MESB Berhad

(Registration No. 199501008356 (337554 - D))
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 30 June 2022

MESB Berhad
(Registration No. 199501008356 (337554 - D))
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 30 June 2022

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

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit/(Loss) for the year attributable to owners of the Company	6,669	(643)

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
Lee Kok Heng
Tan Yew Kim
Chua Jin Kau
Datuk Wong Sak Kuan
Dato' Lee Ban Seng (Appointed on 1 March 2022)
Chen, JianHua (Appointed on 30 September 2022)
Wong Yu Perng (Appointed on 30 September 2022)
Saffie Bin Bakar (Retired on 7 December 2021)

Directors of the subsidiaries

The Directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Loke Lee Ping
Chua Jin Kau
Datuk Wong Sak Kuan
Lee Wai Fun

Directors' interests in shares

The interests in the shares of the Company of the Director at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.7.2021	**Bought**	**Sold**	**At 30.6.2022**
MESB Berhad				
Datuk Wong Sak Kuan	35,507,898	2,000,000	-	37,507,898

By virtue of his interests in the shares of the Company, Datuk Wong Sak Kuan is also deemed interested in the shares of the subsidiaries during the financial year to the extent that MESB Berhad has an interest.

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

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' benefits paid to or receivable by Directors in respect of the financial year ended 30 June 2022 are as follows:

	From the Company RM'000	**From subsidiary companies RM'000**
Directors of the Company:		
Fees	138	-
Remuneration	39	366
Post-employment benefits	-	34
Estimated money value of any other benefits	-	13
Transactions between companies in which a Director has substantial financial interests and a subsidiary of the Company in the ordinary course of business	-	3,858
	177	4,271

Directors' benefits (continued)

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

During the financial year, the Company issued 6,042,000 new ordinary shares arising from the exercise of Warrants at an issuance price of RM0.30 per ordinary share.

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

There were no debentures issued during the financial year.

Warrants 2017/2022 ("Warrants")

On 2 January 2018, the Company issued 40,950,000 free Warrants to all the entitled shareholders of the Company on the basis of one (1) free Warrant for every two (2) existing ordinary shares held in the Company.

The Warrants were constituted under the Deed Poll dated 13 December 2017 and each Warrant entitles the registered holder the right at any time during the exercise period from 2 January 2020 to 30 December 2022 to subscribe in cash for one (1) new ordinary share of the Company at an exercise price of RM0.30 each.

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 the Group and of the Company were RM7,500,000 and RM22,896, respectively. There was no indemnity given to or insurance effected for auditors of the Group and of the Company.

Other statutory information

Before the financial statements of the Group and 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 Group and 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 Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and 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 Group and of the Company misleading.

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

i) any charge on the assets of the Group or 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 Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group 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 Group and of the Company to meet their obligations as and when they fall due.

Other statutory information (continued)

In the opinion of the Directors, except for accruals made for potential payments by the Group to a licensor and the government grants received by the Group as disclosed in Note 18 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 30 June 2022 have 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.

Qualification of subsidiaries' financial statements

The auditors' report on the audit of the financial statements of the Company's subsidiaries did not contain any qualification.

Subsequent events

On 22 September 2022, the Company entered into the following agreements:

(i) a conditional share sale agreement for the proposed disposals of its entire equity interests in Active Fit Sdn. Bhd. ("Active Fit") and MESB Capital Development Sdn. Bhd., as well as 45% equity interest in Miroza Leather (M) Sdn. Bhd. to Trend Navigator Sdn. Bhd. (a company owned by a former Director of Active Fit) for a total cash consideration of RM46.0 million. Based on the financial results as at 30 June 2022, the gain on disposals of the Group and of the Company is estimated at RM1.4 million and RM18.4 million respectively.

(ii) a conditional share purchase agreement for the proposed acquisitions of the entire equity interests in N.U. Recycle Sdn. Bhd., Formidex Sdn. Bhd. and Waier Trading Sdn. Bhd. from Lotus Essential Sdn. Bhd. (a company owned by Datuk Wong Sak Kuan), Datuk Wong Sak Kuan (Director of the Company and a subsidiary) and Lee Wai Fun (Director of a subsidiary) for a total cash consideration of RM51.0 million, satisfied via a combination of the proceeds from the aforementioned proposed disposals as well as internally generated funds and/or bank borrowings.

The proposed disposals and acquisitions are subject to regulatory and other customary approvals, including the approval from the Company's shareholders, and are expected to be completed by the first quarter of 2024.

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Auditors

The auditors, KPMG PLT, retire and do not seek re-appointment at the forthcoming Annual General Meeting of the Company.

The auditors' remuneration of the Group and the Company during the year are RM207,000 and RM60,000 respectively.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Loke Lee Ping
Director

....

Chua Jin Kau
Director

Kuala Lumpur,

Date: 7 October 2022

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Statements of financial position as at 30 June 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Assets					
Plant and equipment	3	3,543	3,899	-	-
Right-of-use assets	4	308	422	-	-
Investment properties	5	2,567	2,631	-	-
Intangible assets	6	795	-	-	-
Investments in subsidiaries	7	-	-	49,210	48,210
Deferred tax assets	8	1,152	329	-	-
Total non-current assets		8,365	7,281	49,210	48,210
Inventories	9	33,160	61,287	-	-
Current tax assets		460	2,446	46	36
Trade and other receivables	10	36,115	31,706	1	2,855
Prepayments		126	271	-	-
Cash and cash equivalents	11	72,535	44,187	4,334	1,304
Total current assets		142,396	139,897	4,381	4,195
Total assets		150,761	147,178	53,591	52,405
Equity					
Share capital	12	60,457	58,645	60,457	58,645
Retained earnings/ (Accumulated losses)		29,863	23,194	(7,074)	(6,431)
Total equity attributable to owners of the Company		90,320	81,839	53,383	52,214
Liabilities					
Loans and borrowings	13	682	1,499	-	-
Lease liabilities		137	175	-	-
Total non-current liabilities		819	1,674	-	-
Loans and borrowings	13	12,793	15,710	-	-
Lease liabilities		218	334	-	-
Trade and other payables	14	46,611	47,621	208	191
Total current liabilities		59,622	63,665	208	191
Total liabilities		60,441	65,339	208	191
Total equity and liabilities		150,761	147,178	53,591	52,405

The notes on pages 15 to 72 are an integral part of these financial statements.

