Direct		Indirect	
			No. of shares	%	No. of shares	%
Loke Lee Ping	Malaysia	Director	-	-	-	-
Chua Jin Kau	Malaysia	Director	-	-	-	-

4.0 SUBSTANTIAL SHAREHOLDER

The details of the substantial shareholder of MCD as at the LPD are as follows:-

Substantial shareholder	Country of Incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
MESB	Malaysia	2,666,974	100.00	-	-

5.0 SUBSIDIARY AND ASSOCIATED COMPANIES

As at the LPD, MCD does not have any subsidiary or associated company.

6.0 TYPE OF ASSETS OWNED

As at the LPD, save for the following property, MCD does not own any other land or building:-

Postal address	:	No. 63, Jalan Tasik Selatan 8 (formerly Jalan 8/146), Bandar Tasik Selatan, 57000 Kuala Lumpur
Tenure	:	Leasehold for a term of 99 years, expiring on 29 June 2087
Land area	:	427 square meter (approximately 4,596.19 square feet)
Floor area	:	1,850.63 square meter (approximately 19,920.02 square feet)
Category of land use	:	*"Bangunan"*
Express condition	:	*"Tanah ini hendaklah digunakan untuk tapak rumah kedai sahaja."*
Encumbrances	:	Charged to Standard Chartered Bank Malaysia Berhad vide charges presentation nos PDSC46483/2011

INFORMATION ON MCD *(CONT'D)*

Existing use	:	The ground floor and fourth floor of this property have been rented out as well as the remaining first to third floor and fifth floor are vacant.
Audited net book value	:	RM2.14 million as at 30 June 2022
Market value as appraised by independent valuer	:	RM4.30 million as at 16 June 2022

7.0 MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, there are no material commitments and contingent liabilities incurred or known to be incurred by MCD which upon becoming enforceable, may have a material impact on the financial results/position of MCD.

8.0 MATERIAL CONTRACTS

There are no other material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by MCD within the last two (2) years immediately preceding the date of this Circular.

9.0 MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, MCD is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, including those pending or threatened against MCD, that may materially affect the business or financial position of MCD.

10.0 FINANCIAL INFORMATION

The historical financial information on MCD for the past three (3) audited financial years from FYE 30 June 2020 to FYE 30 June 2022 are as follows:-

	<------ Audited	------	------>
	FYE 30 June 2020	**FYE 30 June 2021**	**FYE 30 June 2022**
	RM	**RM**	**RM**
Revenue	43,200	27,400	49,400
Cost of sales	(64,635)	(67,092)	(65,371)
Gross loss	(21,435)	(39,692)	(15,971)
(LBT)	(33,418)	(51,084)	(31,223)
Taxation	(11,540)	(5,276)	(10,912)
(LAT)	(44,958)	(56,360)	(42,135)
Shareholders' funds/ NA	2,591,774	2,535,414	2,493,279
Issued share capital	2,666,974	2,666,974	2,666,974
Total borrowings	-	-	-
No of issued shares	2,666,974	2,666,974	2,666,974
(LPS) (RM)	(0.02)	(0.02)	(0.02)
NA per share (RM)	0.97	0.95	0.93
Current ratio (times)	23.20	26.29	16.48
Gearing ratio (times)	-	-	-
Total dividend paid	-	-	-

There was no exceptional or extraordinary item for the past three (3) audited financial years from FYE 30 June 2020 to FYE 30 June 2022. There was no accounting policy adopted by MCD which are peculiar to MCD because of the nature of the business or the industry it is involved in and there was no audit qualification of financial statements of MCD for the financial years under review.

Commentaries on Past Financial Performance

FYE 30 June 2020

Revenue decreased by 20.00% to RM0.04 million (FPE 30 June 2019 : RM0.05 million) as a result of early termination of tenancy agreement by a tenant. Despite the lower revenue, MCD incurred a lower LAT of RM0.04 million (FPE 30 June 2019 : LAT of RM0.05 million) due to lower cost of services recorded during the financial year.

FYE 30 June 2021

Revenue decreased by 25.00% to RM0.03 million (FYE 30 June 2020 : RM0.04 million) due to the grant of 3-month rent concession to the tenants as a result of the COVID-19. Pursuant thereto, MCD incurred a higher LAT of RM0.06 million (FYE 30 June 2020 : LAT of RM0.04 million).

FYE 30 June 2022

Revenue increased by 66.67% to RM0.05 million (FYE 30 June 2021 : RM0.03 million) as a result of the increase in rental rate. In line to the above, MCD incurred a lower LAT of RM0.04 million (FYE 30 June 2021 : RM0.05 million).

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11.0 AUDITED FINANCIAL STATEMENTS OF MCD FOR FYE 30 JUNE 2022

MESB Capital & Development Sdn. Bhd.

(Registration No. 199001014786 (206455 - X))
(Incorporated in Malaysia)

Financial statements for the year ended 30 June 2022

MESB Capital & Development Sdn. Bhd.
(Registration No. 199001014786 (206455 - X))
(Incorporated in Malaysia)

Directors' report for the year ended 30 June 2022

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 30 June 2022.

Principal activity

The Company is principally engaged in investment holding activities. There has been no significant change in the nature of this activity during the financial year.

Holding company

The Company is a subsidiary of MESB Berhad, of which is incorporated in Malaysia and regarded by the Directors as the Company's holding company, during the financial year and until the date of this report.

Results

	RM
Loss for the year	42,135

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividends

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Loke Lee Ping
Chua Jin Kau

Directors' interest in shares

None of the Directors holding office at 30 June 2022 had any interest in the shares of the Company and of its related corporations during the financial year.

Registration No. 199001014786 (206455 - X)

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, the total amount of indemnity sum insured and insurance premium paid for Directors and officers of MESB Berhad and its subsidiaries were RM7,500,000 and RM22,896, respectively. The insurance premium was borne by the holding company. There was no indemnity given to or insurance effected for auditors of the Company.

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

i) necessary actions had been taken in relation to the writing off of bad debts and the provisioning for doubtful debts and satisfied themselves that there are no bad debts to be written off and no provision needs to be made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Registration No. 199001014786 (206455 - X)

Other statutory information (continued)

At the date of this report, the Directors are not aware of any circumstances:

i) that would render it necessary to write off any bad debts, or provide for any doubtful debts, or

ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.

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

i) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Company for the financial year ended 30 June 2022 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent event

On 22 September 2022, the holding company, MESB Berhad, entered into a conditional share sale agreement for the proposed disposal of its entire equity interests in the Company to Trend Navigator Sdn. Bhd. (a company owned by a former Director of a related company) for a total cash consideration of RM3 million.

The proposed disposal is subject to regulatory and other customary approvals, including the approval from MESB Berhad's shareholders.

Registration No. 199001014786 (206455 - X)

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Company during the year is RM5,000.

Signed in accordance with a resolution of the Directors:

....

Loke Lee Ping
Director

....

Chua Jin Kau
Director

Kuala Lumpur,

Date: 7 October 2022

MESB Capital & Development Sdn. Bhd.

(Registration No. 199001014786 (206455 - X))
(Incorporated in Malaysia)

Statement of financial position as at 30 June 2022

	Note	2022 RM	2021 RM
Assets			
Investment properties	3	2,139,520	2,189,336
Total non-current assets		2,139,520	2,189,336
Deposits		11,200	11,200
Prepayments		737	-
Other receivables		28,092	13,142
Amount due from holding company	4	-	418
Current tax assets		10,588	15,002
Cash at bank		325,993	319,999
Total current assets		376,610	359,761
Total assets		2,516,130	2,549,097
Equity			
Share capital	5	2,666,974	2,666,974
Accumulated losses		(173,695)	(131,560)
Total equity		2,493,279	2,535,414
Liabilities			
Other payables		22,851	13,683
Total current liabilities		22,851	13,683
Total liabilities		22,851	13,683
Total equity and liabilities		2,516,130	2,549,097

The notes on pages 9 to 21 are an integral part of these financial statements.

MESB Capital & Development Sdn. Bhd.

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(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 30 June 2022

	Note	2022 RM	2021 RM
Revenue	6	49,400	27,400
Cost of services		(65,371)	(67,092)
Gross loss		(15,971)	(39,692)
Other income		-	232
Administrative expenses		(15,252)	(11,624)
Loss before tax	7	(31,223)	(51,084)
Tax expense	8	(10,912)	(5,276)
Loss and total comprehensive loss for the year		(42,135)	(56,360)

The notes on pages 9 to 21 are an integral part of these financial statements.

MESB Capital & Development Sdn. Bhd.

(Registration No. 199001014786 (206455 - X))
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 30 June 2022

	Non-distributable Share capital RM	Accumulated losses RM	Total equity RM
At 1 July 2020	2,666,974	(75,200)	2,591,774
Loss and total comprehensive loss for the year	-	(56,360)	(56,360)
At 30 June 2021/1 July 2021	2,666,974	(131,560)	2,535,414
Loss and total comprehensive loss for the year	-	(42,135)	(42,135)
At 30 June 2022	2,666,974	(173,695)	2,493,279
	Note 5		

The notes on pages 9 to 21 are an integral part of these financial statements.

MESB Capital & Development Sdn. Bhd.

(Registration No. 199001014786 (206455 - X))
(Incorporated in Malaysia)

Statement of cash flows for the year ended 30 June 2022

	Note	2022 RM	2021 RM
Cash flows from operating activities			
Loss before tax		(31,223)	(51,084)
Adjustment for:			
Depreciation of investment properties	3	49,816	49,816
Operating profit/(loss) before changes in working capital		18,593	(1,268)
Changes in amount due from holding company		418	(418)
Changes in deposits, prepayments and other receivables		(15,687)	437
Changes in other payables		9,168	(2,200)
Cash generated from/(used in) operations		12,492	(3,449)
Tax paid		(11,646)	(10,750)
Tax refunded		5,148	-
Net cash from/(used in) operating activities		5,994	(14,199)
Net increase/(decrease) in cash and cash equivalents		5,994	(14,199)
Cash and cash equivalents at 1 July 2021/2020		319,999	334,198
Cash and cash equivalents at 30 June	(i)	325,993	319,999

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amount:

	2022 RM	2021 RM
Cash at bank	325,993	319,999

The notes on pages 9 to 21 are an integral part of these financial statements.

MESB Capital & Development Sdn. Bhd.

(Registration No. 199001014786 (206455 - X))
(Incorporated in Malaysia)

Notes to the financial statements

MESB Capital & Development Sdn. Bhd. is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Lot 1903A, 1st Floor, Jalan KPB 7
Kawasan Perindustrian Kg. Baru Balakong
43300 Seri Kembangan, Selangor

Registered office
Third Floor, No. 77, 79 & 81
Jalan SS21/60, Damansara Utama
47400 Petaling Jaya, Selangor

The Company is principally engaged in investment holding activities.

The holding company is MESB Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These financial statements were authorised for issue by the Board of Directors on 7 October 2022.

1. Basis of preparation

(a) Statement of compliance

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

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

Registration No. 199001014786 (206455 - X)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022.

- from the annual period beginning on 1 July 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the applicable accounting standards, amendments or interpretations is not expected to have any material financial impacts to the current period and prior period financial statements of the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance.

Registration No. 199001014786 (206455 - X)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Deposits, other receivables, amount due from holding company and cash and cash equivalents are categorised and subsequently measured at amortised cost using the effective interest method.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(d)(i)) where the effective interest rate is applied to the amortised cost. Interest income is recognised in profit or loss.

Financial assets categorised as amortised cost are subject to impairment assessment (see Note 2(d)(i)).

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised by applying effective interest rate to the gross carrying amount. Interest expense is recognised in profit or loss.

(b) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses, if any.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	Over the lease period of 99 years
• Building	50 years

Depreciation method, useful life and residual values are reviewed at the end of each reporting period, and adjusted as appropriate.

Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

2. Significant accounting policies (continued)

(b) Investment properties (continued)

Investment properties carried at cost (continued)

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(c) Cash and cash equivalents

Cash and cash equivalents consist of balance with a licensed bank which has an insignificant risk of changes in fair value and is used by the Company in the management of its short-term commitments.

(d) Impairment

(i) Financial assets

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

Lifetime expected credit losses are the expected credit losses that result from a significant increase in credit risk since initial recognition and all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (continued)

(d) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

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

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior years are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. 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. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(e) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

2. Significant accounting policies (continued)

(f) Lease income

Lease income from investment properties is recognised in profit or loss on a straight-line basis over the term of the lease.

(g) Income tax

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

2. Significant accounting policies (continued)

(h) Fair value measurements

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 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.

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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3. Investment properties

	Leasehold land RM	Building RM	Total RM
Cost			
At 1 July 2020/30 June 2021/1 July 2021/ 30 June 2022	1,739,887	1,333,913	3,073,800
Accumulated depreciation			
At 1 July 2020	395,428	439,220	834,648
Depreciation for the year	17,574	32,242	49,816
At 30 June 2021/1 July 2021	413,002	471,462	884,464
Depreciation for the year	17,574	32,242	49,816
At 30 June 2022	430,576	503,704	934,280
Carrying amounts			
At 1 July 2020	1,344,459	894,693	2,239,152
At 30 June 2021/1 July 2021	1,326,885	862,451	2,189,336
At 30 June 2022	1,309,311	830,209	2,139,520

Investment properties are not occupied by the Company and are used to earn rentals and for capital appreciation.

The leasehold land and building comprise a shop office that is leased to a third party. The lease contains an initial non-cancellable period of up to 2 years. Subsequent renewals are negotiated with the lessees. The Company does not require a financial guarantee on the lease arrangement. Nevertheless, the Company requires advance rental payment and security deposits from the lessees. These leases do not include residual value guarantees.

The investment properties have been pledged to a licensed bank as security for banking facilities granted to a related company.

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

	2022 RM	2021 RM
Lease income	49,400	27,400
Direct operating expenses:		
- income generating investment properties	(15,555)	(13,476)

The operating lease payments to be received are as follows:

	2022 RM	2021 RM
Less than one year	34,200	45,600
One to two years	-	34,200
Total undiscounted lease payments	34,200	79,800

3. Investment properties (continued)

3.1 Fair value information

Fair value of investment properties is categories as follows:

	2022 RM	2021 RM
Fair value - Level 3		
Leasehold land and building	4,300,000	4,550,000

Valuation process applied by the Company for Level 3 fair value

The fair value of the investment properties at the end of the reporting period was determined by the Directors by reference to the professional valuation carried out in June 2022 (2021: November 2020) which estimated the market value of the investment properties based on sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

4. Amount due from holding company

The amount due from holding company was non-trade in nature, unsecured, interest free and repayable on demand.

5. Share capital

	Number of shares 2022	Amount 2022 RM	Number of shares 2021	Amount 2021 RM
Issued and fully paid ordinary shares with no par value	2,666,974	2,666,974	2,666,974	2,666,974

Ordinary shares

The holder of ordinary shares is entitled to receive dividends as declared from time to time, and is entitled to one vote per share at meetings of the Company.

6. Revenue

Revenue of the Company represents lease income from investment properties.

