SORENTO CAPITAL BERHAD
[Registration No.: 202301018305 (1512227-W)]
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT ON COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021

TGS TW PLT

CHARTERED ACCOUNTANTS

TGS TW PLT
202106000004 (LLP0026851-LCA) & AF002345
Chartered Accountants
Unit E-16-2B, Level 16, ICON Tower (East)
No.1, Jalan 1/68F, Jalan Tun Razak
50400 Kuala Lumpur
Tel: +603 9771 4326
Fax: +603 9771 4327
Email: tgsaudit@tgs-tw.com
www.tgs-tw.com

The Board of Directors
Sorento Capital Berhad
No. 5, Jalan Astana 2/KU2
Bandar Bukit Raja
41050 Klang
Selangor Darul Ehsan

Dear Sirs,

Reporting Accountants' opinion on the combined financial statements contained in the Accountants' Report of Sorento Capital Berhad ("Sorento Capital" or the "Company")

Opinion

We have audited the accompanying combined financial statements ("Financial Information") of Sorento Capital and its combining entities (collectively known as "Sorento Capital Group") which comprise the combined statements of financial position as at 30 June 2023, 30 June 2022 and 30 June 2021, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of Sorento Capital Group for the financial years ended 30 June 2023, 30 June 2022 and 30 June 2021, and a summary of significant accounting policies and other explanatory notes to the combined financial statements as set out in this report.

This Financial Information has been prepared for inclusion in the prospectus of Sorento Capital in connection with the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad. This report is prepared for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the accompanying Financial Information give a true and fair view of the combined financial position of the combining entities as at 30 June 2023, 30 June 2022 and 30 June 2021, and of their financial performance and cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

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

Basis for opinion (Cont'd)

Independence and other ethical responsibilities

We are independent of the combining entities 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.

Responsibilities of the Directors for the Financial Information

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

In preparing the Financial Information of the combining entities, the Directors are responsible for assessing the combining entities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the combining entities or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' responsibilities for the audit of the Financial Information

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

Reporting Accountants' responsibilities for the audit of the Financial Information (Cont'd)

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 Information of the combining entities, 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 combining entities' internal control.

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the combining entities' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our accountants' report to the related disclosures in the Financial Information of the combining entities 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 combining entities to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Information of the combining entities, including the disclosures, and whether the Financial Information of the combining entities represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the Financial Information of the combining entities or business activities within the combining entities to express an opinion on the Financial Information of the combining entities. We are responsible for the direction, supervision and performance of the combining entities audit. We remain solely responsible for our audit opinion.

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

Restriction on distribution and use

This report is made solely to the Company to comply with Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of the Company to be issued in relation to the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for no other purposes. We do not assume responsibility to any other person for the content of this report.

Other matter

The significant events occurring after the end of the financial year ended 30 June 2023 are disclosed in Notes 1(d) and 33 to the combined financial statements.

TGS TW PLT
202106000004 (LLP0026851-LCA) & AF002345
Chartered Accountants

OOI POH LIM
03087/10/2025 J
Chartered Accountant

KUALA LUMPUR
26 March 2024

SORENTO CAPITAL BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021

		Audited		
		2023	**2022**	**2021**
	Note	**RM**	**RM**	**RM**
ASSETS				
Non-current assets				
Property, plant and equipment	4	6,706,912	5,956,058	2,111,111
Investment properties	5	739,169	873,956	595,498
Investment in associates	6	350	350	405
Deferred tax assets	7	74,000	173,000	102,000
		7,520,431	7,003,364	2,809,014
Current assets				
Inventories	8	26,132,822	20,742,053	18,133,485
Trade receivables	9	27,141,901	27,724,497	17,835,225
Other receivables	10	3,000,658	2,011,108	2,555,105
Amount due from associates	11	50,000	50,000	2,865,000
Tax recoverable		916,999	1,715,316	1,542,002
Fixed deposits with a licensed bank	12	5,032,635	4,514,936	4,503,958
Cash and bank balances	13	7,993,344	3,692,024	2,960,599
		70,268,359	60,449,934	50,395,374
Total assets		77,788,790	67,453,298	53,204,388
EQUITY AND LIABILITIES				
EQUITY				
Share capital	14 (a)	1,000	-	-
Invested equity	14 (b)	381,000	381,000	381,000
Retained earnings		49,918,985	32,205,124	23,824,123
Total equity		50,300,985	32,586,124	24,205,123
LIABILITIES				
Non-current liabilities				
Loans and borrowings	15	2,633,017	2,578,616	-
Lease liabilities	16	396,654	200,147	61,863
Deferred tax liabilities	7	209,011	148,891	148,891
		3,238,682	2,927,654	210,754