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

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Revenue	15	198,498	136,581	-	-
Cost of sales		(87,641)	(59,351)	-	-
Gross profit		110,857	77,230	-	-
Other income		2,506	3,843	-	10
Selling and distribution expenses		(47,967)	(34,491)	-	-
Administrative expenses		(51,506)	(31,549)	(770)	(823)
Net reversal of loss/(loss) on impairment of financial assets	18	7	(66)	-	-
Other expenses		(1,434)	(2,697)	-	-
Results from operating activities		12,463	12,270	(770)	(813)
Finance income	16	524	431	127	146
Finance costs	17	(779)	(1,177)	-	-
Net finance (costs)/income		(255)	(746)	127	146
Profit/(Loss) before tax	18	12,208	11,524	(643)	(667)
Tax expense	19	(5,539)	(2,322)	-	-
Profit/(Loss) and total comprehensive income/(loss) for the year		6,669	9,202	(643)	(667)
Profit/(Loss) attributable to:					
Owners of the Company		6,669	9,202	(643)	(667)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		6,669	9,202	(643)	(667)
Basic earnings per ordinary share (sen)	20	6.13	8.92		
Diluted earnings per ordinary share (sen)	20	5.43	8.10		

The notes on pages 15 to 72 are an integral part of these financial statements.

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Consolidated statement of changes in equity for the year ended 30 June 2022

Group	*Non-distributable* Share capital RM'000	*Distributable* Retained earnings RM'000	Total equity RM'000
At 1 July 2020	55,150	13,992	69,142
Issue of shares pursuant to the private placement	3,300	-	3,300
Issue of shares pursuant to exercise of Warrants	195	-	195
Profit and total comprehensive income for the year	-	9,202	9,202
At 30 June 2021/1 July 2021	58,645	23,194	81,839
Issue of shares pursuant to exercise of Warrants	1,812	-	1,812
Profit and total comprehensive income for the year	-	6,669	6,669
At 30 June 2022	60,457	29,863	90,320
	Note 12		

The notes on pages 15 to 72 are an integral part of these financial statements.

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

Company	***Non-distributable*** **Share capital RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
At 1 July 2020	55,150	(5,764)	49,386
Issue of shares pursuant to the private placement	3,300	-	3,300
Issue of shares pursuant to exercise of Warrants	195	-	195
Loss and total comprehensive loss for the year	-	(667)	(667)
At 30 June 2021/1 July 2021	58,645	(6,431)	52,214
Issue of shares pursuant to exercise of Warrants	1,812	-	1,812
Loss and total comprehensive loss for the year	-	(643)	(643)
At 30 June 2022	60,457	(7,074)	(53,383)
	Note 12		

The notes on pages 15 to 72 are an integral part of these financial statements.

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Statements of cash flows for the year ended 30 June 2022

		Group		Company	
	Note	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Cash flows from operating activities					
Profit/(Loss) before tax		12,208	11,524	(643)	(667)
Adjustments for:					
Depreciation of investment properties	5	64	63	-	-
Depreciation of plant and equipment	3	1,126	1,422	-	-
Depreciation of right-of-use assets	4	299	1,197	-	-
Amortisation of intangible assets	6	52	-	-	-
Finance costs	17	779	1,177	-	-
Finance income	16	(524)	(431)	(127)	(146)
Gain on disposal of plant and equipment	18	(694)	-	-	-
(Reversal of impairment losses)/ impairment losses on trade receivables	18	(7)	66	-	-
Net unrealised loss/(gain) on foreign exchange	18	228	(111)	-	-
Plant and equipment written off	18	27	49	-	-
Write-down of inventories	9	977	410	-	-
Operating profit/(loss) before changes in working capital		14,535	15,366	(770)	(813)
Changes in inventories		27,150	7,150	-	-
Changes in trade and other receivables and prepayments		(4,257)	(11,562)	9	(9)
Changes in trade and other payables		(1,238)	9,539	17	20
Cash generated from/(used in) operations		36,190	20,493	(744)	(802)
Tax paid		(4,473)	(3,026)	(10)	(13)
Tax refunded		97	-	-	-
Interest paid		(779)	(1,177)	-	-
Net cash from/(used in) operating activities		31,035	16,290	(754)	(815)

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

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash flows from investing activities					
Acquisition of plant and equipment	3	(903)	(84)	-	-
Acquisition of intangible assets	6	(847)	-	-	-
Advances to subsidiaries		-	-	-	(2,489)
Repayment from subsidiaries		-	-	2,845	-
Change in deposits pledged		(1,051)	(2,044)	-	-
Interest received		524	431	127	146
Investment in a subsidiary		-	-	(1,000)	(100)
Proceeds from disposal of plant and equipment		800	-	-	-
Net cash (used in)/from investing activities		(1,477)	(1,697)	1,972	(2,443)
Cash flows from financing activities					
Net (repayment)/drawdown of bankers' acceptances		(233)	715	-	-
Repayment of term loans		(3,322)	(6,281)	-	-
Payment of lease liabilities		(339)	(1,240)	-	-
Proceeds from issue of share capital	12	1,812	3,495	1,812	3,495
Net cash (used in)/from financing activities		(2,082)	(3,311)	1,812	3,495
Net increase in cash and cash equivalents		27,476	11,282	3,030	237
Cash and cash equivalents at 1 July 2021/2020		22,277	10,995	1,304	1,067
Cash and cash equivalents at 30 June	(i)	49,753	22,277	4,334	1,304

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

(i) Cash and cash equivalents

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

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Deposits placed with licensed banks	11	47,896	29,731	-	-
Less: Pledged deposits	11	(22,782)	(21,731)	-	-
		25,114	8,000	-	-
Cash and bank balances	11	24,311	14,131	4,006	979
Highly liquid investments with financial institutions	11	328	325	328	325
Bank overdrafts	13	-	(179)	-	-
		49,753	22,277	4,334	1,304

(ii) Cash outflows for leases as a lessee

	Note	Group 2022 RM'000	Group 2021 RM'000
Included in net cash from/(used in) operating activities:			
Interest paid in relation to lease liabilities	17	23	114
Payment relating to short-term leases	18	1,471	563
Payment relating to leases of low-value assets	18	4	3
		1,498	680
Included in net cash (used in)/from financing activities:			
Payment of lease liabilities		339	1,240
Total cash outflows for leases		1,837	1,920

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

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

Group	At 1.7.2020 RM'000	Acquisition of a 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 a new lease RM'000	Net changes from financing cash flows RM'000	At 30.6.2022 RM'000
Bankers' acceptances - secured	19,706	-	(8,230)	715	12,191	-	(233)	11,958
Term loans - secured	2,890	-	8,230	(6,281)	4,839	-	(3,322)	1,517
Lease liabilities	1,388	361	-	(1,240)	509	185	(339)	355
Total liabilities from financing activities	23,984	361	-	(6,806)	17,539	185	(3,894)	13,830

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Notes to the financial statements

MESB Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. 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 consolidated financial statements of the Company as at and for the financial year ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 7.