Registration No. 199001014786 (206455 - X)

7. Loss before tax

	2022 RM	2021 RM
Loss before tax is arrived at after charging/(crediting):		
Auditors' remuneration		
Audit fees	5,000	5,000
Material expense/(income)		
Depreciation of investment properties	49,816	49,816
Lease income from investment properties	(49,400)	(27,400)

8. Tax expense

Recognised in profit or loss

	2022 RM	2021 RM
Current tax expense		
- Current year	10,748	5,761
- Under/(Over) provision in prior year	164	(485)
	10,912	5,276

Reconciliation of tax expense

	2022 RM	2021 RM
Loss before tax	(31,223)	(51,084)
Income tax calculated using Malaysian tax rate of 24%	(7,494)	(12,260)
Non-deductible expenses	18,242	18,021
Under/(Over) provision in prior year	164	(485)
	10,912	5,276

9. Financial instruments

9.1 Categories of financial instruments

The financial assets of the Company, which comprise deposits, other receivables, amount due from holding company and cash at bank and the financial liabilities of the Company, which comprise other payables are categorised as amortised cost.

There are no net gains or losses arising from financial instruments.

9. Financial instruments (continued)

9.2 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk arising from its deposits, other receivables and bank balance; and
- Liquidity risk arising from its other payables.

The Directors are of the view that the above risks are not significant.

As at the end of the reporting period, the maximum exposure to the credit risk is represented by the carrying amounts in the statement of financial position. The Company does not recognise any allowance for impairment losses because the Company's financial assets have low credit risk.

The Company maintains a level of cash and cash equivalents deemed adequate by the Directors to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

As at the end of the reporting period, the maturity profile of the Company's financial liabilities is relatively short-term and contractual cash flow is represented by the carrying amount in the statement of financial position. It is not expected that the cash flows could occur significantly earlier, or at significantly different amounts.

9.3 Fair value information

The carrying amounts of cash at bank, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

10. Capital management

The Company's capital is represented by its total equity in the statement of financial position. The Directors monitor the adequacy of capital on an ongoing basis.

There is no external capital requirement imposed on the Company.

Registration No. 199001014786 (206455 - X)

11. Related parties

Identity of related parties

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

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

The Company has related party relationship with its holding company, related companies and key management personnel.

Significant related party transaction

There is no significant related party transaction during the financial year.

Key management personnel compensation

The key management personnel are the Directors of the Company. They did not receive any remuneration from the Company during the financial year.

12. Subsequent event

On 22 September 2022, the holding company, MESB Berhad, entered into a conditional share sale agreement for the proposed disposal of its entire equity interests in the Company to Trend Navigator Sdn. Bhd. (a company owned by a former Director of a related company) for a total cash consideration of RM3 million.

The proposed disposal is subject to regulatory and other customary approvals, including the approval from MESB Berhad's shareholders.

MESB Capital & Development Sdn. Bhd.
(Registration No. 199001014786 (206455 - X))
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 5 to 21 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2022 and of its financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the Directors:

....
Loke Lee Ping
Director

....
Chua Jin Kau
Director

Kuala Lumpur,

Date: 7 October 2022

MESB Capital & Development Sdn. Bhd.

(Registration No. 199001014786 (206455 - X))
(Incorporated in Malaysia)

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Loke Lee Ping**, the Director primarily responsible for the financial management of MESB Capital & Development Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 5 to 21 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Loke Lee Ping, NRIC: 790214-14-5571, at Kuala Lumpur in the Federal Territory on 7 October 2022.

....

Loke Lee Ping

Before me:

PESURUHJAYA SUMPAH
No. PJS: W 904
ROSLI BIN SAAD
1.2.2022 - 31.12.2024
MALAYSIA

50A-1, Jalan Kemuja
Bangsar Utama,
59000 Kuala Lumpur

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MESB CAPITAL & DEVELOPMENT SDN. BHD.

(Registration No. 199001014786 (206455 - X))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MESB Capital & Development Sdn. Bhd., which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 21.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 June 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

Auditors' Responsibilities for the Audit of the 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:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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.

KPMG

Other Matter

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

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Eric Kuo Sze-Wei
Approval Number: 03473/11/2023 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 7 October 2022

12.0 DIRECTORS' REPORT ON MCD

MESB CAPITAL & DEVELOPMENT SDN BHD ((199001014786 (206455 - X))
No 63-5, Jalan 8/146, Bandar Tasik Selatan, 57000 Sg. Besi, Kuala Lumpur . Tel no. 0390595650, Fax no. 03-90595676

Registered address:
Third Floor, No. 77, 79 & 81
Jalan SS21/60
Damansara Utama
47400 Petaling Jaya

Date: 17 NOV 2022

To: The shareholders of MESB Berhad ("**MESB**")

Dear Sir/Madam,

On behalf of the board of directors ("**Board**") of MESB Capital & Development Sdn Bhd ("**MCD**"), I report after making due enquiries in relation to MCD during the period between 30 June 2022 (being the date on which the latest audited financial statements of MCD have been made up) to the date hereof (being a date not earlier than 14 days before the date of the circular to the shareholders of MESB), that:

(a) in the opinion of the Board, the business of MCD has been satisfactorily maintained;

(b) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of MCD which have adversely affected the trading or the value of the assets of MCD;

(c) the current assets of MCD appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no other contingent liabilities which have arisen by reason of any guarantees or indemnities given by MCD;

(e) since the latest audited financial statements of MCD, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums for any borrowings in which the Board is aware of; and

(f) since the latest audited financial statements of MCD, there have been no material changes in the published reserves or any unusual factors affecting the profits of MCD.

Yours faithfully
For and on behalf of the Board of
MESB CAPITAL & DEVELOPMENT SDN BHD

Loke Lee Ping
Director

INFORMATION ON MIROZA

1.0 HISTORY AND BUSINESS

Miroza was incorporated in Malaysia on 17 June 1992 as a private limited company under the Act. It is principally involved in trading of leather products and apparels under certain brands, namely Crocodile, Ducati, Alain Delon, Pierre Cardin, Feraud, Giamax, Giossardi and Tocco Toscano in Malaysia. The operational office cum warehouses of Miroza is located at Seri Kembangan, Selangor.

Currently, Miroza has over 570 consignment retail counters at AEON, Parkson, The Store, Pacific, Isetan, SOGO, Metrojaya and Billion. Besides, Miroza also owns five (5) concept boutiques under the name of Whatsbag, selling leather products and related accessories. The boutiques are located at well-known shopping malls in Klang Valley, such as The Mines Shopping Mall, Mitsui Outlet, Melawati Mall, IOI City Mall, and SACC Mall.

The revenue of Miroza is mainly derived from Malaysia, which contributed approximately 99.06% of the total revenue from FYE 30 June 2020 to FYE 30 June 2022, whilst the remaining was contributed from Brunei's market. Miroza's leather products and accessories production function is outsourced to local manufacturers and suppliers.

2.0 SHARE CAPITAL

As at the LPD, Miroza has an issued share capital of RM8,637,000 comprising 8,600,000 ordinary shares.

3.0 DIRECTORS

The directors of Miroza and their respective shareholdings in Miroza as at the LPD are as follows:-

Directors	Nationality	Designation	Direct		Indirect	
			No. of shares	%	No. of shares	%
Loke Lee Ping	Malaysia	Director	-	-	-	-
Chua Jin Kau	Malaysia	Director	-	-	-	-

4.0 SUBSTANTIAL SHAREHOLDER

The details of the substantial shareholder of Miroza as at the LPD are as follows:-

Substantial shareholder	Country of Incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
MESB	Malaysia	8,600,000	100.00	-	-

5.0 SUBSIDIARY AND ASSOCIATED COMPANIES

As at the LPD, Miroza does not have any subsidiary or associated company.

6.0 TYPE OF ASSETS OWNED

As at the LPD, save for the following property, Miroza does not own any other land or building:-

Postal address	:	No. 33-1-48, Prangin Mall Komtar, Jalan Dr. Lim Chwee Leong, 10100 Georgetown, Penang
Tenure	:	Leasehold for a term of 99 years, expiring on 9 June 2096
Floor area	:	42 square meter (approximately 452.08 square feet)

Encumbrances	:	The rights of the property has been assigned to Standard Chartered Bank Malaysia Berhad via Deed of Assignment dated 10 January 2022
Existing use	:	This property has been rented out.
Audited net book value	:	RM0.43 million as at 30 June 2022
Market value as appraised by independent valuer	:	RM0.50 million as at 21 June 2022, on the basis of vacant possession and a certificate of fitness for occupation issued and subject to the forthcoming strata title being good, registrable, marketable, free from all encumbrances, endorsements, statutory notices and outgoings

7.0 MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, there are no material commitments and contingent liabilities incurred or known to be incurred by Miroza which upon becoming enforceable, may have a material impact on the financial results/position of Miroza.

8.0 MATERIAL CONTRACTS

There are no other material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Miroza within the last two (2) years immediately preceding the date of this Circular.

9.0 MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, Miroza is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, including those pending or threatened against Miroza, that may materially affect the business or financial position of Miroza.

10.0 FINANCIAL INFORMATION

The historical financial information on Miroza for the past three (3) audited financial years from FYE 30 June 2020 to FYE 30 June 2022 are as follows:-

	<---Audited	--->	
	FYE 30 June 2020 RM'000	**FYE 30 June 2021 RM'000**	**FYE 30 June 2022 RM'000**
Revenue	121,051	106,955	149,073
Cost of sales	(48,017)	(45,090)	(57,705)
Gross profit	73,034	61,865	91,368
PBT	1,093	8,821	22,217
Taxation	(527)	(2,315)	(5,161)
PAT	566	6,506	17,056
Shareholders' funds/ NA	48,096	54,602	71,658
Issued share capital	8,637	8,637	8,637
Total borrowings	19,144	14,260	11,151
No of issued shares ('000)	8,600	8,600	8,600
EPS (RM)	0.07	0.76	1.98
NA per share (RM)	5.59	6.35	8.33
Current ratio (times)	1.93	1.93	2.87
Gearing ratio (times)	0.40	0.26	0.16
Total dividend paid	-	-	-

There was no exceptional or extraordinary item for the past three (3) audited financial years from FYE 30 June 2020 to FYE 30 June 2022. There was no accounting policy adopted by Miroza which are peculiar to Miroza because of the nature of the business or the industry it is involved in and there was no audit qualification of financial statements of Miroza for the financial years under review.

Commentaries on Past Financial Performance

FYE 30 June 2020

Revenue decreased by 35.34% to RM121.05 million (FPE 30 June 2019 : RM187.21 million) due to the lower revenue generated from Malaysia market by RM65.82 million to RM120.31 million (FPE 30 June 2019 : RM186.13 million) as a result of the COVID-19 and the implementation of MCO. As a consequence, Miroza incurred a lower PAT of RM0.57 million (FPE 30 June 2019 : PAT of RM7.50 million).

FYE 30 June 2021

Revenue decreased by 11.64% to RM106.96 million (FYE 30 June 2020 : RM121.05 million) due to the lower revenue generated from Malaysia market by RM15.20 million to RM105.11 million (FYE 30 June 2020 : RM120.31 million) as a result of third wave of the COVID-19. However, Miroza registered a higher PAT of RM6.51 million (FYE 30 June 2020 : RM0.57 million) due to the operating cost control and wage subsidy of RM2.22 million.

FYE 30 June 2022

Revenue increased by 39.37% to RM149.07 million (FYE 30 June 2021 : RM106.96 million) as a result of the revenge spending as the COVID-19 waned during the financial year. In line to the above, Miroza registered a PAT of RM17.06 million (FYE 30 June 2021 : RM6.51 million).

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11.0 AUDITED FINANCIAL STATEMENTS OF MIROZA FOR FYE 30 JUNE 2022

Miroza Leather (M) Sdn. Bhd.

(Registration No. 199201010971 (242474 - V))
(Incorporated in Malaysia)

Financial statements for the year ended 30 June 2022

Miroza Leather (M) Sdn. Bhd.

(Registration No. 199201010971 (242474 - V))
(Incorporated in Malaysia)

Directors' report for the year ended 30 June 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 30 June 2022.

Principal activities

The Company is principally engaged in the business of retailing of leather products and apparels. There has been no significant change in the nature of these activities during the financial year.

Holding company

The Company is a subsidiary of MESB Berhad, of which is incorporated in Malaysia and regarded by the Directors as the Company's holding company, during the financial year and until the date of this report.

Results

	RM'000
Profit for the year	17,056

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividends

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Loke Lee Ping
Chua Jin Kau

Directors' interests in shares

None of the Directors holding office at 30 June 2022 had any interest in the shares of the Company and of its related corporations during the financial year.

Registration No. 199201010971 (242474 - V)

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The directors' benefit paid to or receivables by Directors in respect of the financial year ended 30 June 2022 are as follows:

	From the Company RM'000
Directors of the Company:	
Remuneration	312
Post-employment benefits	34
Estimated money value of any other benefits	7
	353

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, the total amount of indemnity sum insured and premium paid for Directors and officers of MESB Berhad and its subsidiaries were RM7,500,000 and RM22,896, respectively. The insurance premium was borne by the holding company. There was no indemnity given to or insurance effected for auditors of the Company.

Registration No. 199201010971 (242474 - V)

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

i) necessary actions had been taken in relation to the writing off of bad debts and the provisioning for doubtful debts and satisfied themselves that there are no bad debts to be written off and that adequate provision had been made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render it necessary to write off any bad debts, or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.

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

i) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Company for the financial year ended 30 June 2022 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent event

On 22 September 2022, the holding company, MESB Berhad, entered into a conditional share sale agreement for the proposed disposal of 45% of its equity interests in the Company to Trend Navigator Sdn. Bhd. (a company owned by a former Director of a related company) for a total cash consideration of RM33 million.

The proposed disposal is subject to regulatory and other customary approvals, including the approval from MESB Berhad's shareholders.

Registration No. 199201010971 (242474 - V)

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Company during the year is RM69,000.

Signed in accordance with a resolution of the Directors:

....

Loke Lee Ping
Director

....

Chua Jin Kau
Director

Kuala Lumpur,

Date: 7 October 2022

Miroza Leather (M) Sdn. Bhd.

(Registration No. 199201010971 (242474 - V))
(Incorporated in Malaysia)

Statement of financial position as at 30 June 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Plant and equipment	3	1,970	2,538
Right-of-use assets	4	308	418
Investment property	5	428	442
Intangible assets	6	795	-
Deferred tax assets	7	1,175	329
Total non-current assets		4,676	3,727
Inventories	8	25,831	47,100
Trade and other receivables	9	26,749	23,002
Prepayments		104	247
Current tax assets		583	2,304
Cash and cash equivalents	10	50,801	36,386
Total current assets		104,068	109,039
Total assets		108,744	112,766
Equity			
Share capital	11	8,637	8,637
Retained earnings		63,021	45,965
Total equity		71,658	54,602
Liabilities			
Loans and borrowings	12	682	1,499
Lease liabilities		132	140
Total non-current liabilities		814	1,639
Loans and borrowings	12	10,469	12,761
Lease liabilities		188	304
Trade and other payables	13	25,615	43,460
Total current liabilities		36,272	56,525
Total liabilities		37,086	58,164
Total equity and liabilities		108,744	112,766

The notes on pages 11 to 51 are an integral part of these financial statements.