SORENTO CAPITAL BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021 (CONT'D)

		Audited		
		2023	**2022**	**2021**
	Note	**RM**	**RM**	**RM**
EQUITY AND LIABILITIES (CONT'D)				
LIABILITIES (CONT'D)				
Current liabilities				
Loans and borrowings	15	9,530,842	6,799,371	2,475,000
Lease liabilities	16	145,479	73,642	50,523
Trade payables	17	10,784,810	22,971,049	23,730,198
Other payables	18	2,921,444	1,386,732	1,430,229
Amount due to Directors	19	866,548	708,726	1,068,935
Tax payable		-	-	33,626
		24,249,123	31,939,520	28,788,511
Total liabilities		27,487,805	34,867,174	28,999,265
Total equity and liabilities		77,788,790	67,453,298	53,204,388

The accompanying notes form an integral part of the combined financial statements.

SORENTO CAPITAL BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021

		Audited		
		2023	**2022**	**2021**
	Note	**RM**	**RM**	**RM**
Revenue	20	112,310,949	90,687,870	66,106,978
Cost of sales		(58,893,641)	(58,174,009)	(45,318,216)
Gross profit		53,417,308	32,513,861	20,788,762
Other income		224,478	212,355	2,016,371
Administrative expenses		(13,048,782)	(9,919,628)	(9,258,385)
Selling and distribution expenses		(6,782,349)	(4,848,776)	(3,523,809)
Other expenses		(327,074)	(514,388)	-
Net gain/(loss) on impairment of financial assets		33,193	(340,020)	3,454
Profit from operation		33,516,774	17,103,404	10,026,393
Finance costs	21	(395,497)	(135,429)	(102,555)
Profit before tax	22	33,121,277	16,967,975	9,923,838
Taxation	23	(8,191,216)	(4,226,474)	(2,146,447)
Profit for the financial years, representing total comprehensive income for the financial years		24,930,061	12,741,501	7,777,391
Total comprehensive income attributable to:				
Owners of the Company		24,930,061	12,741,501	7,777,391
Earnings per share:				
Basic (sen)	24	0.03	0.01	0.01
Diluted (sen)	24	*	*	*

* There are no dilutive earnings per share as the combining entities do not have any dilutive instruments for the financial years.

The accompanying notes form an integral part of the combined financial statements.

SORENTO CAPITAL BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021

	Note	Share capital RM	Invested equity RM	Retained earnings RM	Total equity RM
At 1 July 2020		-	351,100	20,279,732	20,630,832
Profit for the financial year, representing total comprehensive income for the financial year		-	-	7,777,391	7,777,391
Transactions with owners:					
Issuance of ordinary shares	14(b)	-	29,900	-	29,900
Dividends to owners of the combining entities	25	-	-	(4,233,000)	(4,233,000)
At 30 June 2021		-	381,000	23,824,123	24,205,123
At 1 July 2021		-	381,000	23,824,123	24,205,123
Profit for the financial year, representing total comprehensive income for the financial year		-	-	12,741,501	12,741,501
Transaction with owners:					
Dividends to owners of the combining entities	25	-	-	(4,360,500)	(4,360,500)
At 30 June 2022		-	381,000	32,205,124	32,586,124
At 1 July 2022		-	381,000	32,205,124	32,586,124
Profit for the financial year, representing total comprehensive income for the financial year		-	-	24,930,061	24,930,061
Transactions with owners:					
Issuance of ordinary shares	14(a)	1,000	-	-	1,000
Dividends to owners of the combining entities	25	-	-	(7,216,200)	(7,216,200)
At 30 June 2023		1,000	381,000	49,918,985	50,300,985

The accompanying notes form an integral part of the combined financial statements.