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

The 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 Group and 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 Group and the Company plan 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 Group and 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

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest 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 Group writes down its inventories relating to leather products, apparels and accessories in accordance with the Group 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 RM977,000 (2021: RM410,000).

(ii) Recognition of deferred tax assets

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 statements of financial position.

The assumptions applied in the recognition of deferred tax assets are disclosed in Note 8 to 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 and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities 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, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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

(c) 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 Group or 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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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 Group or 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.

(a) 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(j)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost as described above or fair value through other comprehensive income are measured at fair value through profit or loss. On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 2(j)(i)).

2. Significant accounting policies (continued)

(c) 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) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

(iv) Derecognition

A financial asset or 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 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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) 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 Group or 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.

(d) 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.

(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 Group or 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.

2. Significant accounting policies (continued)

(d) Plant and equipment (continued)

(iii) Depreciation (continued)

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, furniture and fittings	10 - 20 years
• Computers	2 - 4 years
• Renovation	5 - 10 years
• Warehouse equipment	5 years
• Plant and machinery	10 years

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

(e) 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 Group 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 Group 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 Group 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.

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Group 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 respective Group entities' incremental borrowing rate. Generally, the Group entities use their 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 Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group 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 Group 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 Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor

When the Group 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 Group 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.

(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 Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group 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 Group has applied the amendment to MFRS 16, *Covid-19-Related Rent Concessions*. The Group 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 Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

2. Significant accounting policies (continued)

(e) Leases (continued)

(iii) Subsequent measurement (continued)

(b) As a lessor

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

(f) Intangible assets

(i) Goodwill

Goodwill which arises on business combinations is measured at cost less any accumulated impairment losses.

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, 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.

(iii) 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 goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill and 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.

2. Significant accounting policies (continued)

(g) 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 administration 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
• Buildings	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.

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 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.

(h) 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.

2. Significant accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits placed with licensed banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their 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.

(j) Impairment

(i) Financial assets

The Group and the Company recognise 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 Group and the Company measure 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 Group and the Company consider 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 Group's and 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 Group and the Company are exposed to credit risk.

The Group and the Company estimate 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.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(i) Financial assets (continued)

At each reporting date, the Group and the Company assess 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 Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovering the amounts due.

(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 goodwill and 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. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets (continued)

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

(k) 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.

(l) 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 Group 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 Group'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.

2. Significant accounting policies (continued)

(m) Revenue and other income

(i) Revenue - sale of goods, commission earned and waste recycling

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

The Group transfers control of a good or service 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 Group performs;

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

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

When the Group 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 Group.

(ii) Rental income

Rental income from investment properties 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.

(iii) Interest income

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

(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 Group will comply with the conditions associated with the grants. Grants that compensate the Group 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.

2. Significant accounting policies (continued)

(n) 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.

(o) Income tax

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination.

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 following temporary differences: the initial recognition of goodwill, and 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 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 the tax rates enacted or substantially 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)

(p) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise Warrants.

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments' results are reviewed regularly by the chief operating decision makers, which in this case are the Executive Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(r) 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 Group 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 Group 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 Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Plant and equipment

Group	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computers RM'000	Renovation RM'000	Warehouse equipment RM'000	Plant and machinery RM'000	Total RM'000
Cost							
At 1 July 2020	146	3,997	2,805	11,214	76	-	18,238
Additions	-	41	9	34	-	-	84
Written off	-	-	-	(114)	-	-	(114)
At 30 June 2021/1 July 2021	146	4,038	2,814	11,134	76	-	18,208
Additions	-	164	37	380	-	322	903
Written off	-	-	-	(1,074)	-	-	(1,074)
Disposals	-	-	-	(1,583)	-	-	(1,583)
At 30 June 2022	146	4,202	2,851	8,857	76	322	16,454
Accumulated depreciation							
At 1 July 2020	42	1,247	2,782	8,835	46	-	12,952
Depreciation for the year	27	370	21	989	15	-	1,422
Written off	-	-	-	(65)	-	-	(65)
At 30 June 2021/1 July 2021	69	1,617	2,803	9,759	61	-	14,309
Depreciation for the year	27	361	15	711	9	3	1,126
Written off	-	-	-	(1,047)	-	-	(1,047)
Disposals	-	-	-	(1,477)	-	-	(1,477)
At 30 June 2022	96	1,978	2,818	7,946	70	3	12,911
Carrying amounts							
At 1 July 2020	104	2,750	23	2,379	30	-	5,286
At 30 June 2021/1 July 2021	77	2,421	11	1,375	15	-	3,899
At 30 June 2022	50	2,224	33	911	6	319	3,543

3. Plant and equipment (continued)

Company	Computers RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 July 2020/30 June 2021/1 July 2021/ 30 June 2022	15	8	23
Accumulated depreciation			
At 1 July 2020/30 June 2021/1 July 2021/ 30 June 2022	15	8	23
Carrying amounts			
At 1 July 2020/30 June 2021/1 July 2021/ 30 June 2022	-	-	-

4. Right-of-use assets

Group	Buildings RM'000	Motor vehicles RM'000	Total RM'000
At 1 July 2020	1,204	54	1,258
Additions during the year	361	-	361
Depreciation for the year	(1,147)	(50)	(1,197)
At 30 June 2021/1 July 2021	418	4	422
Additions during the year	185	-	185
Depreciation for the year	(295)	(4)	(299)
At 30 June 2022	308	-	308

The Group 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 Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group 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. Right-of-use assets (continued)

4.2 Judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying judgement whether it is reasonably certain to exercise the extension options. Group entities consider 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 them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine 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. Investment properties

Group	Leasehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 July 2020/30 June 2021/1 July 2021/ 30 June 2022	1,740	2,000	3,740
Accumulated depreciation			
At 1 July 2020	396	650	1,046
Depreciation for the year	18	45	63
At 30 June 2021/1 July 2021	414	695	1,109
Depreciation for the year	18	46	64
At 30 June 2022	432	741	1,173
Carrying amounts			
At 1 July 2020	1,344	1,350	2,694
At 30 June 2021/1 July 2021	1,326	1,305	2,631
At 30 June 2022	1,308	1,259	2,567

Investment properties are not occupied by the Group and are used either to earn rentals or for capital appreciation, or both.