Miroza Leather (M) Sdn. Bhd.

(Registration No. 199201010971 (242474 - V))
(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 30 June 2022

	Note	2022 RM'000	2021 RM'000
Revenue	14	149,073	106,955
Cost of sales		(57,705)	(45,090)
Gross profit		91,368	61,865
Other income		2,070	2,520
Selling and distribution expenses		(38,309)	(27,599)
Administrative expenses		(31,395)	(25,122)
Net loss on impairment of financial assets	16	(23)	(28)
Other expenses		(1,163)	(2,098)
Results from operating activities		22,548	9,538
Finance income	16	431	333
Finance costs	15	(762)	(1,050)
Net finance costs		(331)	(717)
Profit before tax	16	22,217	8,821
Tax expense	17	(5,161)	(2,315)
Profit and total comprehensive income for the year		17,056	6,506

The notes on pages 11 to 51 are an integral part of these financial statements.

Miroza Leather (M) Sdn. Bhd.

(Registration No. 199201010971 (242474 - V))
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 30 June 2022

	Non-distributable	*Distributable*	
	Share capital RM'000	**Retained earnings RM'000**	**Total equity RM'000**
At 1 July 2020	8,637	39,459	48,096
Profit and total comprehensive income for the year	-	6,506	6,506
At 30 June 2021/1 July 2021	8,637	45,965	54,602
Profit and total comprehensive income for the year	-	17,056	17,056
At 30 June 2022	8,637	63,021	71,658
	Note 11		

The notes on pages 11 to 51 are an integral part of these financial statements.

Miroza Leather (M) Sdn. Bhd.

(Registration No. 199201010971 (242474 - V))
(Incorporated in Malaysia)

Statement of cash flows for the year ended 30 June 2022

	Note	2022 RM'000	2021 RM'000
Cash flows from operating activities			
Profit before tax		22,217	8,821
Adjustments for:			
Depreciation of investment property	5	14	13
Depreciation of plant and equipment	3	855	1,141
Depreciation of right-of-use assets	4	295	944
Amortisation of intangible asset	6	52	-
Finance costs	15	762	1,050
Finance income	16	(431)	(333)
Impairment losses on trade receivables	16	23	28
Net unrealised loss/(gain) on foreign exchange	16	228	(111)
Plant and equipment written off	16	27	49
Gain on disposal of plant and equipment	16	(694)	-
Write-down of inventories	8	1,199	291
Operating profit before changes in working capital		24,547	11,893
Changes in inventories		20,070	3,445
Changes in trade and other receivables and prepayments		(3,627)	(7,956)
Changes in trade and other payables		(16,142)	11,761
Cash generated from operations		24,848	19,143
Tax paid		(4,286)	(3,002)
Interest paid		(762)	(1,050)
Net cash from operating activities		19,800	15,091
Cash flows from investing activities			
Acquisition of plant and equipment	3	(420)	(43)
Acquisition of intangible asset	6	(847)	-
Proceeds from disposal of plant and equipment		800	-
Change in deposits pledged		(466)	(1,968)
Interest received from fixed deposits		431	333
Net cash used in investing activities		(502)	(1,678)

Registration No. 199201010971 (242474 - V)

Statement of cash flows for the year ended 30 June 2022 (continued)

	Note	2022 RM'000	2021 RM'000
Cash flows from financing activities			
Advances from holding company		-	2,054
Repayment of advances from holding company		(1,931)	(368)
Net drawdown of bankers' acceptances		228	1,215
Repayment of term loans		(3,262)	(6,167)
Payment of lease liabilities		(309)	(989)
Net cash used in financing activities		(5,274)	(4,255)
Net increase in cash and cash equivalents		14,024	9,158
Cash and cash equivalents at 1 July 2021/2020		18,660	9,502
Cash and cash equivalents at 30 June	(i)	32,684	18,660

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2022 RM'000	2021 RM'000
Deposits placed with licensed banks	10	38,231	25,651
Less: Pledged deposits	10	(18,117)	(17,651)
		20,114	8,000
Cash and bank balances	10	12,570	10,735
Bank overdrafts	12	-	(75)
		32,684	18,660

(ii) Cash outflows for leases as a lessee

	Note	2022 RM'000	2021 RM'000
Included in net cash from operating activities:			
Interest paid in relation to lease liabilities	15	20	93
Payment relating to short-term leases	16	816	537
Payment relating to leases of low-value assets	16	4	3
		840	633
Included in net cash used in financing activities:			
Payment of lease liabilities		309	989
Total cash outflows for leases		1,149	1,622

Registration No. 199201010971 (242474 - V)

Statement of cash flows for the year ended 30 June 2022 (continued)

(iii) Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1.7.2020 RM'000	Acquisition of new lease RM'000	Conversion from bankers' acceptances to term loan RM'000	Net changes from financing cash flows RM'000	At 30.6.2021/ 1.7.2021 RM'000	Acquisition of new lease RM'000	Net changes from financing cash flows RM'000	At 30.6.2022 RM'000
Amount due to holding company	245	-	-	1,686	1,931	-	(1,931)	-
Bankers' acceptances - secured	16,421	-	(8,230)	1,215	9,406	-	228	9,634
Term loans - secured	2,716	-	8,230	(6,167)	4,779	-	(3,262)	1,517
Lease liabilities	1,072	361	-	(989)	444	185	(309)	320
Total liabilities from financing activities	20,454	361	-	(4,255)	16,560	185	(5,274)	11,471

The notes on pages 11 to 51 are an integral part of these financial statements.

Miroza Leather (M) Sdn. Bhd.

(Registration No. 199201010971 (242474 - V))
(Incorporated in Malaysia)

Notes to the financial statements

Miroza Leather (M) Sdn. Bhd. is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Lot 1903A, 1st Floor, Jalan KPB 7
Kawasan Perindustrian Kg. Baru Balakong
43300 Seri Kembangan, Selangor

Registered office
Third Floor, No. 77, 79 & 81
Jalan SS 21/60, Damansara Utama
47400 Petaling Jaya, Selangor

The Company is principally engaged in the business of retailing of leather products and apparels.

The holding company is MESB Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These financial statements were authorised for issue by the Board of Directors on 7 October 2022.

1. Basis of preparation

(a) Statement of compliance

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

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

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1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Company plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022.

- from the annual period beginning on 1 July 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.

The initial application of the applicable accounting standards, interpretations or amendments is not expected to have any material financial impacts to the current period and prior period financial statements of the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Information about critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements is discussed below:

Write-down of inventories

The Company writes down the inventories in accordance with the Company's policy. Judgement is required to assess the appropriate level of provisioning for items which may be ultimately sold below cost as a result of changing consumer demands and fashion trends.

Based on the assessment, the write-down of inventories recognised in profit or loss amounted to RM1,199,000 (2021: RM291,000).

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2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

All financial assets are subject to impairment assessment (see Note 2(i)(i)).

Financial liabilities

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

(iii) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the 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.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

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2. Significant accounting policies (continued)

(c) Plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

• Motor vehicles	5 years
• Office equipment	10 years
• Furniture and fittings	10 - 20 years
• Computers	2 years
• Renovation	5 - 10 years
• Warehouse equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

2. Significant accounting policies (continued)

(d) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

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

2. Significant accounting policies (continued)

(d) Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

2. Significant accounting policies (continued)

(d) Leases (continued)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Covid-19-related rent concessions

The Company has applied the amendment to MFRS 16, *Covid-19-Related Rent Concessions*. The Company applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the Covid-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company assesses whether there is a lease modification.

(b) As a lessor

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

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2. Significant accounting policies (continued)

(e) Intangible assets

(i) Intangible assets

Intangible assets acquired by the Company which have finite useful lives are measured at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets which have indefinite useful lives are measured at cost less any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands, is recognised in profit or loss as incurred.

(iii) Amortisation

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life of the trademarks for the current and comparative periods is 15 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(f) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses, if any.

The estimated useful life of the leasehold building for the current and comparative periods is 50 years.

Depreciation method, useful life and residual values are reviewed at the end of each reporting period, and adjusted as appropriate.

Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

2. Significant accounting policies (continued)

(f) Investment properties (continued)

Investment properties carried at cost (continued)

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(g) Inventories

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

The cost of inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits placed with licensed banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of its short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) Financial assets

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Company measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

The Company estimates the expected credit losses on trade receivables individually with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovering the amounts due.

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2. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for 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, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives, the recoverable amount is estimated each period at the same time.

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

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior years are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. 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. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

2. Significant accounting policies (continued)

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(l) Revenue and other income

(i) Revenue - sale of goods and commission earned

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 Company recognises revenue when (or as) it transfers control over a product or services to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Company transfers control of a good or services at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Company performs;

(b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

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

When the Company acts in a capacity of an agent rather than as the principal in a transaction, the revenue is recognised upon the sale of goods and is the net amount of commission earned by the Company.

2. Significant accounting policies (continued)

(l) Revenue and other income (continued)

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(iv) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grants. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

(m) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(n) Income tax

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

2. Significant accounting policies (continued)

(n) Income tax (continued)

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

(o) Fair value measurements

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 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.

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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3. Plant and equipment

	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Computers RM'000	Warehouse equipment RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 July 2020	138	813	1,986	2,735	76	11,233	16,981
Additions	-	-	-	9	-	34	43
Written off	-	-	-	-	-	(114)	(114)
At 30 June 2021/1 July 2021	138	813	1,986	2,744	76	11,153	16,910
Additions	-	-	8	32	-	380	420
Disposals	-	-	-	-	-	(1,583)	(1,583)
Written off	-	-	-	-	-	(1,074)	(1,074)
At 30 June 2022	138	813	1,994	2,776	76	8,876	14,673
Accumulated depreciation							
At 1 July 2020	33	760	877	2,725	46	8,855	13,296
Depreciation for the year	28	16	83	10	15	989	1,141
Written off	-	-	-	-	-	(65)	(65)
At 30 June 2021/1 July 2021	61	776	960	2,735	61	9,779	14,372
Depreciation for the year	27	13	84	11	9	711	855
Disposals	-	-	-	-	-	(1,477)	(1,477)
Written off	-	-	-	-	-	(1,047)	(1,047)
At 30 June 2022	88	789	1,044	2,746	70	7,966	12,703
Carrying amounts							
At 1 July 2020	105	53	1,109	10	30	2,378	3,685
At 30 June 2021/1 July 2021	77	37	1,026	9	15	1,374	2,538
At 30 June 2022	50	24	950	30	6	910	1,970

4. Right-of-use assets

	Buildings RM'000	Motor vehicles RM'000	Total RM'000
At 1 July 2020	989	12	1,001
Addition during the year	361	-	361
Depreciation for the year	(932)	(12)	(944)
At 30 June 2021/1 July 2021	418	-	418
Addition during the year	185	-	185
Depreciation for the year	(295)	-	(295)
At 30 June 2022	308	-	308

The Company leases a number of boutiques, warehouses, office buildings and motor vehicles that run between 1 year and 3 years and in some cases, with an option to renew the lease after that date.

4.1 Extension options

Some lease contracts contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The discounted potential future lease payments arising from exercisable extension options in certain boutique leases not included in the lease liabilities are not disclosed given that the renewal terms are uncertain as renewal is subject to the business performance of the boutiques. Nevertheless, the Directors do not expect the discounted potential future lease payments arising from exercisable extension options to differ significantly from the lease liabilities that have been recorded upon initial recognition of the related leases.

4.2 Judgements and assumptions in relation to lease

The Company assesses at lease commencement by applying judgement whether it is reasonably certain to exercise the extension options. The Company considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help it determine the lease term.

The Company also applies judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Company first determines the closest available borrowing rates before using judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

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4. Right-of-use assets (continued)

4.3 Security

The leased motor vehicles secured lease obligations.

5. Investment property

	Leasehold building RM'000
Cost	
At 1 July 2020/30 June 2021/1 July 2021/30 June 2022	666
Accumulated depreciation	
At 1 July 2020	211
Depreciation for the year	13
At 30 June 2021/1 July 2021	224
Depreciation for the year	14
At 30 June 2022	238
Carrying amounts	
At 1 July 2020	455
At 30 June 2021/1 July 2021	442
At 30 June 2022	428

Investment property is not occupied by the Company and is used to earn rentals and for capital appreciation.

The leasehold building comprises a shop lot that is leased to a third party. The lease contains an initial non-cancellable period of up to 2 years. Subsequent renewals are negotiated with the lessee. The Company does not require a financial guarantee on the lease arrangement. Nevertheless, the Company requires advance rental payment and security deposits from the lessee. This lease does not include residual value guarantees.

The investment property has been pledged to a licensed bank as security for banking facilities granted to the Company (see Note 12).

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

	2022 RM'000	2021 RM'000
Lease income	1	27
Direct operating expenses:		
- income generating investment properties	(1)	(1)

The contribution arising from the lease income is not material to the Company. Therefore, the disclosures required by MFRS 16 for a lessor are not presented.

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5. Investment property (continued)

5.1 Fair value information

Fair value of investment properties is categorised as follows:

	2022 RM'000	2021 RM'000
Fair value - Level 3		
Leasehold building	400	500

Valuation process applied by the Company for Level 3 fair value

The fair value of investment property at the end of the reporting period was determined by the Directors by reference to the professional valuation carried out in June 2022 (2021: November 2020) which estimated the market value of the investment property based on sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

An impairment loss was not recognised for the investment property for the financial year ended 30 June 2022 despite the fair value being lower than the carrying amount as the shortfall is immaterial.

6. Intangible assets

	Trademarks RM'000
Cost	
At 1 July 2020/30 June 2021/1 July 2021	500
Addition	847
At 30 June 2022	1,347
Accumulated impairment loss	
At 1 July 2020/30 June 2021/1 July 2021/30 June 2022	500
Accumulated amortisation	
At 1 July 2020/30 June 2021/1 July 2021	-
Amortisation during the year	52
At 30 June 2022	52
Carrying amounts	
At 1 July 2020/30 June 2021/1 July 2021	-
At 30 June 2022	795

Included in trademarks are the rights of using trademarks of a brand in Malaysia granted by a licensor for a licence fee of RM847,000 for a period of 15 years.

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7. Deferred tax assets

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Plant and equipment	85	-	-	(61)	85	(61)
Leases	77	107	(74)	(100)	3	7
Inventories	573	285	-	-	573	285
Other deductible temporary differences	514	98	-	-	514	98
Tax assets/ (liabilities)	1,249	490	(74)	(161)	1,175	329

8. Inventories

	2022 RM'000	2021 RM'000
Trading merchandise	25,831	47,100
Recognised in profit or loss:		
- Inventories recognised as cost of sales	51,469	35,701
- Write-down of inventories	1,199	291

The write-down of inventories are recognised in cost of sales.