SORENTO CAPITAL BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2023,
30 JUNE 2022 AND 30 JUNE 2021

	Note	2023 RM	Audited 2022 RM	2021 RM
Cash flows from operating activities				
Profit before tax		33,121,277	16,967,975	9,923,838
Adjustments for:				
Dividend income		-	-	(445,500)
Depreciation of property, plant and equipment		599,507	499,541	379,993
Gain on disposal of property, plant and equipment		(19,060)	(28,641)	-
Property, plant and equipment written off		-	437	-
Depreciation of investment properties		15,085	4,052	4,052
Loss/(Gain) on disposal of investment properties		52,551	-	(33,390)
(Reversal of)/Impairment losses on slow moving inventories		(201,380)	81,915	138,931
Inventories written off		-	11,071	5,630
(Reversal of)/Allowance for expected credit losses on trade receivables		(33,193)	340,020	(3,454)
Interest expenses		395,497	135,429	102,555
Interest income		(202,215)	(77,675)	(89,926)
Unrealised loss/(gain) on foreign exchange		171,191	118,278	(427,256)
Bad debts written off		6,668	168,942	-
Loss on strike off of an associate		-	30	-
Operating profit before working capital changes		33,905,928	18,221,374	9,555,473
Changes in working capital:				
Inventories		(5,189,389)	(2,701,554)	(9,367,307)
Receivables		(106,936)	(9,830,184)	(2,428,652)
Payables		(10,772,392)	(946,443)	2,133,074
		(16,068,717)	(13,478,181)	(9,662,885)
Cash generated from/(used in) operations		17,837,211	4,743,193	(107,412)
Interest received		15,916	15,338	12,465
Tax paid		(7,900,879)	(4,504,414)	(2,759,738)
Tax refund		667,100	-	253,861
Net cash from/(used in) operating activities		10,619,348	254,117	(2,600,824)

SORENTO CAPITAL BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021 (CONT'D)

	Note	Audited 2023 RM	2022 RM	2021 RM
Cash flows from investing activities				
Purchase of property, plant and equipment	A	(984,800)	(4,154,284)	(1,491,764)
Proceeds from disposal of property, plant and equipment		20,499	71,000	-
Purchase of investment properties		(232,849)	(282,510)	(428,302)
Proceed from disposal of investment properties	B	12,000	-	1,500,000
Interest received		186,299	62,337	77,461
Dividend received		-	-	445,500
Net cash (used in)/from investing activities		(998,851)	(4,303,457)	102,895
Cash flows from financing activities				
Dividends paid		(7,216,200)	(4,360,500)	(4,233,000)
Interest paid		(395,497)	(135,429)	(102,555)
Drawdowns of term loans		117,500	2,714,500	-
Repayments of term loans		(73,628)	(39,513)	(937,346)
Drawdowns of bankers' acceptance		19,416,000	10,534,000	5,867,000
Repayments of bankers' acceptance		(16,674,000)	(6,306,000)	(4,405,000)
Advances from/(Repayment to) Directors	C	157,822	(360,184)	656,736
Repayments of lease liabilities	D	(98,656)	(71,597)	(61,582)
Repayments from associates		-	2,815,000	1,477,735
Proceed from issue of share capital		1,000	-	29,900
Net cash (used in)/from financing activities		(4,765,659)	4,790,277	(1,708,112)
Net cash increase/(decrease) in cash and cash equivalents		4,854,838	740,937	(4,206,041)
Cash and cash equivalents at the beginning of the financial year		8,206,960	7,464,557	11,670,388
Effect of exchange translation differences on cash and cash equivalents		(35,819)	1,466	210
Cash and cash equivalents at the end of the financial year		13,025,979	8,206,960	7,464,557
Cash and cash equivalents at the end of the financial year comprises:				
Cash and bank balances		7,993,344	3,692,024	2,960,599
Fixed deposits with a licensed bank		5,032,635	4,514,936	4,503,958
		13,025,979	8,206,960	7,464,557

SORENTO CAPITAL BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2023, 30 JUNE 2022 AND 30 JUNE 2021 (CONT'D)

NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

		Audited		
	Note	**2023 RM**	**2022 RM**	**2021 RM**
A. Purchase of property, plant and equipment				
Total additions		1,351,800	4,387,284	1,581,764
Less: Purchase through finance lease arrangements		(367,000)	(233,000)	(90,000)
Total cash payment		984,800	4,154,284	1,491,764
B. Proceed from disposal of investment properties				
Total proceed		300,000	-	1,500,000
Less: Other receivables		(288,000)	-	-
Total cash received		12,000	-	1,500,000
C. Advances from/(Repayment to) Directors				
Advances from/(Repayment to) Directors		157,822	(360,209)	606,736
Less: Proceeds on disposal of associates		-	25	50,000
Net advances from/(repayment to) Directors		157,822	(360,184)	656,736
D. Cash outflows for leases as a lessee				
Included in net cash from/(used in) operating activities:				
Payment relating to short-term leases	22	1,758,242	1,187,620	1,047,265
Included in net cash (used in)/from financing activities:				
Payment of lease liabilities		98,656	71,597	61,582
Payment on interest of lease liabilities		17,485	9,996	2,853
		116,141	81,593	64,435
		1,874,383	1,269,213	1,111,700

The accompanying notes form an integral part of the combined financial statements.

SORENTO CAPITAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL INFORMATION

1. **Corporate information**

(a) **Introduction**

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commision Malaysia and for inclusion in the prospectus of Sorento Capital ("the Company") in connection with the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Listing") and should not be relied upon for any other purposes.

(b) **Background**

The Company was incorporated on 17 May 2023 as a private limited liability company under the name of Sorento Capital Berhad and domiciled in Malaysia. On 19 March 2024, the Company was converted to public limited liability company and assumed its present name.

The registered office of the Company is located at Third floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at No. 5, Jalan Astana 2/KU2, Bandar Bukit Raja, 41050 Klang, Selangor Darul Ehsan.

(c) **Principal activities**

The Company's principal activity is investment holding.

The details of the subsidiaries as of the date of this report are as follows:

Name of company	Effective interest %	Date of incorporation	Principal activities
Sorento Sdn. Bhd. ("SSB")	100	17 June 2005	Wholesale of sanitary, kitchen and bathroom wares, bathroom utensils, equipment and accessories.
Nautical Sanitaryware Sdn. Bhd. ("NSSB")	100	27 June 2014	Trading of sanitary ware and bathroom accessories.

1. **Corporate information (Cont'd)**

(c) **Principal activities (Cont'd)**

The details of the subsidiaries as of the date of this report are as follows: (Cont'd)

Name of company	Effective interest %	Date of incorporation	Principal activities
Beyond Bath Sdn. Bhd. ("BBSB")	100	5 March 2014	Trading of bathroom wares, bathroom utensils, bathroom equipment and related products.
Ideal Bath Sdn. Bhd. ("IBSB")	100	18 October 2018	Trading of sanitary wares, tiling and building materials.
Held through SSB:			
Mocha Sdn. Bhd. ("MSB")	-	14 July 2023	Wholesale and trading of sanitary and bathroom wares, bathroom utensils, equipment and accessories, hardwares and kitchen wares and household appliances.

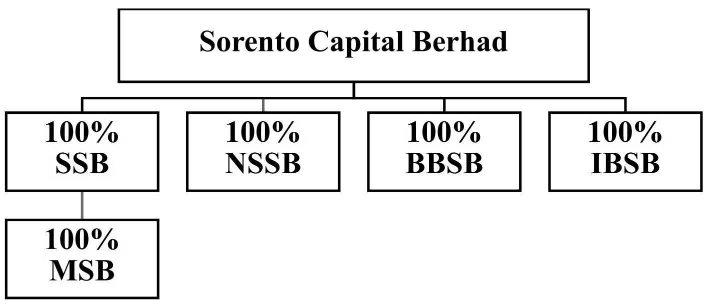
(d) **Acquisition**

The Sorento Capital Group has been formed pursuant to the completion of the acquisition of its subsidiaries by the Company prior to the Listing.

The Company entered into a conditional share sale and purchase agreement on 18 March 2024 to acquire the entire equity interest in SSB, NSSB, BBSB and IBSB for a total purchase consideration of RM42,299,940 to be satisfied by the issuance of 704,999,000 ordinary shares in the Company at an issue price of RM0.06 per share.

Once the acquisition is completed, it will be consolidated using merger method of accounting.