5. Investment properties (continued)

Included in the investment properties are certain commercial properties leased to third parties. The leases contain an initial non-cancellable period of up to 2 years. Subsequent renewals are negotiated with the lessees. The Group generally does not require a financial guarantee on the lease arrangement. Nevertheless, the Group 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 subsidiary of the Group (see Note 13).

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

	Group	
	2022	**2021**
	RM'000	**RM'000**
Lease income	51	57
Direct operating expenses:		
- income generating investment properties	(17)	(15)

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

5.1 Fair value information

Fair value of investment properties is categorised as follows:

	Group	
	2022	**2021**
	RM'000	**RM'000**
Fair value - Level 3		
Leasehold land and buildings	4,700	5,050

Valuation process applied by the Group for Level 3 fair value

The fair value of investment properties at the end of the reporting period was determined by the Directors by reference to the professional valuations 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.

6. Intangible assets

Group	Goodwill RM'000	Trademarks RM'000	Total RM'000
Cost			
At 1 July 2020/30 June 2021/1 July 2021	25,190	500	25,690
Additions	-	847	847
Written off (Note 6.1)	(25,190)	-	(25,190)
At 30 June 2022	-	1,347	1,347
Accumulated impairment losses			
At 1 July 2020/30 June 2021/1 July 2021	25,190	500	25,690
Written off (Note 6.1)	(25,190)	-	(25,190)
At 30 June 2022	-	500	500
Accumulated amortisation			
At 1 July 2020/30 June 2021/1 July 2021	-	-	-
Amortisation during the year	-	52	52
At 30 June 2022	-	52	52
Carrying amounts			
1 July 2020/30 June 2021/ 1 July 2021	-	-	-
At 30 June 2022	-	795	795
		Note 6.2	

6.1 During the financial year, goodwill arising from the acquisition of Miroza Leather (M) Sdn. Bhd. and Active Fit Sdn. Bhd. that has been fully impaired in prior years was written off.

6.2 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.

7. Investments in subsidiaries

Company	**Cost of investments RM'000**
Unquoted shares, at cost	
At 1July 2020	67,110
Additions during the year (Note 7.1)	100
At 30 June 2021/1 July 2021	67,210
Additions during the year (Note 7.1)	1,000
At 30 June 2022	68,210
Accumulated impairment losses	
At 1 July 2020/30 June 2021/1 July 2021/30 June 2022	19,000
Carrying amounts	
At 1 July 2020	48,110
At 30 June 2021/1 July 2021	48,210
At 30 June 2022	49,210

Details of the subsidiaries are as follows:

Name of entity	**Principal place of business**	**Principal activities**	**Effective ownership interest and voting interest 2022 %**	**2021 %**
Miroza Leather (M) Sdn. Bhd. ("MLMSB")	Malaysia	Trading and retailing of leather products and apparels	100	100
MESB Capital & Development Sdn. Bhd.	Malaysia	Investment holding	100	100
Active Fit Sdn. Bhd. ("AFSB")	Malaysia	Trading and retailing of casual apparels and accessories	100	100
MESB Resources Sdn. Bhd. ("MRSB")*	Malaysia	Waste recycling	100	100

* Not audited by KPMG PLT.

7.1 Unquoted shares, at cost

During the financial year, the Company subscribed for 1,000,000 (2021: 100,000) ordinary shares in MRSB at RM1.00 per ordinary share for a total cash consideration of RM1,000,000 (2021: RM100,000).

8. Deferred tax assets

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Plant and equipment	85	-	(23)	(61)	62	(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	(97)	(161)	1,152	329
Set off of tax	(97)	(161)	97	161	-	-
Net tax assets	1,152	329	-	-	1,152	329

Unrecognised deferred tax assets

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

Group	**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 Group can utilise the benefits therefrom.

The comparative figures have been restated to reflect the revised temporary differences of the Group 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:

Group	**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.

9. Inventories

	Group	
	2022 RM'000	2021 RM'000
Trading merchandise	33,109	61,142
Waste and scrap	51	145
	33,160	61,287
Recognised in profit or loss:		
- Inventories recognised as cost of sales	73,775	48,450
- Write-down of inventories	977	410

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

10. Trade and other receivables

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade					
Trade receivables	10.1	35,130	30,824	-	-
Non-trade					
Amounts due from subsidiaries	10.2	-	-	-	2,845
Other receivables	10.3	420	156	-	9
Deposits		565	726	1	1
		985	882	1	2,855
		36,115	31,706	1	2,855

10.1 Included in trade receivables of the Group is an amount due from a company in which a Director has significant financial interests of RM468,000 (2021: Nil). The amount is unsecured, interest free and subject to negotiated trade terms.

10.2 The non-trade amounts due from subsidiaries related to interest-bearing advances to subsidiaries. Advances to subsidiaries were unsecured, subject to interest at 6.45% per annum and repayable on demand.

10.3 Included in other receivables of the Group is an amount due from a company in which a Director has significant financial interests of RM99,000 (2021: Nil). The amount is unsecured, interest free and repayable on demand.

10. Trade and other receivables (continued)

10.4 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:

Group	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		38,752	(3,622)	35,130
Trade payables	14	(27,078)	3,622	(23,456)
2021				
Trade receivables		33,725	(2,901)	30,824
Trade payables	14	(44,493)	2,901	(41,592)

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

11. Cash and cash equivalents

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Highly liquid investments with financial institutions	11.1	328	325	328	325
Deposits placed with licensed banks	11.2	47,896	29,731	-	-
Cash and bank balances		24,311	14,131	4,006	979
		72,535	44,187	4,334	1,304

11.1 Highly liquid investments with financial institutions

Highly liquid investments with financial institutions represent investments in money market funds, which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

11.2 Deposits placed with licensed banks

Included in deposits placed with licensed banks of the Group is RM22,782,000 (2021: RM21,731,000) pledged as security for banking facilities granted to the Group (see Note 13).

12. Share capital

	Note	Group and Company 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					
At 1 July 2021/2020		106,750	58,645	91,100	55,150
Issued during the year via private placement	12.1	-	-	15,000	3,300
Issued during the year via exercise of Warrants	12.2	6,042	1,812	650	195
At 30 June		112,792	60,457	106,750	58,645

Ordinary shares

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

12.1 Private placement

On 14 September 2020, the Company issued 15,000,000 new ordinary shares to eligible investors at an issue price of RM0.22 per share via private placement.

12.2 Warrants 2017/2022 ("Warrants")

On 2 January 2018, the Company issued 40,950,000 free Warrants to all the entitled shareholders of the Company after the share split on the basis of one (1) free Warrant for every two (2) existing ordinary shares held in the Company.