9. Trade and other receivables

	Note	2022 RM'000	2021 RM'000
Trade			
Trade receivables		26,066	21,788
Amount due from a related company	9.1	102	323
		26,168	22,111
Non-trade			
Amount due from a related company	9.2	-	164
Other receivables		136	123
Deposits		445	604
		581	891
		26,749	23,002

9.1 The trade amount due from a related company is unsecured, interest free and subject to negotiated trade terms.

9.2 The non-trade amount due from a related company was unsecured, interest free and repayable on demand.

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9. Trade and other receivables (continued)

9.3 Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and financial liabilities that have been set off for presentation purposes:

	Note	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount in the statement of financial position RM'000
2022				
Trade receivables		29,618	(3,552)	26,066
Trade payables	13	(24,841)	3,552	(21,289)
2021				
Trade receivables		24,616	(2,828)	21,788
Trade payables	13	(39,930)	2,828	(37,102)

Certain trade receivables and trade payables were set off for presentation purpose because the Company has enforceable right to set off and intends to settle on a net basis.

10. Cash and cash equivalents

	Note	2022 RM'000	2021 RM'000
Cash and bank balances		12,570	10,735
Deposits placed with licensed banks	10.1	38,231	25,651
		50,801	36,386

10.1 Included in deposits placed with licensed banks is RM18,117,000 (2021: RM17,651,000) pledged as security for banking facilities granted to the Company (see Note 12).

11. Share capital

	Number of shares 2022 '000	Amount 2022 RM'000	Number of shares 2021 '000	Amount 2021 RM'000
Issued and fully paid ordinary shares with no par value	8,600	8,637	8,600	8,637

Ordinary shares

The holder of ordinary shares is entitled to receive dividends as declared from time to time, and is entitled to one vote per share at meetings of the Company.

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12. Loans and borrowings

	Note	2022 RM'000	2021 RM'000
Non-current			
Term loans - secured	12.1	682	1,499
Current			
Term loans - secured	12.1	835	3,280
Bank overdrafts - secured	12.2	-	75
Bankers' acceptances - secured	12.2	9,634	9,406
		10,469	12,761
		11,151	14,260

12.1 Term loans

The term loans are secured by a pledge over the deposits placed with licensed banks (see Note 10) and are supported by corporate guarantees provided by the holding company.

12.2 Bank overdrafts and bankers' acceptances

The bank overdrafts and bankers' acceptances are secured by:

(i) a first legal charge over the investment properties of the Company (see Note 5) and a related company; and
(ii) a pledge over the deposits placed with licensed banks (see Note 10);

and are supported by corporate guarantees provided by the holding company.

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13. Trade and other payables

	Note	2022 RM'000	2021 RM'000
Trade			
Trade payables		21,289	37,102
Amount due to a related company	13.1	188	156
		21,477	37,258
Non-trade			
Other payables		853	232
Accrued expenses		3,285	4,039
Amount due to holding company	13.2	-	1,931
		4,138	6,202
		25,615	43,460

13.1 The trade amount due to a related company is unsecured, interest free and subject to negotiated trade terms.

13.2 The non-trade amount due to holding company was unsecured, subject to interest 6.45% per annum and repayable on demand.

14. Revenue

	2022 RM'000	2021 RM'000
Sale of goods	146,264	105,587
Commission income from consignment sales	2,809	1,368
Revenue from contracts with customers	149,073	106,955

14.1 Disaggregation of revenue

	2022 RM'000	2021 RM'000
Major product lines		
Sale of apparels, leather products and others	149,073	106,955
Primary geographical markets		
Malaysia	148,359	105,106
Brunei	714	1,849
	149,073	106,955
Sales channels		
Directly to customers	7,897	4,979
Through departmental stores	141,176	101,976
	149,073	106,955
Timing of recognition		
At a point in time	149,073	106,955

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14. Revenue (continued)

14.2 Nature of goods and services

The following information reflects the typical transactions of the Company:

Nature of goods and services	Timing of recognition or method used to recognise revenue	Significant payment terms	Obligation for returns or refunds
Sale of goods and commission income from consignment sales	Revenue is recognised when the goods are accepted by the customers over the counter; or when the delivery of goods is accepted by customers (for online sales).	Credit period of 0 - 67 days from invoice date.	The Company allows returns only for exchange with new goods (i.e. no cash refunds are offered).

15. Finance costs

	2022 RM'000	2021 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:		
- Advances from holding company	88	87
- Bankers' acceptances	428	410
- Bank overdrafts	41	12
- Debts factoring	26	21
- Term loans	159	365
- Others	-	62
	742	957
Interest expense on lease liabilities	20	93
	762	1,050

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16. Profit before tax

	2022 RM'000	2021 RM'000
Profit before tax is arrived at after charging/(crediting):		
Auditors' remuneration		
Audit fees	69	63
Material expenses/(income)		
Amortisation of intangible assets	52	-
Depreciation of plant and equipment	855	1,141
Depreciation of investment property	14	13
Depreciation of right-of-use assets	295	944
Gain on disposal of plant and equipment	(694)	-
Government grants (Note b)	(1,200)	(2,220)
Interest income of financial assets at amortised cost calculated using the effective interest method	(431)	(333)
Net realised loss/(gain) on foreign exchange	189	(121)
Net unrealised loss/(gain) on foreign exchange	228	(111)
Personnel expenses (including key management personnel):		
- Contributions to Employees' Provident Fund	2,532	2,292
- Wages, salaries and others	21,492	17,630
Plant and equipment written off	27	49
Royalty expenses	6,184	9,389
Write-down of inventories	1,199	291
Expenses arising from leases		
Expenses relating to short-term leases (Note a)	816	537
Expenses relating to leases of low-value assets (Note a)	4	3
Net loss on impairment of financial assets		
Financial assets at amortised cost	23	28

Note a

The Company leases a number of boutiques, temporary consignment counters, booths, cash register machine, warehouse and office building with contract terms of not more than 1 year. These leases are short-term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

Note b

The government grants of RM1,200,000 (2021: RM2,220,000) recognised during the financial year were related to the wage subsidies received from the Government of Malaysia in response to the Covid-19 pandemic. The grants were recognised in profit or loss as other income.

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17. Tax expense

Recognised in profit or loss

	2022 RM'000	2021 RM'000
Current tax expense		
- Current year	5,946	2,419
- Under/(Over) provision in prior year	61	(27)
Total current tax recognised in profit or loss	6,007	2,392
Deferred tax expense		
- Origination and reversal of temporary differences	(701)	(191)
- (Over)/Under provision in prior year	(145)	114
Total deferred tax recognised in profit or loss	(846)	(77)
Total income tax expense	5,161	2,315

Reconciliation of tax expense

	2022 RM'000	2021 RM'000
Profit before tax	22,217	8,821
Income tax calculated using Malaysian tax rate of 24%	5,332	2,117
Non-deductible expenses	77	111
Non-taxable income	(164)	-
(Over)/Under provision in prior year	(84)	87
	5,161	2,315

18. Financial instruments

18.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC").

	Carrying amount RM'000	AC RM'000
2022		
Financial assets		
Trade and other receivables	26,749	26,749
Cash and cash equivalents	50,801	50,801
	77,550	77,550
Financial liabilities		
Trade and other payables	(25,615)	(25,615)
Loans and borrowings	(11,151)	(11,151)
	(36,766)	(36,766)

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18. Financial instruments (continued)

18.1 Categories of financial instruments (continued)

	Carrying amount RM'000	AC RM'000
2021		
Financial assets		
Trade and other receivables	23,002	23,002
Cash and cash equivalents	36,386	36,386
	59,388	59,388
Financial liabilities		
Trade and other payables	(43,460)	(43,460)
Loans and borrowings	(14,260)	(14,260)
	(57,720)	(57,720)

18.2 Net losses arising from financial instruments

	2022 RM'000	2021 RM'000
Net gains/(losses) on:		
Financial assets measured at amortised cost	408	305
Financial liabilities measured at amortised cost	(1,159)	(725)
	(751)	(420)

18.3 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

18.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its trade receivables, which mainly comprise departmental stores where the Company sells its products through the consignment counters. There are no significant changes as compared to prior years.

18. Financial instruments (continued)

18.4 Credit risk (continued)

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Company assesses whether any of the trade receivables are credit impaired.

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

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amount in the statement of financial position.

The trade receivables of the Company are not secured by any collateral or supported by any other credit enhancements. However, a significant portion of these trade receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

Concentration of credit risk

The exposure of credit risk for trade receivables by geographic region as at the end of the current and previous reporting periods is predominantly domestic.

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18. Financial instruments (continued)

18.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days. The Company's debt recovery process is as follows:

a) Above 30 days past due after credit term, the Company will start to initiate a structured debt recovery process which is monitored jointly by the Finance Department and Sales and Marketing Department; and

b) The Company will commence a legal proceeding against the customer who fails to pay after the Company initiates the debt recovery process.

The Company estimates the expected credit losses ("ECLs") on trade receivables individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these debtors have low risk of default, except for those which have been credit impaired.

The Company also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Company's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2022 and 30 June 2021.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2022			
Current (not past due)	25,913	-	25,913
1 - 30 days past due	137	-	137
31 - 60 days past due	11	-	11
61 - 90 days past due	5	-	5
	26,066	-	26,066
Credit impaired			
61 - 90 days past due	10	(10)	-
Past due more than 90 days	41	(41)	-
	26,117	(51)	26,066

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18. Financial instruments (continued)

18.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2021			
Current (not past due)	16,839	-	16,839
1 - 30 days past due	4,542	-	4,542
31 - 60 days past due	120	-	120
61 - 90 days past due	111	-	111
Past due more than 90 days	176	-	176
	21,788	-	21,788
Credit impaired			
Past due more than 90 days	28	(28)	-
	21,816	(28)	21,788

The movements in the allowance for impairment in respect of trade receivables during the year are shown below:

	Trade receivables Credit impaired RM'000
Balance at 1 July 2020	-
Net remeasurement of loss allowance	28
Balance at 30 June 2021/1July 2021	28
Net remeasurement of loss allowance	23
Balance at 30 June 2022	51

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by a government agency. Consequently, the Company is of the view that the loss allowance is not material and therefore, it is not provided for.

18. Financial instruments (continued)

18.4 Credit risk (continued)

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for boutiques, office building and warehouse rented. The deposits will be received at the end of each lease term, where the Company manages the credit risk together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Company did not recognise any allowance for impairment losses.

Inter-company receivables

Risk management objectives, policies and processes for managing the risk

The Company has inter-company receivables arising from trade and non-trade transactions with a related company. The Company monitors the repayments made by the related company regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

Inter-company receivables are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Company considers receivables from the related company to have low credit risk. The Company assumes that there is a significant increase in credit risk when the related company's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the related company receivables when they are payable, the Company considers the related company receivables to be in default when the related company is not able to pay when demanded. The Company considers the related company receivables to be credit impaired when:

- The related company is unlikely to repay its amounts owing to the Company in full; or

- The related company is continuously loss making and is having a deficit in shareholder's fund.

The Company determines the probability of default for the related company receivables individually using internal information available.

As at the end of the reporting period, there was no indication that the related company receivables are not recoverable. As these amounts are considered to have low credit risk, the Company is of the view that the loss allowance is not material and therefore, it is not provided for.

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18. Financial instruments (continued)

18.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Company maintains a level of cash and cash equivalents and banking facilities deemed adequate by the Directors to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to Company's reputation.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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19. Financial instruments (continued)

19.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ Discount rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2022						
Non-derivative financial liabilities						
Trade and other payables	25,615	-	25,615	25,615	-	-
Lease liabilities	320	6.70 - 6.90%	343	203	77	63
Term loans - secured	1,517	*	1,618	910	708	-
Bankers' acceptances - secured	9,634	3.28 - 5.05%	9,634	9,634	-	-
2021						
Non-derivative financial liabilities						
Trade and other payables	41,529	-	41,529	41,529	-	-
Amount due to holding company	1,931	6.45%	2,056	2,056	-	-
Lease liabilities	444	3.37 - 8.05%	468	323	136	9
Term loans - secured	4,779	*	5,032	3,435	907	690
Bank overdrafts - secured	75	*	75	75	-	-
Bankers' acceptances - secured	9,406	2.11 - 4.30%	9,406	9,406	-	-

* represents lenders' cost of funds plus a margin of 1.25 - 2.00% per annum

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18. Financial instruments (continued)

18.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Company's financial position or cash flows. The Company is not exposed to other price risk.

18.6.1 Currency risk

The Company is exposed to foreign currency risk on royalties payable to licensors that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily U.S. Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

Exposures to foreign currency risk are monitored on an ongoing basis. The Company does not hedge its foreign currency risk exposures.

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period is as follows:

	Denominated in USD	
	2022	**2021**
	RM'000	**RM'000**
2022		
Trade and other payables	3,294	11,734

Currency risk sensitivity analysis

A 10% (2021: 10%) strengthening of RM against USD at the end of the reporting period would have increased post-tax profit or loss by the amount shown below. This analysis is based on the foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	2022	**2021**
	RM'000	**RM'000**
USD	250	892

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18. Financial instruments (continued)

18.6 Market risk (continued)

18.6.1 Currency risk (continued)

Currency risk sensitivity analysis (continued)

A 10% (2021: 10%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on the above currency to the amount shown above, on the basis that all other variables remain constant.

18.6.2 Interest rate risk

The Company's fixed deposits placed with licensed banks and its fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Company does not have any specific policy to manage its interest rate risk as the Directors are of the opinion that the exposure to interest rate risk is not significant. Nonetheless, the Company adopts a practice to continuously seek alternative banking facilities which provide competitive interest rates to finance its working capital requirements.

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period is as follows:

	2022 RM'000	2021 RM'000
Fixed rate instruments		
Financial assets	38,231	25,651
Financial liabilities	(9,634)	(11,337)
Lease liabilities	(320)	(444)
	28,277	13,870
Floating rate instruments		
Financial liabilities	(1,517)	(4,854)

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18. Financial instruments (continued)

18.6 Market risk (continued)

18.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have (decreased)/increased post-tax profit or loss by the amounts shown below. This analysis is based on the interest rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables remain constant.

	Profit or loss			
	50 bp increase 2022 RM'000	**50 bp decrease 2022 RM'000**	**50 bp increase 2021 RM'000**	**50 bp decrease 2021 RM'000**
Floating rate instruments	(6)	6	(18)	18

18.7 Fair value information

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

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18. Financial instruments (continued)

18.7 Fair value information (continued)

The table below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2022										
Financial liabilities										
Term loans	-	-	-	-	-	-	(1,524)	(1,524)	(1,524)	(1,517)
2021										
Financial liabilities										
Term loans	-	-	-	-	-	-	(4,711)	(4,711)	(4,711)	(4,779)

Level 3 fair value

Valuation process applied by the Company for Level 3 fair value

For financial instruments not carried at fair value, the Company has applied discounted cash flows valuation technique using a rate based on the current market rate of borrowings of the Company at the reporting date in the determination of fair value within Level 3. The Directors have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair value.

Registration No. 199201010971 (242474 - V)

20. Capital management

The Company's objectives when managing capital are to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. In particular for the current and previous financial years, the Directors view sound capital management as essential and imperative to ensure that the Company comes through the current difficult Covid-19 situation. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at the end of the reporting periods were as follows:

	Note	2022 RM'000	2021 RM'000
Loans and borrowings	12	11,151	14,260
Lease liabilities		320	444
Total debt		11,471	14,704
Total equity		71,658	54,602
Debt-to-equity ratio		0.16	0.27

There was no change in the Company's approach to capital management during the financial year.