Following the completion of the acquisitions of SSB, NSSB, BBSB and IBSB, the group structure of the Company is as follows:



1. **Corporate information (Cont'd)**

(e) **Auditors**

The combined financial statements of Sorento Capital Group for the financial years ended 30 June 2023, 30 June 2022 and 30 June 2021 reflect only the financial information of SSB, NSSB, BBSB and IBSB, as there is no financial information for Sorento Capital as it was incorporated on 17 May 2023 for the purpose of the Listing.

The relevant financial years of the audited financial statements used for the purpose of the combined financial statements ("Relevant Financial Years") and the auditors are as follows:

Company	Relevant Financial Years	Auditors
SSB	30 June 2023	TGS TW PLT
	30 June 2022	TGS TW PLT
	30 June 2021	TGS TW PLT
NSSB	30 June 2023	TGS TW PLT
	30 June 2022	TGS TW PLT
	30 June 2021	TGS TW PLT
BBSB	30 June 2023	TGS TW PLT
	30 June 2022	TGS TW PLT
	30 June 2021	TGS TW PLT
IBSB	30 June 2023	TGS TW PLT
	30 June 2022	TGS TW PLT
	30 June 2021	TGS TW PLT

The audited financial statements of SSB, NSSB, BBSB and IBSB for the Relevant Financial Years reported above were not subject to any qualification or modification.

2. **Basis of preparation**

(a) **Statement of compliance**

The combined financial statements of the combining entities have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

The combined financial statements consist of the financial statements of combining entities as disclosed in Note 1(c) to this report, which were under common control throughout the reporting years by virtue of common controlling shareholders.

The combined financial statements have been prepared using financial information obtained from the records of the combining entities during the reporting years.

2. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

The combined financial statements of the combining entities have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial years, the combining entities have adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for the current financial years:

Amendment to MFRS 16	COVID-19 - Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020	Amendments to MFRS 1 Amendments to MFRS 9 Amendments to Illustrative Examples accompanying MFRS 16 Amendments to MFRS 141

The adoption of the amendments to MFRSs did not have any significant impact on the combined financial statements of the combining entities.

Standards issued but not yet effective

The combining entities have not applied the following new and amendments to MFRSs that have been issued by the MASB but are not yet effective for the combining entities:

		Effective dates for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023

2. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

The combining entities have not applied the following new and amendments to MFRSs that have been issued by the MASB but are not yet effective for the combining entities: (Cont'd)

		Effective dates for financial periods beginning on or after
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112	International Tax Reform - Pillar Two Model Rules	1 January 2023
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121	Lack of Exchangeability	1 January 2025
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

2. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

The combining entities intend to adopt the above new and amendments to MFRSs when they become effective.

The initial applications of the above-mentioned new and amendments to MFRSs are not expected to have any significant impacts on the combined financial statements of the combining entities.

(b) **Functional and presentation currency**

These combined financial statements are presented in Ringgit Malaysia ("RM"), which is the combining entities' functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) **Significant accounting judgements, estimates and assumptions**

The preparation of the combining entities' combined financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

The following are the judgements made by management in the process of applying the combining entities' accounting policies that have the most significant effect on the amounts recognised in the combined financial statements:

<u>Classification between investment properties and property, plant and equipment</u>

The combining entities have developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease), the combining entities would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are significant that a property does not qualify as investment property.

2. **Basis of preparation (Cont'd)**

(c) **Significant accounting judgements, estimates and assumptions (Cont'd)**

Judgements (Cont'd)

Determining the lease term of contracts with renewal and termination options - combining entities as lessee

The combining entities determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if they are reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if they are reasonably certain not to be exercised.

The combining entities have several lease contracts that include extension and termination options. The combining entities apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the combining entities reassess the lease term if there is a significant event or change in circumstances that is within its control and affect its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives of property, plant and equipment and investment properties

The combining entities regularly review the estimated useful lives of property, plant and equipment and investment properties based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and investment properties would increase the recorded depreciation and decrease the value of property, plant and equipment and investment properties. The carrying amounts at the reporting date for property, plant and equipment and investment properties are disclosed in Notes 4 and 5 to the combined financial statements respectively.

2. **Basis of preparation (Cont'd)**

(c) **Significant accounting judgements, estimates and assumptions (Cont'd)**

Key sources of estimation uncertainty (Cont'd)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unabsorbed capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised and unrecognised deferred tax assets are disclosed in Notes 7 and 23 to the combined financial statements respectively.