The Warrants can only be exercised commencing on and including the date from the second anniversary date of the first issue of the Warrants, i.e. 2 January 2020 to 30 December 2022. Each Warrant entitles the registered holder the right at any time during the exercise period from 2 January 2020 to 30 December 2022 to subscribe in cash for one (1) new ordinary share of the Company at an exercise price of RM0.30 each.

During the financial year, 6,042,000 (2021: 650,000) Warrants have been exercised where 6,042,000 (2021: 650,000) new ordinary shares were issued at an issuance price of RM0.30 per ordinary share for a total cash consideration of RM1,812,000 (2021: RM195,000).

As at 30 June 2022, there are 34,258,000 Warrants (2021: 40,300,000 Warrants) which remain unexercised.

13. Loans and borrowings

	Note	Group 2022 RM'000	Group 2021 RM'000
Non-current			
Term loans - secured	13.1	682	1,499
Current			
Term loans - secured	13.1	835	3,340
Bank overdrafts - secured	13.2	-	179
Bankers' acceptances - secured	13.2	11,958	12,191
		12,793	15,710
		13,475	17,209

13.1 Term loans

Details of term loans at the end of the reporting period are as follows:

Term loan	Number of monthly instalments	Monthly instalments RM	Effective dates of commencement of repayment	Group Amount outstanding 2022 RM'000	Group Amount outstanding 2021 RM'000
1	60	40,103	November 2016	189	416
2	60	10,079	January 2017	-	60
3	60	59,811	April 2018	1,328	1,620
4	12	685,833	November 2020	-	2,743
				1,517	4,839

The term loans of the Group are secured by a pledge over the deposits placed with licensed banks of the subsidiaries (see Note 11) and are supported by corporate guarantees provided by the Company.

13.2 Bank overdrafts and bankers' acceptances

The bank overdrafts and bankers' acceptances of the Group are secured by:

(i) a first legal charge over the investment properties of the subsidiaries (see Note 5); and
(ii) a pledge over the deposits placed with licensed banks of the subsidiaries (see Note 11);

and are supported by corporate guarantees provided by the Company and personal guarantee by a former Director of a subsidiary.

14. Trade and other payables

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Trade					
Trade payables	14.1	23,456	41,592	-	-
Non-trade					
Other payables	14.2	1,312	786	208	133
Accrued expenses	14.3	21,843	5,243	-	58
		23,155	6,029	208	191
		46,611	47,621	208	191

14.1 Included in trade payables of the Group is an amount due to a company in which a Director has significant financial interests of RM710,000 (2021: RM211,000). The amount is unsecured, interest free and subject to negotiated trade terms.

14.2 Included in other payables of the Group is an amount due to a company in which a Director has significant financial interests of RM75,000 (2021: RM90,000). The amount is unsecured, interest free and repayable on demand.

14.3 Included in accrued expenses of the Group 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 Group 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 Group in the current and previous financial years.

15. Revenue

	Note	Group 2022 RM'000	Group 2021 RM'000
Sale of goods		185,490	134,633
Commission income from consignment sales		2,274	823
Waste recycling		10,684	1,098
Revenue from contracts with customers	15.1	198,448	136,554
Other revenue			
Rental income		50	27
Total revenue		198,498	136,581

15. Revenue (continued)

15.1 Disaggregation of revenue

	Group 2022 RM'000	Group 2021 RM'000
Major product lines/services		
Sale of leather products, apparels and accessories	187,764	135,456
Waste recycling	10,684	1,098
	198,448	136,554
Primary geographical markets		
Malaysia	197,734	134,705
Brunei	714	1,849
	198,448	136,554
Sales channels		
Directly to customers	19,250	7,562
Through departmental stores	179,198	128,992
	198,448	136,554
Timing of recognition		
At a point in time	198,448	136,554

15.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

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 Group allows returns only for exchange with new goods (i.e. no cash refunds are offered).
Waste recycling	Revenue is recognised when the goods are accepted by the customers.	Credit period of 7 - 30 days from invoice date.	Not applicable.

16. Finance income

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Interest income of financial assets calculated using the effective interest method that are:				
- at amortised cost	521	427	124	142
Interest income of financial assets measured at fair value through profit or loss	3	4	3	4
	524	431	127	146

17. Finance costs

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Bankers' acceptances	525	517	-	-
- Bank overdrafts	46	90	-	-
- Debts factoring	26	21	-	-
- Term loans	159	373	-	-
- Others	-	62	-	-
	756	1,063	-	-
Interest expense on lease liabilities	23	114	-	-
	779	1,177	-	-

18. Profit before tax

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditors' remunerations				
Audit fees				
- KPMG PLT	192	165	60	52
- Other auditors	15	-	-	-
Non-audit fees				
- KPMG PLT	8	5	8	5

18. Profit before tax (continued)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax is arrived at after charging/(crediting) (continued):				
Material expenses/(income)				
Amortisation of intangible assets	52	-	-	-
Depreciation of investment properties	64	63	-	-
Depreciation of plant and equipment	1,126	1,422	-	-
Depreciation of right-of-use assets	299	1,197	-	-
Government grants (Note b)	(1,642)	(3,449)	-	-
Gain on disposal of plant and equipment	(694)	-	-	-
Internal audit fee	48	41	-	-
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' Provision Fund	3,110	2,762	4	11
- Wages, salaries and others	26,253	21,597	76	116
Plant and equipment written off	27	49	-	-
Royalty expenses (excluding the amount disclosed below)	8,370	10,833	-	-
Accruals made for potential payments to a licensor on the following expenses for a brand (Note 14.3(ii)):				
- Royalty expenses	6,036	-	-	-
- Common marketing funds	1,346	-	-	-
- Advertising and promotion expenses	5,517	-	-	-
- Late payment charges	2,332	-	-	-
Write-down of inventories	977	410	-	-
Expenses arising from leases				
Expenses relating to short-term leases (Note a)	1,471	563	-	-
Expenses relating to leases of low-value assets (Note a)	4	3	-	-
Net (reversal of loss)/loss on impairment of financial assets				
Financial assets at amortised cost	(7)	66	-	-

18. Profit before tax (continued)

Note a

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

Note b

The government grants of RM1,642,000 (2021: RM3,449,000) 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.