The Company is required to maintain a maximum gearing ratio of 1.25 times to comply with covenants of certain term loans, failing which, the banks may call an event of default. The Company has not breached the loan covenants.

21. Related parties

Identity of related parties

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

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

The Company has related party relationship with the holding company, related company, companies in which a former Director has significant financial interests and key management personnel.

21. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Notes 9 and 13.

	2022 RM'000	2021 RM'000
A. Holding company		
Advances from holding company	-	2,054
Repayment of advances from holding company	(1,931)	(368)
Interest expense on advances from holding company	88	87
B. Related company		
Sale of goods	(746)	-
Commission income from consignment sales	(535)	(545)
Royalty expense	197	95
Lease income	(19)	(19)
Sub-licensing income	(200)	(186)
Payment on behalf	(1)	(1)
C. Key management personnel		
Directors		
Directors' remuneration	312	237
Post-employment benefits	34	27
D. Companies in which a former Director has significant financial interests		
Sale of goods	-	(431)

The estimated monetary value of Directors' benefit-in-kind is RM6,500 (2021: RM6,500).

22. Subsequent event

On 22 September 2022, the holding company, MESB Berhad, entered into a conditional share sale agreement for the proposed disposal of 45% of its equity interests in the Company to Trend Navigator Sdn. Bhd. (a company owned by a former Director of a related company) for a total cash consideration of RM33 million.

The proposed disposal is subject to regulatory and other customary approvals, including the approval from MESB Berhad's shareholders.

Miroza Leather (M) Sdn. Bhd.

(Registration No. 199201010971 (242474 - V))
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 5 to 51 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2022 and of its financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the Directors:

....
Loke Lee Ping
Director

....
Chua Jin Kau
Director

Kuala Lumpur,

Date: 7 October 2022

Miroza Leather (M) Sdn. Bhd.

(Registration No. 199201010971 (242474 - V))
(Incorporated in Malaysia)

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Loke Lee Ping**, the Director primarily responsible for the financial management of Miroza Leather (M) Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 5 to 51 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Loke Lee Ping, NRIC: 790214-14-5571, at Kuala Lumpur in the Federal Territory on 7 October 2022.

....
Loke Lee Ping

Before me:

PESURUHJAYA SUMPAH
No. PJS: W 904
ROSLI BIN SAAD
1.2.2022 - 31.12.2024
MALAYSIA

50A-1, Jalan Kemuja
Bangsar Utama,
59000 Kuala Lumpur

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Website www.kpmg.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MIROZA LEATHER (M) SDN. BHD.

(Registration No. 199201010971 (242474 - V))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Miroza Leather (M) Sdn. Bhd., which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 51.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 June 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

Auditors' Responsibilities for the Audit of the 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:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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 Matter

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

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Eric Kuo Sze-Wei
Approval Number: 03473/11/2022 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 7 October 2022

12.0 DIRECTORS' REPORT ON MIROZA

MIROZA

Registered address:
Third Floor, No. 77, 79 & 81
Jalan SS21/60
Damansara Utama
47400 Petaling Jaya

Date: 17 NOV 2022

To: The shareholders of MESB Berhad (**"MESB"**)

Dear Sir/Madam,

On behalf of the board of directors (**"Board"**) of Miroza Leather (M) Sdn Bhd (**"Miroza"**), I report after making due enquiries in relation to Miroza during the period between 30 June 2022 (being the date on which the latest audited financial statements of Miroza have been made up) to the date hereof (being a date not earlier than 14 days before the date of the circular to the shareholders of MESB), that:

(a) in the opinion of the Board, the business of Miroza has been satisfactorily maintained;

(b) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of Miroza which have adversely affected the trading or the value of the assets of Miroza;

(c) the current assets of Miroza appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no other contingent liabilities which have arisen by reason of any guarantees or indemnities given by Miroza;

(e) since the latest audited financial statements of Miroza, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums for any borrowings in which the Board is aware of; and

(f) since the latest audited financial statements of Miroza, there have been no material changes in the published reserves or any unusual factors affecting the profits of Miroza.

Yours faithfully
For and on behalf of the Board of
MIROZA LEATHER (M) SDN BHD

Loke Lee Ping
Director

MIROZA LEATHER (M) SDN BHD Lot 1903A First Floor, Jalan KPB 7, Kawasan Perindustrian Kg. Baru Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan
Tel: (603) 8962 6252 Fax: (603) 8962 6292 Website: www.miroza.com.my

SALIENT TERMS OF THE ACQUISITION SSA

The salient terms of the Acquisition SSA are as follows:-

1.0 AGREEMENT

1.1 Sale and Purchase of Acquisition Shares

The Vendors as the legal and beneficial owner of the Acquisition Shares agree to sell to the Company and the Company agrees to purchase the Acquisition Shares free from all claims, liens, pledges, charges, encumbrances and any equities whatsoever together with all rights attached and all dividends, rights and distributions declared, paid or made in respect of the same on the terms and conditions of the Acquisition SSA as at the completion of the Acquisition SSA ("**Acquisition Completion**").

1.2 Purchase Consideration

The Purchase Consideration for the Acquisition Shares shall be satisfied via cash by the Company to the Vendors or such person(s) nominated by the Vendors in the proportion and manner as set out below:

(i) On the Acquisition Completion Date, the Company shall pay Ringgit Malaysia Forty-Five Million and Nine Hundred Thousand (RM45,900,000) ("**Completion Payment**") to the Vendors or such person(s) nominated by the Vendors in the proportion and manner as set out in the Acquisition SSA; and

(ii) Upon the expiry of 12 months from the Acquisition Completion ("**Retention Period**"), the Company shall release and pay to the Vendors Ringgit Malaysia Five Million and One Hundred Thousand (RM5,100,000) ("**Retained Consideration**") or such person(s) nominated by the Vendors in the proportion and manner as set out in the Acquisition SSA. Prior to the payment of the Retained Consideration, there shall be deduction from the Retained Consideration for (i) any claims resulting or arising from the breach of any warranties, covenants and/or terms of the Acquisition SSA within the Retention Period; (ii) any claims arising from irregularities from the due diligence inquiry which had yet to be rectified to the satisfaction of the Company as at Acquisition Completion Date but subsequently moved to conditions subsequent at the discretion of the Company; and (iii) any claims being asserted by authorities, tax authorities or third parties arising from disclosure errors, irregularities or non-compliances, and potential penalties.

1.3 Basis of Sale and Purchase

The parties expressly declare, acknowledge and agree that the sale and purchase of the Acquisition Shares pursuant to the Acquisition SSA is on the basis that as at the Acquisition Completion Date:-

(i) the Acquisition Shares are free from any security interest;

(ii) the Vendors' and Company's respective representations and warranties set out in the Acquisition SSA are true and accurate.

1.4 Profit Guarantee

1.4.1 Guaranteed Profit

(i) Subject to the payment of the Completion Payment in accordance with the terms and conditions of the Acquisition SSA, the Vendors warrant and guarantee to the Company a minimum aggregate profitability of the Acquiree Companies as set out in column 2 of the table below for the financial periods as set out in column 1 below:-

Column 1	**Column 2**
Guarantee Periods	**Total Guaranteed Profit**
Total guaranteed profit of the Acquiree Companies for 12-month financial years/period ending 30 June 2023 and 2024	Minimum aggregate PAT of RM10,000,000.00

For the purposes of this paragraph 1.4.1, the profitability of the Acquiree Companies shall be based on the audited PAT of the Acquiree Companies to be determined in accordance with the applicable accounting standards as set out in the audited accounts of the Acquiree Companies for the Guarantee Periods as set out in Column 1 of the table above, as audited by the Acquiree Companies' auditors.

1.4.2 Shortfall in the Profit Guarantee or Net Loss

(i) The Vendors further agree and covenant with the Company that, in the event of Profit Shortfall, the Vendors shall make good the Profit Shortfall by paying to the Acquiree Companies the Profit Shortfall in cash within ninety (90) days from the date of the audited accounts of the Acquiree Companies for the 12-month FYE/FPE 30 June 2024 ("**Profit Shortfall Payment Date**").

(ii) The Vendors further agree and covenant that in the event the Acquiree Companies incur a net loss to be determined in accordance with the applicable accounting standards as shown in the audited accounts of the Acquiree Companies for the Guarantee Periods, the Vendors shall pay to the Acquiree Companies the maximum amount equivalent to the Total Guaranteed Profit in cash no later than the Profit Shortfall Payment Date.

2.0 CONDITIONS PRECEDENT

2.1 Conditions

2.1.1 The parties agree that the Proposed Acquisitions are conditional upon the effective fulfilment of the conditions precedent in the Acquisition SSA as follows:-

(i) No material adverse findings on the Acquiree Companies based on the results of the financial and/or legal due diligence inquiry conducted on the Acquiree Companies and/or all due diligence findings having been rectified to the satisfaction of the Company;

(ii) The approval of the directors of the Vendors, where relevant, at the board of directors' meetings and the shareholders of the Vendors for the sale of the Acquisition Shares at a general meeting, in accordance with the terms of the Acquisition SSA;

(iii) The approval of the Directors of the Company at the Board' meetings and the shareholders of the Company at a general meeting, for the purchase of the Acquisition Shares, subject to the basis of the sale and purchase and in accordance with the terms of the Acquisition SSA;

(iv) Such other consents or approvals as may be necessary for the Proposed Acquisitions, from any governmental or regulatory body or competent authority, or third party, having been waived or obtained; and

(v) The Disposal SSA being unconditional in respect of all its conditions precedent in accordance with the terms therein (other than the condition precedent for the Acquisition SSA to be unconditional).

2.1.2 The parties undertake to procure the fulfilment of the conditions precedent that are applicable to them within 6 months from the date of the Acquisition SSA or such other date(s) the parties may mutually agree in writing ("**Acquisition SSA Conditional Period**").

2.1.3 If any approval contains terms and conditions which are not acceptable to any party, the relevant party may within fourteen (14) days from the date of receipt of that approval:-

(i) notify the other party in writing that the approval is not acceptable; and

(ii) apply to the relevant authority to vary the terms and conditions of that approval.

2.1.4 If no notice is given under paragraph 2.1.3, an approval will be deemed to have been obtained.

2.1.5 If any party applies for variation of an approval under paragraph 2.1.3 (ii), that approval will not be deemed to be obtained for the purpose of this paragraph 2 until the relevant authority accedes to the request for variation. In the event the relevant authority does not accede to the request for variation, the respective condition shall be deemed not to be met and/or fulfilled.

2.2 Non Fulfilment of the Conditions Precedent

2.2.1 Subject to the terms as set out in the Acquisition SSA, unless specifically waived by the parties, if any of the conditions precedent are not fulfilled before the Acquisition SSA Conditional Period or such extended time as the parties agree in writing (or in the event of paragraph 2.1.5 above), the Acquisition SSA shall cease and determine and other than costs and expenses in relation to the Proposed Acquisitions neither party shall have any claims against the other for costs, damages, compensations or otherwise, save for any antecedent breach of any representation, undertaking and/or any of the terms of the Acquisition SSA.

2.3 When Acquisition SSA becomes Unconditional

2.3.1 When all the conditions precedent are fulfilled, the Acquisition SSA shall become unconditional.

3.0 ACQUISITION SSA COMPLETION

3.1 The completion of the Acquisition SSA shall take place on the Acquisition Completion Date.

3.2 The Vendors or the Company may waive in writing any obligation of the other to observe and perform the completion obligations pursuant to the Acquisition SSA, provided always that any such waiver must not be prohibited by the relevant laws applicable to the parties, the Acquiree Companies and/or the Proposed Acquisitions as contemplated under the Acquisition SSA.

4.0 CONDUCT OF BUSINESS PENDING COMPLETION AND POST COMPLETION

4.1 Non-Compete and Non-Solicitation

4.1.1 The Vendors undertake to the Company acting for themselves and as agent and trustee for the Acquiree Companies that pending the Acquisition Completion, the Vendors shall not, directly or indirectly:-

(i) enter into or be involved in any discussion or negotiation with any person except the Company in connection with the sale of Acquisition Shares (or any part thereof) and/or the Acquiree Companies;

(ii) enter into an agreement or arrangement with any person except the Company in connection with the sale of Acquisition Shares (or any part thereof) and/or the Acquiree Companies; or

(iii) make available to any person except the Company, its directors, officers, duly authorised representatives, advisers or agents any information relating to the sale of Acquisition Shares (or any part thereof) and/or the Acquiree Companies.

5.0 PARTIES RIGHT TO TERMINATE

5.1 Any of the parties ("**Terminating Party**") may by written notice given to the other party any time prior to the Acquisition Completion terminate the Acquisition SSA if any fact, matter or event (whether existing or occurring on or before the Acquisition SSA date or arising or occurring afterwards) comes to the notice of the Terminating Party at any time prior to the Acquisition Completion which:-

(i) constitutes a breach by the other party of any of the provisions under the Acquisition SSA;

(ii) constitutes a breach of any of the representations and warranties given by the other party;

(iii) where the Terminating Party is the Company, affects or is likely to affect in a materially adverse manner the business/operations, financial position or prospects of any of the Acquiree Companies;

(iv) a petition for winding up or bankruptcy is presented against the other party;

(v) where the Terminating Party is MESB, an order is made or a member's resolution is passed for the winding up of any of the Acquiree Companies;

(vi) an administrator, a receiver and/or manager is appointed by the court or pursuant to any statute or regulation or by any creditor pursuant to a debenture or any other security document in favour of such creditor over the undertaking, assets and properties of the other party or any part of the other party's assets and properties; or

(vii) an event analogous to any of the subparagraphs (iv), (v) or (vi) above has occurred in any jurisdiction,

the Terminating Party will only give such written notice of termination to the other party where the other party's breach is capable of being remedied, is not remedied within fourteen (14) days from the date the Terminating Party gives written notice to the other party of any such breaches above.

5.2 All rights and obligations of the parties shall cease to have effect immediately upon termination of the Acquisition SSA save for the clauses which are stated to continue in force following termination of the Acquisition SSA (for whatever reason) and further save that termination of the Acquisition SSA (for whatever reason) shall be without prejudice to the respective rights and liabilities of each of the parties accrued prior to such termination including the right to claim for the loss, cost, expense, damage, consequence and third party claim for damages suffered directly or indirectly by the parties.

6.0 GOVERNING LAW AND JURISDICTION

6.1 The Acquisition SSA is governed by and is to be construed in accordance with the laws of Malaysia.

6.2 Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Malaysia and waives any right to object to proceedings being brought in those courts.

[The rest of this page has been intentionally left blank]

ACQUISITION VALUATION CERTIFICATE

FAIR VALUATION CERTIFICATE

Presented by
Asia Equity Research Sdn Bhd,
a company licensed by
Securities Commission
Malaysia to provide advisory
in corporate finance and
investment advice.

Fair valuation report for the equity interest in following companies

- N.U. Recycle Sdn Bhd (Registration No. 200701038368 (796396-X))
- Formidex Sdn Bhd (Registration No. 201401022966 (1099052-V))
- Waier Trading Sdn Bhd (Registration No. 200201034340 (602005-D)).

Independent Fair Valuation Certificate ("Valuation Certificate") is prepared by Asia Equity Research Sdn Bhd (**"AER"**), a company licensed by Securities Commission Malaysia in providing advisory in Corporate Finance and Investment Advice, for the board of directors of MESB Berhad **("MESB" or "the Company").**

This Valuation Certificate is for the purpose of inclusion in a circular, is extracted from our Valuation Report dated 30 August 2022.

AER is not making any representation or warranty, expressed or implied, as to the contents of this Valuation Certificate. No liability whatsoever is accepted by AER for the accuracy of any information or opinions contained in this Valuation Certificate.

The directors of MESB are responsible to make available to us all relevant financial information pertaining to this fair valuation exercise, including informing us of any material changes which may have an impact on our valuation.

We have relied on information furnished to us by N.U. Recycle Sdn Bhd, Formidex Sdn Bhd and Waier Trading Sdn Bhd, external information which are extracted from Bloomberg, S&P Global Market Intelligence, information published in public domain and our own analysis in order for us to prepare this Valuation Certificate.

The preparation of the Valuation Certificate is based on prevailing economic, market and other conditions which may change over time.

Our Valuation Certificate is prepared based on the information / representation supplied to us on valuation date is correct / accurate. The results of our appraisal is also dependent upon no material omission of any information / representation of which the inclusion of such information / representation may have significant effects on the fair valuation results appraised by us. We reserve the exclusive right to revise our Valuation Certificate considering any information that existed at the date of the Valuation Certificate but which becomes known to us subsequent to the date of the Valuation Certificate.

30 August 2022

AER

ASIA EQUITY RESEARCH SDN BHD
Registration No.: 201401027762 (1103848-M)
(License Number: eCMSL/A0330/2015)
Licensed to provide advisory in corporate finance and investment advice

Registered Office:-
46-3 Jalan PJU 8/5B.
Damansara Perdana,
47820 Petaling Jaya
Email: contact@aer.finance
Website: www.aer.finance

30 August 2022

MESB BERHAD (Registration No. 199501008356 (337554-D)),
Registered office: -
Third Floor, No. 77, 79 & 81,
Jalan SS 21/60, Damansara Utama,
47400 Petaling Jaya, Selangor Darul Ehsan

ASCRIBING THE FAIR EQUITY VALUATION FOR THE ENTIRE EQUITY INTEREST IN FOLLOWING COMPANIES:-
- **N.U. Recycle Sdn Bhd**
- **Formidex Sdn Bhd**
- **Waier Trading Sdn Bhd**

On 21 July 2022, MESB Berhad (**"MESB"**) had engaged AER to perform an independent equity valuation to ascribe a fair value for the entire equity interest in the following companies:-

Item number	Name of company	Percentage of equity interest to be appraised	Principal activity	Abbreviation
1	N.U. Recycle Sdn Bhd	100%	The principal activity of NURSB is the trading of recycling materials with its operations that is based at PT33638 (Lot 50621) Batu 7 ¼, Jalan Bukit Kemuning, Section 32, 40460 Shah Alam, Selangor.	**NURSB**
2	Formidex Sdn Bhd	100%	The principal activity of Formidex is the provision of slitting service and trim waste sales	**Formidex**
3	Waier Trading Sdn Bhd	100%	The principal activity of Waier is the provision of recycling materials with its operations that is based at Lot 15468, College Valley Industrial Park, Pajam, 71700 Mantin, Nilai, Negeri Sembilan.	**Waier**

*NURSB, Formidex and Waier are referred to as "**Acquiree Companies**".

Asia Equity Research Sdn Bhd ("**AER**") is licensed to provide advisory in Corporate Finance and Investment Advice by the Securities Commission of Malaysia.

<u>Sources of information</u>
This Valuation Certificate has been prepared by AER based on information (but are not limited to the list as stated below), as provided to us by the Acquiree Companies.

NURSB

(i) Audited financial statements of NURSB for Financial Year Ending ("**FYE**") 30 April 2020 (12 months) and 30 June 2021 (14 months)
(ii) Unaudited management accounts of NURSB for the twelve months ending 30 June 2022
(iii) Projected financial statements of NURSB for FYE 30 June 2023, FYE 30 June 2024 and FYE 30 June 2025. Excel filename: *"Forecast - 2022 – 24.xls"*
(iv) Three months bank statements of NURSB from 1 April 2022 to 30 June 2022 maintained with Public Bank
(v) Interview sessions

Formidex

(i) Audited financial statements of Formidex for FYE 30 April 2020 and FYE 30 April 2021
(ii) Unaudited management accounts of Formidex for the twelve months ending 30 April 2022
(iii) Projected financial statements of Formidex for FYE 30 June 2023, FYE 30 June 2024 and FYE 30 June 2025. Excel filename: "Forecast - 2022 – 24.xls"
(iv) Three months bank statements of Formidex from 1 April 2022 to 30 June 2022 maintained with Public Bank
(v) Interview sessions

Waier

(i) Audited financial statements of Waier for FYE 30 April 2020 and FYE 30 April 2021
(ii) Unaudited management accounts of Waier for the twelve months ending 30 April 2022
(iii) Projected financial statements of Waier for FYE 30 June 2023, FYE 30 June 2024 and FYE 30 June 2025. Excel filename: *"Forecast - 2022 – 24.xls"*
(iv) Three months bank statements of Waier from 1 April 2022 to 30 June 2022 with Public Bank and RHB
(v) Interview sessions

Although the information is obtained from sources considered as reliable by AER, we make no representation as to, and accepts no liability for any representations in relation to, the accuracy or completeness of the information contained in this Valuation Certificate.

Declaration of independence

AER and/or its directors and staff who are involved in this exercise **do not** own any equity ownership in MESB's shares or involve in any advisory matters except being mandated to act as an Independent Valuer.

This engagement has been undertaken with reference to the requirements of International Valuation Standard, 2022 ("**IVS**") published by the International Valuation Standards Council ("**IVSC**").

Definition of fair value

The fair value as appraised by us carries the meaning of "the estimated amount for which an asset or liability should exchange on the *valuation date* between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted *knowledgeably, prudently and without compulsion*". This is also defined as market value by the International Valuation Standards established by IVSC.

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<u>Summary of the fair value of the entire equity interest in Acquiree Companies.</u>
Based on the use of Free Cash Flow to Equity ("**FCFE**") approach, the fair value for the entire equity interest in the Acquiree Companies is **RM 49.4 million** to **RM 52.7 million**.

Item number	Acquiree Companies	Minimum value, RM million	Maximum value, RM million	Average, RM million
		Equity discount rate at 16%, with an annual steady growth rate of zero percent	Equity discount rate at 15%, with an annual steady growth rate of zero percent	
1	NURSB	29.0	31.0	30.0
2	Formidex	10.9	11.6	11.25
3	Waier	9.5	10.1	9.8
4	Total	**49.4**	**52.7**	**51.1**

The equivalent implied one year forward P/E and EV/EBITDA for the aggregate fair value range of the Acquiree Companies are as presented in the table below:-

	Forward Price to Earnings ("**P/E**") for FYE 2023 (projection)	Forward Enterprise value to EBITDA ("**EV/EBITDA**") for FYE 2023 (projection)
Implied multiples based on aggregate fair value range of the Acquiree Companies as appraised by AER	**8.1 times to 8.7 times**	**5.5 times to 5.9 times**

Readers are advised to read the entire Valuation Certificate and specifically **Section 3, Section 5, Appendix 1, Appendix 2, Appendix 3** and **Appendix 4** on the key inputs, risk considerations that could affect the fair value of the appraised 100% equity interest in the Acquiree Companies. Please do not hesitate to contact the undersigned if you have any queries on the above matter.

Yours faithfully
ASIA EQUITY RESEARCH SDN BHD

ONG TEE CHIN, CFA, FRM, CAIA
DIRECTOR

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Valuation Certificate:

"β" or **"Beta"**	"β" or "beta" is a risk measurement that measures industry and financial risk of a listed company. The industry risk that are measured are general risk of a particular industry, i.e., also known as systematic risk. It does not measure specific risk.
Levered Beta	Beta measurement which includes financial risk and industry risk.
Unlevered Beta	Beta measurement with the financial risk being removed.
"Bursa Securities"	Bursa Malaysia Securities Berhad
"CAPM"	Capital Asset Pricing Model
"Comparable Companies"	Selected companies listed on Bursa Securities that are involved in recycling business in Malaysia. At as date of Report, there is no identified listed company that involves entirely in the business of recycling that are exactly similar as the Acquiree Companies. Hence, the Comparable Companies selected include listed company that has recycling business as one of its business segments and a listed company that is the purchaser of recycled paper products collected by the Acquiree Companies.
"EBITDA"	Earnings before interest, tax, depreciation, and amortisation
"EV"	Enterprise value
"EV/EBITDA"	EV divided by EBITDA, multiple
"FCFE"	Free Cash Flow to Equity
"Formidex"	Formidex Sdn Bhd (Registration No. 201401022966 (1099052-V)
"FYE"	Financial year ended
"FPE"	Financial period ended
"LAT"	Loss after tax attributable to ordinary shareholders of a company
"MESB"	MESB Berhad (Registration No. 199501008356 (337554-D))
"MFRS"	Malaysian Financial Reporting Standards
"MPERS"	Malaysian Private Entities Reporting Standards
"NURSB"	N.U. Recycle Sdn Bhd

ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

	(Registration No. 200701038366 (796396-X)
"PAT"	Profit after tax attributable to ordinary shareholders of a company
"P/E"	Price to earnings multiple which is computed based on market capitalisation (i.e., numerator) divided by the net profit after tax attributable to ordinary shareholders (i.e., denominator)
'r' or "k_e"	Cost of equity / required rate of return.
"RVA"	Relative Valuation Approach.
"Report"	Independent fair valuation report dated 20 August 2022 prepared by AER for appraising the fair value of the entire equity interest Acquiree Companies
"Acquiree Companies"	NURSB, Formidex and Waier
"Valuation Certificate"	Independent fair Valuation Certificate on appraising the fair value of the entire equity interest Acquiree Companies
"Waier"	Waier Trading Sdn Bhd (Registration No. 200201034340 (602005-D)),

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1. EXECUTIVE SUMMARY

Item number	Explanation on key message	Section reference
1	**Purpose and scope of work** On 21 July 2022, MESB had engaged AER to perform an independent equity valuation to ascribe a fair value for the entire equity interest in the following companies:- - NURSB - Formidex - Waier	Section 2.1
2	**Results of valuation** Based on the use of FCFE approach, the fair value for the entire equity interest in the Acquiree Companies is **RM 49.4 million** to **RM 52.7 million,** with an **average of RM 51.1 million** The key assumptions used in arriving at the fair value range is as listed below:- - Equity discount rate of between 15% to 16% - Terminal value upon achieving steady state growth rate is assumed based on growth rate of zero percentage. - The annual consolidated projected PAT for the Acquiree Companies for FYE/FPE 30 June 2023 and FYE/FPE 30 June 2024 are RM 6.1 million and RM 7.1 million respectively. The vendor has warranted that the aggregate PAT for FYE/FPE 30 June 2023 and FYE/FPE 30 June 2024 is RM 10.0 million in both financial years. - The average fair value of the Acquiree Companies of RM 51.1 million shall translate to implied forward P/E 10.2 times if computed based on the average annual profit guarantee of RM 5.0 million as the denominator.	Section 3
3	**Explanation of the approach and justification / rationales of using FCFE approach.** **Approach 1** The Acquiree Companies are involved in recycling business. The vendors of the Acquiree Companies are providing a minimum aggregate PAT of RM 10 million covering FYE / FPE 30 June 2023 and FYE / FPE 30 June 2024. FCFE approach is able to incorporate the profit guarantee given by the vendors of the Acquiree Companies as the FCFE's approach involves the determination of the projected net cash flow attributable to the equity shareholders that covers a duration from FYE 2023, FYE 2024 and FYE 2025 with a terminal value computed at the end of 30 June 2025 based on an assumed annual steady state growth. For the appraisal of the fair value of the Acquiree Companies, the steady state growth rate of zero	Section 2.4

ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

	percent is assumed as the Acquiree Companies is still in higher than normal growth stage in the projection period. **Approach 2** We have supplemented the determination of fair value of the 100% equity interest of the Acquiree Companies by substituting the numerator of the RVA multiples with the fair value and enterprise value as appraised using the FCFE approach and divided by the projected PAT and EBITDA for financial year ending 30 June 2023 and compare the multiples with the range of the Comparable Companies.	

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2. BACKGROUND

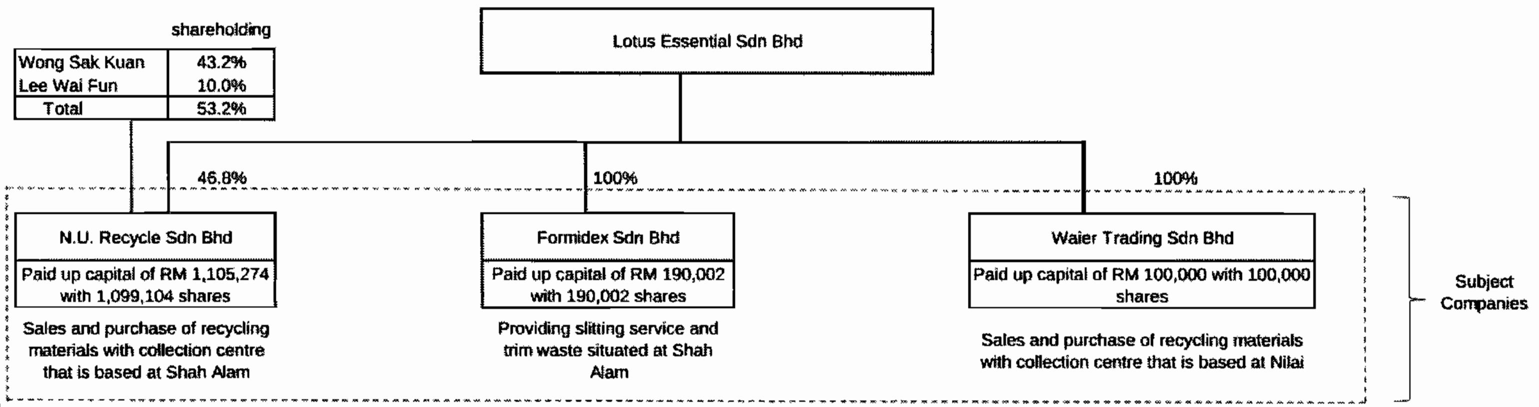
2.1 INTRODUCTION AND TERMS OF REFERENCE

On 21 July 2022, MESB had engaged AER to perform an independent equity valuation to ascribe a fair value for the entire equity interest in the following companies:-

- NURSB
- Formidex
- Waier

2.2 INFORMATION ON ACQUIREE COMPANIES

Summarise background information of subject companies and past historical results, as at date of report



NURSB (Currency: RM million)

	Year ended April Audited FYE 2020	Year ended June Audited FYE 2021	Year ended June Unaudited FYE 2022
Revenue	9.5	19.1	27.7
PBT	0.2	1.7	2.4
PAT	0.1	1.3	**1.8**
Net margin, %	1%	7%	6%
Net assets	1.1	1.7	3.5
Cash	0.5	1.2	1.9

Formidex (Currency: RM million)

	Year ended April Audited FYE 2020	Year ended April Audited FYE 2021	Year ended April Unaudited FYE 2022
Revenue	2.0	1.3	2.2
PBT	0.7	0.3	0.9
PAT	0.5	0.2	**0.7**
Net margin, %	26%	16%	30%
Net assets	1.2	0.6	1.3
Cash	0.4	0.3	0.4

Waier (Currency: RM million)

	Year ended April Audited FYE 2020	Year ended April Audited FYE 2021	Year ended April Unaudited FYE 2022	**Proforma aggregated results, FYE 2022** **Unaudited**
Revenue	4.6	7.7	7.2	**37.1**
PBT	(0.2)	0.7	0.5	
PAT	(0.1)	0.6	**0.3**	**2.8**
Net margin, %	-	8%	4%	7%
Net assets	0.5	1.1	1.4	**6.2**
Cash	0.2	0.2	0.4	2.8

Source: Audited accounts for FYE 2020. FYE 2021 and management accounts (unaudited) for FYE 2022.