19. Tax expense

Recognised in profit or loss

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax expense				
- Current year	6,301	2,426	-	-
- Under/(Over) provision in prior year	61	(27)	-	-
Total current tax recognised in profit or loss	6,362	2,399	-	-
Deferred tax expense				
- Origination and reversal of temporary differences	(678)	(191)	-	-
- (Over)/Under provision in prior year	(145)	114	-	-
Total deferred tax recognised in profit or loss	(823)	(77)	-	-
Total income tax expense	5,539	2,322	-	-

Reconciliation of tax expense

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Profit/(Loss) before tax	12,208	11,524	(643)	(667)
Income tax calculated using Malaysian tax rate of 24%	2,930	2,766	(154)	(160)
Effect of deferred tax assets not recognised	2,535	-	-	-
Non-deductible expenses	322	295	154	160
Non-taxable income	(164)	-	-	-
Utilisation of previously unrecognised deferred tax assets	-	(826)	-	-
(Over)/Under provision in prior year	(84)	87	-	-
	5,539	2,322	-	-

20. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 June 2022 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2022	**2021**
	RM'000	**RM'000**
Profit attributable to ordinary shareholders	6,669	9,202

	Group	
	2022	**2021**
	'000	**'000**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July 2021/2020	106,750	91,100
Effect of new ordinary shares issued via private placement and exercise of Warrants (Note 12.1 and Note 12.2)	2,058	12,100
Weighted average number of ordinary shares at 30 June (basic)	108,808	103,200

	Group	
	2022	**2021**
	Sen	**sen**
Basic earnings per ordinary share	6.13	8.92

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 30 June 2022 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

20. Earnings per ordinary share (continued)

Diluted earnings per ordinary share (continued)

	Group	
	2022	**2021**
	RM'000	**RM'000**
Profit attributable to ordinary shareholders	6,669	9,202

	Group	
	2022	**2021**
	'000	**'000**
Weighted average number of ordinary shares at 30 June (basic)	108,808	103,200
Effect of Warrants on issue	13,968	10,475
Weighted average number of ordinary shares at 30 June (diluted)	122,776	113,675

	Group	
	2022	**2021**
	Sen	**sen**
Diluted earnings per ordinary share	5.43	8.10

The average market value of the Company's shares for purpose of calculating the dilutive effect of Warrants was based on quoted market prices for the period during which the Warrants were outstanding.

21. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and are managed separately because they require different marketing strategies. For each of the strategic business units, the Chief Operating Decision Makers ("CODM") (i.e. the Group's Executive Directors) review internal management reports at least on a quarterly basis. The following summary describes the operations related in each of the Group's reportable segments:

- Retailing — involved in the trading and retailing of leather products, apparel and accessories.
- Investment holding — involved in investment holding.
- Waste recycling — involved in waste recycling business.

Performance is measured based on segment profit before tax and interest, as included in the internal management reports that are reviewed by CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

21. Operating segments (continued)

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total asset is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Therefore, no disclosure is made on segment liabilities.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire plant and equipment, right-of-use assets, investment properties and intangible assets other than goodwill.

Group	Retailing RM'000	Investment holding RM'000	Waste recycling RM'000	Total RM'000
2022				
Segment profit/(loss)	12,375	(794)	1,406	12,987
Included in the measure of segment profit/(loss) are:				
Revenue from external customers	187,764	50	10,684	198,498
Finance income	518	6	-	524
Write-down of inventories	(977)	-	-	(977)
Plant and equipment written off	(27)	-	-	(27)
Amortisation of intangible assets	(52)	-	-	(52)
Depreciation of plant and equipment	(1,123)	-	(3)	(1,126)
Depreciation of right-of-use assets	(299)	-	-	(299)
Depreciation of investment properties	(14)	(50)	-	(64)
Not included in the measure of segment profit/(loss) but provided to CODM:				
Finance costs	(779)	-	-	(779)
Tax expense	(5,161)	(11)	(367)	(5,539)
Segment assets	141,189	6,896	3,075	151,160
Included in the measure of segment assets is:				
Additions to non-current assets other than financial instruments and deferred tax assets	1,613	-	322	1,935

21. Operating segments (continued)

Group	Retailing RM'000	Investment holding RM'000	Waste recycling RM'000	Total RM'000
2021				
Segment profit/(loss)	13,433	(845)	113	12,701
Included in the measure of segment profit/(loss) are:				
Revenue from external customers	135,456	27	1,098	136,581
Finance income	417	14	-	431
Write-down of inventories	(410)	-	-	(410)
Plant and equipment written off	(49)	-	-	(49)
Depreciation of plant and equipment	(1,422)	-	-	(1,422)
Depreciation of right-of-use assets	(1,197)	-	-	(1,197)
Depreciation of investment properties	-	(63)	-	(63)
Not included in the measure of segment profit/(loss) but provided to CODM:				
Finance costs	(1,177)	-	-	(1,177)
Tax expense	(2,315)	(7)	-	(2,322)
Segment assets	142,594	6,743	686	150,023
Included in the measure of segment assets is:				
Additions to non-current assets other than financial instruments and deferred tax assets	445	-	-	445

Reconciliations of reportable segment profit or loss and assets

Profit or loss	Group 2022 RM'000	Group 2021 RM'000
Total profit for reportable segments	12,987	12,701
Finance costs	(779)	(1,177)
Consolidated profit before tax	12,208	11,524
Assets		
Total assets for reporting segments	151,160	150,023
Elimination of inter-segment balances	(399)	(2,845)
Consolidated total assets	150,761	147,178

21. Operating segments (continued)

Geographical segments

The Group operates solely in Malaysia and as such, no geographical segment disclosures are made.

Major customers

There are no major customers who contribute more than 10% of total revenue of the Group and as such, no information on major customers is presented.

22. Financial instruments

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9

2022	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Group			
Financial assets			
Trade and other receivables	36,115	36,115	-
Cash and cash equivalents	72,535	72,207	328
	108,650	108,322	328
Financial liabilities			
Trade and other payables	(46,611)	(46,611)	-
Loans and borrowings	(13,475)	(13,475)	-
	(60,086)	(60,086)	-
Company			
Financial assets			
Other receivables	1	1	-
Cash and cash equivalents	4,334	4,006	328
	4,335	4,007	328
Financial liabilities			
Other payables	(208)	(208)	-
2021			
Group			
Financial assets			
Trade and other receivables	31,706	31,706	-
Cash and cash equivalents	44,187	43,862	325
	75,893	75,568	325

22. Financial instruments (continued)

22.1 Categories of financial instruments (continued)

2021	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Group			
Financial liabilities			
Trade and other payables	(47,621)	(47,621)	-
Loans and borrowings	(17,209)	(17,209)	-
	(64,830)	(64,830)	-
Company			
Financial assets			
Other receivables	2,855	2,855	-
Cash and cash equivalents	1,304	979	325
	4,159	3,834	325
Financial liabilities			
Other payables	191	191	-

22.2 Net gains and losses arising from financial instruments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	3	4	3	4
Financial assets measured at amortised cost	546	361	124	142
Financial liabilities measured at amortised cost	(1,191)	(831)	-	-
	(642)	(466)	127	146

22.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

22. Financial instruments (continued)

22.4 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 Group's exposure to credit risk arises principally from its trade receivables, which mainly comprise departmental stores where the Group sells its products through the consignment counters and customers of its waste recycling business. The Company's exposure to credit risk arises principally from its advances to subsidiaries and financial guarantees given to banks for banking facilities granted to its subsidiaries, as well as to certain landlords and licensor in respect of lease agreements and licensing agreement entered into by the subsidiaries.

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 Group 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 Group 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 the 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 amounts in the statement of financial position.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Trade receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The trade receivables of the Group 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 Group. The Group 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.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group 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 Group's debt recovery process is as follows:

a) Above 30 days past due after credit term, the Group 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 Group will commence a legal proceeding against the customer who fails to pay after the Group initiates the debt recovery process.

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

22. Financial instruments (continued)

22.4 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.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2022			
Current (not past due)	34,435	-	34,435
1 - 30 days past due	407	-	407
31 - 60 days past due	79	-	79
61 - 90 days past due	135	-	135
Past due more than 90 days	74	-	74
	35,130	-	35,130
Credit impaired			
61 - 90 days past due	10	(10)	-
Past due more than 90 days	49	(49)	-
	35,189	(59)	35,130
2021			
Current (not past due)	21,226	-	21,226
1 - 30 days past due	7,895	-	7,895
31 - 60 days past due	1,262	-	1,262
61 - 90 days past due	132	-	132
Past due more than 90 days	301	-	301
	30,816	-	30,816
Credit impaired			
Past due more than 90 days	74	(66)	8
	30,890	(66)	30,824

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

Group	Trade receivables Credit impaired RM'000
Balance at 1 July 2020	-
Net remeasurement of loss allowance	66
Balance at 30 June 2021/1 July 2021	66
Net remeasurement of loss allowance	(7)
Balance at 30 June 2022	59

22. Financial instruments (continued)

22.4 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 statements 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 Group and the Company are of the view that the loss allowance is not material and therefore, it is not provided for.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries as well as to certain landlords and licensor in respect of lease agreements and licensing agreement entered into by the subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries, repayments and payments made by the subsidiaries and compliance with the licensing agreement.

Exposure to credit risk, credit quality and collateral

For banking facilities granted to the subsidiaries, the maximum exposure to credit risk amounts to RM13,475,000 (2021: RM17,209,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees are provided as credit enhancements to the subsidiaries’ banking facilities.

For leasing of certain boutiques, the Company provides unconditional and irrevocable corporate guarantees in favour of the landlords on the subsidiaries’ due and punctual performance of the obligations in the lease agreements, and to indemnify the landlords against any and all losses, damages, costs and charges and expenses which the landlords may suffer incidental to the tenancy.

The Company also provides corporate guarantee in favour of a licensor in relation to a licensing agreement of a subsidiary to guarantee for any amounts owing by the subsidiary to the licensor, and to indemnify the licensor against any losses and damages sustained by the licensor as a result of any violation to the licensing agreement by the subsidiary.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Financial guarantees (continued)

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to meet its contractual obligations to the banks, landlords or licensor in full; or

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

The Company determines the probability of default of the guaranteed obligations individually using internal information available.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment of banking facilities and lease payments, and violate the licensing agreement. Accordingly, the financial guarantees have not been recognised since the fair value on initial recognition was not material, and the Company did not recognise any allowance for impairment losses.

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 Group 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 statements of financial position.

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

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the advances on an individual basis.

22. Financial instruments (continued)

22.4 Credit risk (continued)

Inter-company balances (continued)

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.

Advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

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

- The subsidiary is unlikely to repay its advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit in shareholder's fund.

The Company determines the probability of default for these advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for advances to subsidiaries.

Company	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2022			
Low credit risk	-	-	-
2021			
Low credit risk	2,845	-	2,845

As at the end of the reporting period, there was no indication that the advances to subsidiaries of the Company were not recoverable. As this amount was considered to have low credit risk, the Company was of the view that the loss allowance was not material and therefore, it was not provided for.

22. Financial instruments (continued)

22.5 Liquidity risk

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

The Group 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 Group's reputation.

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

22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and 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
Group						
2022						
Non-derivative financial liabilities						
Trade and other payables	46,611	-	46,611	46,611	-	-
Lease liabilities	355	2.62 - 6.90%	379	234	82	63
Term loans - secured	1,517	*	1,618	910	708	-
Bankers' acceptances - secured	11,958	3.28 - 5.05%	11,958	11,958	-	-
	60,441		60,566	59,713	790	63
2021						
Non-derivative financial liabilities						
Trade and other payables	47,621	-	47,621	47,621	-	-
Lease liabilities	509	2.62 - 8.05%	532	356	167	9
Term loans - secured	4,839	*	5,094	3,497	907	690
Bank overdrafts - secured	179	**	179	179	-	-
Bankers' acceptances - secured	12,191	2.11 - 5.41%	12,191	12,191	-	-
	65,339		65,617	63,844	1,074	699

* represents lenders' cost of funds plus a margin of 1.00 - 2.00% per annum
** represents lenders' cost of funds plus a margin of 1.25 - 1.50% per annum

22. Financial instruments (continued)

22.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
Company				
2022				
Non-derivative financial liabilities				
Other payables	208	-	208	208
Financial guarantees	-	-	13,475	13,475
	208		13,683	13,683
2021				
Non-derivative financial liabilities				
Other payables	191	-	191	191
Financial guarantees	-	-	17,209	17,209
	191		17,400	17,400

22.6 Market risk

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

22.6.1 Currency risk

The Group is exposed to foreign currency risk on royalties payable to licensors that are denominated in a currency other than the respective functional currencies of the Group entities. The currency giving rise to this risk is 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 Group does not hedge its foreign currency risk exposures.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the respective functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period is as follows:

22. Financial instruments (continued)

22.6 Market risk (continued)

22.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

Group	Denominated in USD 2022 RM'000	2021 RM'000
Trade and other payables	(3,294)	(11,734)

Currency risk sensitivity analysis

A 10% (2021: 10%) strengthening of RM against the following currencies 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 Group 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.