2.3 BACKGROUND INFORMATION OF ACQUIREE COMPANIES AS AT DATE OF REPORT

Item number	Description	NURSB	Formidex	Waier
1	**Company**	N.U. Recycle Sdn Bhd	Formidex Sdn Bhd	Waier Trading Sdn Bhd
2	**Incorporation date**	20 November 2007	25 June 2014	27 December 2002
3	**Registered Office**	Third Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor	Third Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor	Third Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor
4	**Principal Activity**	The principal activity of NURSB is the trading of recycling materials with its operations that is based in Shah Alam.	The principal activity of Formidex is the provision of slitting service and trim waste sales	The principal activity of Waier is the provision of recycling materials with its operations that is based in Nilai.
5	**Directors**	Datuk Wong Sak Kuan, Gui Kim Hoo Lee Wai Fun	Datuk Wong Sak Kuan Lee Wai Fun	Datuk Wong Sak Kuan Lee Wai Fun
6	**Shareholders**	Lotus Essential Sdn Bhd – 46.8% Wong Sak Kuan – 43.2% Lee Wai Fun – 10.0%	Lotus Essential Sdn Bhd – 100%	Lotus Essential Sdn Bhd – 100%
7	**Subsidiaries and associates**	None	None	None
8	**Latest audited financial year ended**	30 June 2021	30 April 2021	30 April 2021
9	**Auditor**	Crowe Malaysia PLT	Crowe Malaysia PLT	Ellen Loo & Co, Chartered Accountants
10	**Accounting standard**	MFRS	MFRS	MPERS
11	**Summary financial highlights** (rounded to RM millions)	For financial year ended 30 June 2021, the audited revenue was RM 19.1 million, with a profit after tax of RM 1.32 million and net assets of RM 1.68 million	For financial year ended 30 April 2021, the audited revenue was RM 1.3 million, with a profit after tax of RM 0.20 million and net assets of RM 0.62 million	For financial year ended 30 April 2021, the audited revenue was RM 7.7 million, with a profit after tax of RM 0.61 million and net assets of RM 1.13 million
12	**Product mix**	The estimated product mix of the collected recycled products are approximately 81% and 19% for paper* and plastic respectively. *The paper products are collected and sold to paper subsidiary of Muda Holdings Berhad.	Formidex provides provision of services slitting for paper products.	The estimated product mix of the collected recycled products are approximately 48% and 52% for paper* and plastic respectively. *The paper products are collected and sold to paper subsidiary of Muda Holdings Berhad.

- The unaudited aggregated revenue for FYE 2022 was RM 37.1 million, with a PAT of RM 2.8 million and net assets of RM 6.2 million

ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

- The vendors of the Acquiree Companies are providing a minimum aggregate PAT of RM 10 million for 12-months financial years / period ending 30 June 2023 and 2024.

2.4 APPROACH USED TO VALUE THE ACQUIREE COMPANIES.

Three main approaches are commonly used to appraise the fair value of an entity, namely cost approach, income approach and market approach (Source: IVS 105 Valuation Approaches and Methods).

Item number	Approach	Guidance of its applicability
1	Cost based approach which measures the net fair values of assets less the liabilities. This approach is **not selected** as the Acquiree Companies are service based and not capital intensive.	This approach is suitable for a company that has substantial assets that are tangible based in nature such as manufacturing companies and property development companies.
2	Free cash flow-based approach which determines the value of a company based on a projected future cash flow of a business. - The vendors of the Acquiree Companies warrants and guarantees to the purchaser an aggregate PAT of the Acquiree Companies for the 12 months FYE / FPE 30 June 2023 and for the 12 months FYE / FPE 2024 of a minimum of RM 10 million (**"Profit Guarantee"**) FCFE approach is **selected** as the primary approach, as FCFE approach is able to incorporate the Profit Guarantee warranty covering a period of 24 months which are included in the cash flow projection of the Acquiree Companies for FYE/FPE 30 June 2023 and FYE/FPE 30 June 2024 furnished by the vendor.	This approach requires a set of projected cash flow statement of Acquiree Companies, which could be estimated with reasonable certainty with basis and assumptions.
3	Relative valuation approach is an approach that compares a company's value to that of its listed competitors or industry peers based on trading multiples such as P/E and EV/EBITDA. This approach was **selected** as a secondary approach.	As FCFE is used as a primary approach, the RVA approach is used as a secondary approach to evaluate the fair value results as appraised using the FCFE and compare the implied multiples with the actual multiples of the Comparable Companies, to evaluate the reasonableness of the assumptions used.

2.5 Comparable Companies

Criteria for selection of Comparable Companies

- The comparable companies are listed on Bursa Securities that are involved in recycling business in Malaysia.
- At as date of Report, there is no identified listed company in Malaysia that involves entirely in the business of recycling that are exactly similar as the Acquiree Companies.
- Hence, the Comparable Companies selected include listed company that has recycling business as one of its business segments and also a listed company that is a purchaser of recycled paper products collected by the Acquiree Companies

Companies Selected

Analab Resources Berhad ("**Analabs**") apart from in the business of recycling is also involved in manufacturing and production of resins listed on Bursa Securities. It is noted that Analabs is more diversified as compared to the Acquiree Companies. To account for the additional risks associated with the Acquiree Companies such as size, less diversified company compared to Analabs and illiquidity risk, an additional risk premium of 7% - 8% is applied on the required rate return computed using the CAPM model.

Muda Holdings Berhad ("**MHB**"), a paper manufacturer listed on Bursa Securities. The Acquiree Companies sells the recycled paper products to MHB for further processing to paper. However, MHB is much larger in size with a market capitalisation of RM 594.8 million as at 19 August 2022. To account for the additional risks associated with the Acquiree Companies such as size, less diversified company compared to MHB and illiquidity risk, an additional risk premium of 7% - 8% is applied on the required rate return computed using the CAPM model.

The details of each company's description, financial and valuation metrics are as presented in **Appendix 5.**

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3 KEY INPUT METRICS USED IN DETERMINING THE FAIR VALUE OF ACQUIREE COMPANIES

The main input valuation metrics that are used in ascribing the fair value:-

Item number	Input metrics	Source of input metrics and its basis	Input values used in FCFE
1	Cost of equity	For the purpose of our evaluation, we have applied a cost of equity of **15.0%** and **16.0%** The annual cost of equity rate is determined as follows:- (i) First, to determine the unlevered beta of the Comparable Companies, i.e., which translate to 0.346 (ii) Next, the unlevered beta is re-levered to the capital structure of Acquiree Companies as at 30 June 2022 with an un-audited net assets and total borrowings RM 6.38 million and an assumed projected debt of RM 1.3 million, respectively. This translates to a levered beta of 0.399. (iii) Next, we apply the CAPM model, based on an annual expected equity market return of 12.429% and annual risk free rate of 3.976% as extracted from Bloomberg, measured on 22 August 2022. (iv) At as date of Report, there is no identified listed company that involves entirely in the business of recycling that are exactly similar as the Acquiree Companies. Hence, the Comparable Companies selected include listed company that has recycling business as one of its business segments and also listed company that is the purchaser of recycled paper products collected by the Acquiree Companies (v) To account for the additional risks associated with the Acquiree Companies such as size, less diversified company compared to Comparable Companies and illiquidity risk, an additional risk premium of 7% - 8% is applied on the required rate return computed using the CAPM model. **Workings: -** r = rf + (Rm – rf) x beta 15.35% = [3.976 + [(12.429 – 3.976) x 0.399] + 8% = **Say 16.0 %** r = rf + (Rm – rf) x beta 14.35% = [3.976 + [(12.429 – 3.976) x 0.399] + 7% = **Say 15.0 %**	**16.0% and 15.0%** for minimum and maximum fair value range of Acquiree Companies

ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

Notes:-

The specific risk of 7% - 8% in the minimum and maximum scenario is attributed to as follows:-

a) A specific risk of 4% which is translated to an approximately an illiquidity discount of 25% being accounted for under both the minimum and maximum scenario. As the Acquiree Companies are not listed, studies have indicated that an illiquidity discount of 20% to 30% is commonly discounted from the fair value appraised.

b) A specific risk of 3% to 4% is accounted for the specific risk of a private company which includes factors such as a less diversified company compared to the Comparable Companies.

The specific risk could be attributed as follows:-

	Allocation of risk	Percentage of specific risk allocated
1	Illiquidity discount of 25% on the fair value appraised	**Specific risk allocation of approximately** 4% to account for risk inherent of a private company that is not listed on an exchange for its securities.
2	Risk associated with the Acquiree Companies when compared with the Comparable Companies.	Specific risk allocation **of between 3% to 4%** to account for the differences in size in terms of net assets, market capitalisation and track record between Comparable Companies and the Acquiree Companies.

2	Terminal Value ("TV")	$TV = \frac{FCFE_{FYE2025} \times (1+g)}{r-g}$ Example for the lower range when the required rate of return is assumed at 16.0% **Lower range of TV** FCFE in FYE 2025, RM million = 7.89 Annual sustainable growth rate, g = 0% Required rate of return, r = 16 % $TV = \frac{7.89 \times (1+0\%)}{(16.0\% - 0\%)}$ = **49.33**	- Lower range with a TV of RM 49.33 million
		Example for the lower range when the required rate of return is assumed at 15.0% **Upper range of TV** FCFE in FYE 2025, RM million = 7.89 Annual sustainable growth rate, g = 0% Required rate of return, r = 15.0% $TV = \frac{7.89 \times (1+0\%)}{(15.0\% - 0\%)}$ = **52.61**	- Upper range with a TV of RM 52.61 million

ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

	Annual sustainable growth rate	The Acquiree Companies' revenue are assumed to grow annually at 33.7%, 17.2% and 11.3% as compared to its preceding year for FYE/FPE 2023, FYE/FPE 2024 and FYE/FPE 2025 ("**Evaluation Period**"). There is a tendency for companies to grow at higher than industry rate during the growth stage. Upon reaching maturity (steady state), such companies shall under-go a resumption to normal growth rate. The computation of terminal value is based on the projected free cash flow in the last period of evaluation, i.e., FYE/FPE 2025 which the results are dependent on the growth assumptions during the Evaluation Period. To avoid the risk of over valuation because of compounding effects due to the assumed higher than industry growth rate during the Evaluation Period, a conservative approach for the determination of the terminal value is used based on an assumed annual sustainable growth rate of 0%. AER had also supplemented the FCFE valuation by computing the implied one year forward P/E and EV/EBITDA and noted that the fair value range is within the traded Comparable Companies.
3	- Revenue	The annual projected revenue for each of 12 months, FYE/FPE 2023, FYE/FPE 2024, FYE /FPE 2025 for the Acquiree Companies are RM 49.6 million, RM 58.1 million and RM 64.7 million, respectively.
4	- Profit after tax	The annual projected profit after tax for each of 12 months, FYE/FPE 2023, FYE/FPE 2024, FYE/FPE 2025 for the Acquiree Companies are RM 6.1 million, RM 7.1 million and RM 7.1 million, respectively
5	Net margin	The projected net margin for each of 12 moths, FYE/FPE 2023, FYE/FPE 2024 and FYE/FPE 2025 for the Acquiree Companies are 12%, 12% and 11% respectively. The unaudited historical net margin FYE 2022, for the Acquiree Companies was 7%. The projected net margin included a two year contract that was awarded to one of the Acquiree Companies with a projected sales value of RM 9 million that has an incremental effect on increasing the projected gross margin by approximately 4%.
6	Corporate tax rate	The projected corporate tax rate is assumed at 24%

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4. FAIR EQUITY VALUE FOR 100% EQUITY INTEREST IN ACQUIREE COMPANIES

Based on the use of Free Cash Flow to Equity ("**FCFE**") approach, the fair value for the entire equity interest in the Acquiree Companies is **RM 49.4 million** to **RM 52.7 million.**

Item number	Acquiree Companies	Minimum value, RM million	Maximum value, RM million	Average, RM million
		Equity discount rate at 16%, with an annual steady growth rate of zero percent	Equity discount rate at 15%, with an annual steady growth rate of zero percent	
1	NURSB	29.0	31.0	30.0
2	Formidex	10.9	11.6	11.25
3	Waier	9.5	10.1	9.8
4	Total	**49.4**	**52.7**	**51.1**

The equivalent implied one year forward P/E and EV/EBITDA for the aggregate fair value range of the Acquiree Companies are as presented in the table below:-

	Forward Price to Earnings ("**P/E**") for FYE 2023 (projection)	Forward Enterprise value to EBITDA ("**EV/EBITDA**") for FYE 2023 (projection)
Implied multiples based on aggregate fair value range of the Acquiree Companies as appraised by AER	**8.1 times to 8.7 times**	**5.5 times to 5.9 times**
Trailing multiples of Comparable Companies	5.0 times to 10.9 times	4.5 times to 6.8 times

5. RISK CONSIDERATION IN FAIR VALUATION ASCRIBED

The fair valuation ascribed for Acquiree Companies, could be affected by a number of major risk factors including as follows under the following broad categories amongst others: -

(i) The annual projected revenue for FYE 2023, FYE 2024, FYE 2025 for the Acquiree Companies are RM 49.6 million, RM 58.1 million and RM 64.7 million, respectively. Any factors that results in the lower actual revenue as compared with the base case projection shall translate to a discount to a fair value as ascribed by us.

(ii) The projected net margin for FYE 2023, FYE 2024 and FYE 2025 for the Acquiree Companies are 12%, 12% and 11% respectively. Any factors that results in lower actual net margin as compared with the base case projection net margin shall translate to a discount to a fair value as ascribed by us.

(iii) Any unforeseen factors that resulted in the **non-satisfactory maintenance** of the equipment used in the recycling business of the Acquiree Companies, may lead to any temporary or long term interruption that has the effect of reducing the fair value ascribed by us.

ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

(iv) Any deviations in the major assumptions as listed in **Section 3** of this Valuation Certificate from the base case assumptions shall have a positive or negative effects of the fair value as appraised by us.

(v) Any **unforeseen cost overrun** that resulted in lower return of equity shall represent a discount to the fair value ascribed by us.

(vi) Global and regional economic activity which is dependent on a number of factors such as **political and macro-economic factors** beyond the control of Acquiree Companies subjected to fair valuation exercise. Significant global events that affect the regional and global growth may translate to lesser business volumes and accordingly shall negatively affect the fair valuation. During such period, valuation metrics may also change as investors tend to become risk adverse in most asset classes of investments and hence requiring higher required rate of return in appraising its valuation during periods of uncertainties which translate to a lower fair value range.

(vii) **Changes in investor's risk appetite** in the equity capital markets may contribute either positively or negatively to the Acquiree Companies subjected to fair valuation exercise. In circumstances that lead to risk aversion shall result in lesser weightings allocated to equity capital markets and hence causing the equity price to be lower than the fair value as ascribed. Conversely, in circumstances that lead to increasing risk appetite shall result in increased weights allocated to equity capital markets and hence causing the equity price to be higher than its fair value as ascribed.

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ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

APPENDIX 1 – Financial highlights of Acquiree Companies

- **Historical results of the Acquiree Companies**

NURSB	Year ended April	Year ended June	Year ended June
	Currency: RM million		
	Audited FYE 2020	Audited FYE 2021	Unaudited FYE 2022
Revenue	9.5	19.1	27.7
PBT	0.2	1.7	2.4
PAT	0.1	1.3	**1.8**
Net margin, %	1%	7%	6%
Net assets	1.1	1.7	3.5
Cash	0.5	1.2	1.9

Formidex	Year ended April	Year ended April	Year ended April
	Currency: RM million		
	Audited FYE 2020	Audited FYE 2021	Unaudited FYE 2022
Revenue	2.0	1.3	2.2
PBT	0.7	0.3	0.9
PAT	0.5	0.2	**0.7**
Net margin, %	26%	16%	30%
Net assets	1.2	0.6	1.3
Cash	0.4	0.3	0.4

Waier	Year ended April	Year ended April	Year ended April	**Proforma aggregated results, FYE 2022**
	Currency: RM million			
	Audited FYE 2020	Audited FYE 2021	Unaudited FYE 2022	**Unaudited**
Revenue	4.6	7.7	7.2	**37.1**
PBT	(0.2)	0.7	0.5	
PAT	(0.1)	0.6	**0.3**	**2.8**
Net margin, %	-	8%	4%	7%
Net assets	0.5	1.1	1.4	**6.2**
Cash	0.2	0.2	0.4	2.8

- **Projected results of the Acquiree Companies**

NURSB	Projection		
	Currency in RM million		
	12 months	12 months	12 months
	FYE 2023	FYE 2024	FYE 2025
Revenue	31.8	38.2	45.8
PBT	3.6	4.5	5.6
PAT	2.7	3.4	4.2
Net margin,	9%	9%	9%
Net assets	6.3	9.7	14.0
EBITDA	4.3	5.2	6.2

Formidex	Projection		
	Currency in RM million		
	12 months	12 months	12 months
	FPE 2023	FPE 2024	FPE 2025
Revenue	3.3	3.9	4.7
PBT	1.6	1.9	2.3
PAT	1.2	1.4	1.7
Net margin,	36%	36%	37%
Net assets	2.5	3.9	5.6
EBITDA	1.6	2.0	2.4

Waier	Projection			**Proforma aggregated results**		
	Currency in RM million			Currency in RM million		
	12 months	12 months	12 months	12 months	12 months	12 months
	FPE 2023	FYE 2024	FYE 2025	FYE/FPE 2023	FYE/FPE 2024	FYE/FPE 2025
Revenue	14.5	16.0	14.2	**49.6**	**58.1**	**64.7**
PBT	2.8	2.9	1.5			
PAT	2.2	2.2	1.2	**6.1**	**7.1**	**7.1**
Net margin,	15%	14%	8%	12%	12%	11%
Net assets	3.7	5.9	7.1	**12.5**	**19.5**	**26.7**
EBITDA	2.9	3.0	1.6	8.9	10.2	10.2

Source: NURSB, Formidex and Waier

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ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

APPENDIX 2 – Minimum and Maximum fair value range for NURSB

NURSB

	FYE 2023 Projection	FYE 2024 Projection	FYE 2025 Projection
Sales - paper	28.4	34.1	41.0
Sales - plastics	3.4	4.1	4.9
Sales - scrap	0.010	0.012	0.014
	31.8	38.2	45.8
Cost of good sold	(24.7)	(29.6)	(35.6)
Gross profit	7.1	8.6	10.3
Expenses	(3.5)	(4.1)	(4.7)
Profit before taxation	3.6	4.5	5.6
Taxation	(0.9)	(1.1)	(1.3)
Profit after taxation	**2.7**	**3.4**	**4.2**

FCFE

		30/06/23	30/06/24	30/06/25	
Profit after taxation		2.7	3.4	4.2	
Depreciation		0.7	0.6	0.6	
FCFE		3.4	4.1	4.8	
Equity discount rate	16.0%				
Growth rate	0.0%				
Terminal value				30.3	
		3.4	4.1	35.1	
Discount factor		0.8798	0.7581	0.6536	
					Total
Fair equity value, RM million		3.0	3.1	22.9	**29.0**

Notes:-
The FCFE of NURSB for the year ended 30 June 2024 is projected at RM 4.06 million (i.e. rounded to RM 4.1 million).

ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

NURSB

	FYE 2023 Projection	FYE 2024 Projection	FYE 2025 Projection
Sales - paper	28.4	34.1	41.0
Sales - plastics	3.4	4.1	4.9
Sales - scrap	0.010	0.012	0.014
	31.8	38.2	45.8
Cost of good sold	(24.7)	(29.6)	(35.6)
Gross profit	7.1	8.6	10.3
Expenses	(3.5)	(4.1)	(4.7)
Profit before taxation	3.6	4.5	5.6
Taxation	(0.9)	(1.1)	(1.3)
Profit after taxation	**2.7**	**3.4**	**4.2**

FCFE

		30/06/23	30/06/24	30/06/25	Total
Profit after taxation		2.7	3.4	4.2	
Depreciation		0.7	0.6	0.6	
FCFE		3.4	4.1	4.8	
Equity discount rate	15.0%				
Growth rate	0.0%				
Terminal value				32.3	
		3.4	4.1	37.1	
Discount factor		0.8864	0.7705	0.6700	
Fair equity value, RM million		3.0	3.1	24.9	**31.0**

Notes:-
The FCFE of NURSB for the year ended 30 June 2024 is projected at RM 4.06 million (i.e. rounded to RM 4.1 million).

ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

APPENDIX 3 – Minimum and Maximum fair value range for Formidex

Formidex

	FPE 2023 Projection	FPE 2024 Projection	FPE 2025 Projection
Trim Waste - Loose	1.1	1.3	1.6
Trim Waste - Roll	0.6	0.8	0.9
Slitting service	1.2	1.4	1.7
Rejected paper	0.3	0.4	0.5
	3.3	3.9	4.7
Cost of good sold	(0.8)	(1.0)	(1.2)
Gross profit	2.5	3.0	3.5
Expenses	(0.9)	(1.1)	(1.3)
Profit before taxation	1.6	1.9	2.3
Taxation	(0.4)	(0.5)	(0.5)
Profit after taxation	**1.2**	**1.4**	**1.7**

FCFE

		30/06/23	30/06/24	30/06/25	
Profit after taxation		1.2	1.4	1.7	
Depreciation		0.1	0.1	0.1	
FCFE		1.3	1.5	1.8	
Equity discount rate	16.0%				
Growth rate	0.0%				
Terminal value				11.4	
		1.3	1.5	13.2	
Discount factor		0.8798	0.7581	0.6536	Total
Fair equity value, RM million		1.1	1.2	8.6	**10.9**

ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

Formidex

	FPE 2023 Projection	FPE 2024 Projection	FPE 2025 Projection
Trim Waste - Loose	1.1	1.3	1.6
Trim Waste - Roll	0.6	0.8	0.9
Slitting service	1.2	1.4	1.7
Rejected paper	0.3	0.4	0.5
	3.3	3.9	4.7
Cost of good sold	(0.8)	(1.0)	(1.2)
Gross profit	2.5	3.0	3.5
Expenses	(0.9)	(1.1)	(1.3)
Profit before taxation	1.6	1.9	2.3
Taxation	(0.4)	(0.5)	(0.5)
Profit after taxation	**1.2**	**1.4**	**1.7**

FCFE

		30/06/23	30/06/24	30/06/25	
Profit after taxation		1.2	1.4	1.7	
Depreciation		0.1	0.1	0.1	
FCFE		1.3	1.5	1.8	
Equity discount rate	15.0%				
Growth rate	0.0%				
Terminal value				12.1	
		1.3	1.5	13.9	
Discount factor		0.8864	0.7705	0.6700	
					Total
Fair equity value, RM million		1.1	1.2	9.3	**11.6**

ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

APPENDIX 4 – Minimum and Maximum fair value range for Waier

Waier	FPE 2023 Projection	FPE 2024 Projection	FPE 2025 Projection
Sales - Paper	5.3	6.4	7.7
Sales - Plastic	4.4	5.3	6.3
Sales - Scrap	0.1	0.1	0.2
Rubbish fees	4.7	4.2	-
	14.5	16.0	14.2
Cost of good sold - recycling of paper, plastic and scrap	(7.0)	(8.4)	(10.1)
Cost of goods sold - rubbish collection	(2.8)	(2.5)	-
Gross profit	4.7	5.1	4.1
Expenses	(1.9)	(2.2)	(2.6)
Profit before taxation	2.8	2.9	1.5
Taxation	(0.7)	(0.7)	(0.4)
Profit after taxation	**2.2**	**2.2**	**1.2**

FCFE		30/06/23	30/06/24	30/06/25	
Profit after taxation		2.2	2.2	1.2	
Depreciation		0.1	0.1	0.1	
FCFE		2.2	2.3	1.2	
Equity discount rate	16.0%				
Growth rate	0.0%				
Terminal value				7.7	
		2.2	2.3	8.9	
Discount factor		0.8798	0.7581	0.6536	Total
Fair equity value, RM million		2.0	1.7	5.8	**9.5**

Notes:-

The FCFE of Waier for the year ended 30 June 2023 is projected at RM2.24 million .(i.e. rounded to RM 2.2 million).which is made up of the aggregate of the profit after taxation of RM 2.16 million and annual depreciation of RM 0.08 million

The FCFE of Waier for the year ended 30 June 2025 is projected at RM 1.23 million .(i.e. rounded to RM 1.2 million).which is made up of the aggregate of the profit after taxation of RM 1.15 million and annual depreciation of RM 0.08 million

ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

Waier

	FPE 2023 Projection	FPE 2024 Projection	FPE 2025 Projection
Sales - Paper	5.3	6.4	7.7
Sales - Plastic	4.4	5.3	6.3
Sales - Scrap	0.1	0.1	0.2
Rubbish fees	4.7	4.2	-
	14.5	16.0	14.2
Cost of good sold - recycling of paper, plastic and scrap	(7.0)	(8.4)	(10.1)
Cost of goods sold - rubbish collection	(2.8)	(2.5)	-
Gross profit	4.7	5.1	4.1
Expenses	(1.9)	(2.2)	(2.6)
Profit before taxation	2.8	2.9	1.5
Taxation	(0.7)	(0.7)	(0.4)
Profit after taxation	**2.2**	**2.2**	**1.2**

FCFE

		30/06/23	30/06/24	30/06/25	
Profit after taxation		2.2	2.2	1.2	
Depreciation		0.1	0.1	0.1	
FCFE		2.2	2.3	1.2	
Equity discount rate	15.0%				
Growth rate	0.0%				
Terminal value				8.2	
		2.2	2.3	9.4	
Discount factor		0.8864	0.7705	0.6700	
					Total
Fair equity value, RM million		2.0	1.8	6.3	**10.1**

Notes:-

The FCFE of Waier for the year ended 30 June 2023 is projected at RM2.24 million .(i.e. rounded to RM 2.2 million).which is made up of the aggregate of the profit after taxation of RM 2.16 million and annual depreciation of RM 0.08 million

The FCFE of Waier for the year ended 30 June 2025 is projected at RM 1.23 million .(i.e. rounded to RM 1.2 million).which is made up of the aggregate of the profit after taxation of RM 1.15 million and annual depreciation of RM 0.08 million

ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

APPENDIX 4 – Comparable Companies

Comparable Companies	Latest available financial year ending	Description
Analabs Resources Berhad ("**Analabs**")	31 December 2021	Analabs is an investment holding company. Analabs is involved in following activities:- - Recovery and sale of recycled products in collecting, treating, recovering, and recycling of industrial waste and sale of recycled products – accounted for approximately 8% of revenue for FYE 30 April 2021. - Manufacturing, formulation and sale of resin, chemicals and building materials and trading in tiles – accounted for approximately 77% of revenue for FYE 30 April 2021. - Culture and sale of prawns Involved in breeding and selling of prawns. - Contract work, pipe laying and rehabilitation general contracting. The recycling business undertaken includes collecting, treating, recovering, and recycles industrial and organic waste, as well as sells recycled products. The company was founded in 1936 and is based in Klang, Malaysia.
Muda Holdings Berhad ("**MHB**")	31 December 2021	Muda Holdings Berhad, an investment holding company. MHB is involved in following activities:- - Manufacturing segment : Manufacture of various types of industrial paper, corrugated cartons, paper bags, paper stationery and paper based food packaging products. - Trading segment : Trading in paper, recovered paper and stationery products. The company offers industrial paper, corrugated cartons, paper bags, paper stationery, paper boards, board sheets, and paper-based food packaging products, as well as packaging materials for food industry. MHB was founded in 1964 and is headquartered in Petaling Jaya, Malaysia.

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ACQUISITION VALUATION CERTIFICATE *(CONT'D)*

FINANCIAL AND VALUATION METRICS OF COMPARABLE COMPANY

Item number	Comparable Companies	Share price on 19 August 2022, RM	Market capitalisation as on 19 August 2022, RM million	Financial year end	Revenue, RM million	PAT/(LAT), RM million	Net assets, RM million	Net margin, %	ROE, %	P/E trailing	P/B trailing	EV/EBITDA trailing
1	Analabs Resources Berhad	1.35	147	30 April 2022	118	29.5	322	25.1%	9.2%	5.0	0.5	4.5
2	Muda Holdings Berhad	1.95	595	31 December 2021	1,741	77.8	1,317	4.5%	5.9%	10.9	0.5	6.8
	Average							14.8%	7.5%	7.9	0.5	5.7
	Median							14.8%	7.5%	7.9	0.5	5.7
	Minimum							4.5%	5.9%	**5.0**	**0.5**	**4.5**
	Maximum							25.1%	9.2%	**10.9**	**0.5**	**6.8**
	Source: S&P Global Pro	By AER										

Key message:-

- The trailing P/E of the Comparable Companies ranges from 5.0 times to 10.9 times, with an average of 7.9 times
- The trailing EV/EBITDA of the Comparable Companies ranges from 4.5 times to 6.8 times, with an average of 5.7 times.

END OF REPORT