Group	Profit or loss 2022 RM'000	2021 RM'000
USD	250	892

A 10% (2021: 10%) weakening of RM against the above currencies 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.

22.6.2 Interest rate risk

The Group'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 Group'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 Group 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 Group adopts a practice to continuously seek alternative banking facilities which provide competitive interest rates to finance its working capital requirements.

22. Financial instruments (continued)

22.6 Market risk (continued)

22.6.2 Interest rate risk (continued)

Exposure to interest rate risk

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	47,896	29,731	-	2,845
Financial liabilities	(11,958)	(12,191)	-	-
Lease liabilities	(355)	(509)	-	-
	35,583	17,031	-	2,845
Floating rate instruments				
Financial liabilities	(1,517)	(5,018)	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

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 Group 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**
Group				
Floating rate instruments	(6)	6	(19)	19

22. Financial instruments (continued)

22.7 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.

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
Group	**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	-	-	-	-	-	-	(1,524)	(1,524)	(1,524)	(1,517)
2021										
Financial liabilities										
Term loans	-	-	-	-	-	-	(4,771)	(4,771)	(4,771)	(4,839)

Level 3 fair value

Valuation process applied by the Group for Level 3 fair value

For financial instruments not carried at fair value, the Group has applied discounted cash flows valuation technique using a rate based on the current market rate of borrowings of the Group 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.

23. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group'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 Group 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:

		Group	
	Note	**2022 RM'000**	**2021 RM'000**
Loans and borrowings	13	13,475	17,209
Lease liabilities		355	509
Total debt		13,830	17,718
Total equity		90,320	81,839
Debt-to-equity ratio		0.15	0.22

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

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group has not breached the loan covenants as disclosed below:

i) MLMSB — 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.

24. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or 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 Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

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

The Group has related party relationship with its subsidiaries, companies in which a Director and a former Director has significant financial interests and key management personnel.

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 Group and the Company are shown below. The balances related to the below transactions are shown in Notes 10 and 14.

24. Related parties (continued)

Significant related party transactions (continued)

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
A. Subsidiaries				
Net advances to subsidiaries	-	-	-	2,489
Repayment from subsidiaries	-	-	(2,845)	-
Interest income	-	-	(121)	(132)
B. Companies in which a former Director has significant financial interests				
Sale of goods (net of selling and distribution expenses)	-	(648)	-	-
C. Companies in which a Director has significant financial interests				
Purchase of goods	3,639	428	-	-
Payments on behalf	402	-	-	-
Sale of goods	(715)	-	-	-
Commission paid	177	24	-	-
Transportation charges	8	-	-	-
Rental expense	347	30	-	-
D. Key management personnel				
Directors				
Directors' fees	138	133	138	133
Directors' remuneration	405	282	39	45
Post-employment benefits	34	27	-	-
	577	442	177	178

The estimated monetary value of Directors' benefit-in-kind of the Group is RM13,000 (2021: RM13,000).

25. Subsequent events

On 22 September 2022, the Company entered into the following agreements:

(i) a conditional share sale agreement for the proposed disposals of its entire equity interests in Active Fit Sdn. Bhd. ("Active Fit") and MESB Capital Development Sdn. Bhd., as well as 45% equity interest in Miroza Leather (M) Sdn. Bhd. to Trend Navigator Sdn. Bhd. (a company owned by a former Director of Active Fit) for a total cash consideration of RM46.0 million. Based on the financial results as at 30 June 2022, the gain on disposals of the Group and of the Company is estimated at RM1.4 million and RM18.4 million respectively.

(ii) a conditional share purchase agreement for the proposed acquisitions of the entire equity interests in N.U. Recycle Sdn. Bhd., Formidex Sdn. Bhd. and Waier Trading Sdn. Bhd. from Lotus Essential Sdn. Bhd. (a company owned by Datuk Wong Sak Kuan), Datuk Wong Sak Kuan (Director of the Company and a subsidiary) and Lee Wai Fun (Director of a subsidiary) for a total cash consideration of RM51.0 million, satisfied via a combination of the proceeds from the aforementioned proposed disposals as well as internally generated funds and/or bank borrowings.

The proposed disposals and acquisitions are subject to regulatory and other customary approvals, including the approval from the Company's shareholders, and are expected to be completed by the first quarter of 2024.

MESB Berhad
(Registration No. 199501008356 (337554 - D))
(Incorporated in Malaysia)
and its subsidiaries

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 7 to 72 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Loke Lee Ping
Director

....

Chua Jin Kau
Director

Kuala Lumpur,

Date: 7 October 2022

MESB Berhad
(Registration No. 199501008356 (337554 - D))
(Incorporated in Malaysia)
and its subsidiaries

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

I, **Lui Boo Hock**, the officer primarily responsible for the financial management of MESB Berhad, do solemnly and sincerely declare that the financial statements set out on pages 7 to 72 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 Lui Boo Hock, NRIC: 690410-10-5667, MIA CA 15939, at Kuala Lumpur in the Federal Territory on 7 October 2022.

....
Lui Boo Hock

Before me:

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

50A-1, Jalan Kemuja
Bangsar Utama,
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MESB BERHAD

(Registration No. 199501008356 (337554 - D))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MESB Berhad, which comprise the statements of financial position as at 30 June 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 72.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our 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 Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

Key Audit Matters (continued)

Valuation of inventories	
Refer to Note 1(d)(i) - Basis of preparation: Use of estimates and judgements - Write-down of inventories, Note 2(h) - Significant accounting policy: Inventories and Note 9 - Inventories.	
The key audit matter	**How the matter was addressed in our audit**
The Group sells leather products, apparels and accessories which are subject to changing consumer demands and fashion trends, therefore increasing the level of judgement involved in estimating inventory provisions (trading merchandise balance under "inventories" as at 30 June 2022 is RM33.11 million). We have identified valuation of trading merchandise as a key audit matter because the judgement made by the Group in determining an appropriate level of provisioning for items which may ultimately be sold below cost as a result of changing consumer demands and fashion trends involves expectations and plans for future sales.	Our procedures included, amongst others: • We assessed the basis for the inventory provisions and the consistency of provisioning with the Group policy; • We checked whether items in the inventory ageing report were classified within the appropriate ageing bracket; • We tested the provision calculations and determined that they appropriately reflected the ageing profile of inventories; and • We compared post year-end selling prices to determine if the inventories were stated at lower of cost and net realisable value. For items where there were no post year-end sales, we compared to the most recent sales during the year and the latest recommended selling prices.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

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 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual 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 Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Directors for the Financial Statements (continued)

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors is disclosed in Note 7 to the financial statements.

Other Matter

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

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