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The combining entities estimate the net realisable value of inventories based on an assessment of expected selling prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the combining entities' products, the combining entities might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8 to the combined financial statements.

Determination of transaction prices

The combining entities are required to determine the transaction price in respect of each of their contracts with customers. In making such judgement the combining entities assess the impact of any variable consideration in the contract due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no significant financing as the period between the transfer of control of good or service to a customer and the payment date is always less than one year, and no non-cash consideration noted in the contracts with customers.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the combining entities use the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the combining entities would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The combining entities estimate the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

2. **Basis of preparation (Cont'd)**

(c) **Significant accounting judgements, estimates and assumptions (Cont'd)**

Key sources of estimation uncertainty (Cont'd)

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The combining entities recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. **Significant accounting policies**

The combining entities apply the significant accounting policies set out below, consistently throughout all periods presented in the combined financial statements unless otherwise stated.

(a) **Consolidation**

Common control business combination outside the scope of MFRS 3

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, and accordingly the accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements.

In applying merger accounting, combined financial statements items of the combining entities or businesses for the reporting years in which the common control combination occurs, and for any comparative years disclosed, are included in the financial statements of the entity as if the combination had occurred from the date when the combining entities first came wider the control of the controlling party or parties prior to the common control combination.

A single uniform set of accounting policies is adopted by the entity. Therefore, the entity recognised the assets, liabilities and equity of the combining entities or business at the carrying amounts in the combined financial statements of the controlling party or parties to the common control combination.

3. **Significant accounting policies (Cont'd)**

(a) **Consolidation (Cont'd)**

Common control business combination outside the scope of MFRS 3 (Cont'd)

The carrying amounts are included as if such combined financial statements had been prepared by the controlling party, including adjustments required for conforming the entity's accounting policies and applying those policies to all years presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the entity.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. On combination, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in merger reserve.

(b) **Investment in associates**

An associate is an entity over which the combining entities have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

On acquisition of an investment in an associate, any excess of the cost of investment over the combining entities' share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the combining entities' share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and the investment is instead included as income in the determination of the combining entities' share of associate's profit or loss for the period in which the investment is acquired.

3. **Significant accounting policies (Cont'd)**

(b) **Investment in associates (Cont'd)**

An associate is accounted for either at cost or equity method as described in MFRS 128 from the date on which the investee becomes an associate. Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the combining entities' share of profit or loss and other comprehensive income of the associate after the date of acquisition. When the combining entities' share of losses in an associate equal or exceed their interests in the associate, the combining entities do not recognise further losses, unless they have incurred legal or constructive obligations or made payments on behalf of the associates.

Profits or losses resulting from upstream and downstream transactions between the combining entities and their associates are recognised in the combining entities' financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The financial statements of the associates are prepared as of the same reporting date as the combining entities. Where necessary, adjustments are made to bring the accounting policies in line with those of the combining entities.

The requirements of MFRS 136 *Impairment of Assets* are applied to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associates. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associates, the combining entities measure and recognise any retained investment at their fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the combining entities' separate financial statements, investment in associates is either stated at cost less accumulated impairment losses or equity method. On disposal of such investment, the difference between net disposal proceed and its carrying amount is recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(m)(i) to the combined financial statements on impairment of non-financial assets.

3. **Significant accounting policies (Cont'd)**

(c) **Foreign currency translations and balances**

Transactions in foreign currency are recorded in the functional currency of the combining entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(d) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(m)(i) to the combined financial statements on impairment of non-financial assets.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

Capital work-in-progress consists of software under development for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under development until the property, plant and equipment are ready for their intended use.

3. **Significant accounting policies (Cont'd)**

(d) **Property, plant and equipment (Cont'd)**

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the combining entities and their cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold building	2%
Computer and software	10% - 20%
Office equipment	10%
Furniture and fittings	10%
Renovation	10% - 20%
Motor vehicles	10% - 20%
Signboard	10%

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(e) **Leases**

As lessee

The combining entities recognise a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU 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 site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(m)(i) to the combined financial statements.

3. **Significant accounting policies (Cont'd)**

(e) **Leases (Cont'd)**

As lessee (Cont'd)

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Motor vehicles	10% - 20%

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the combining entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the combining entities are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

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 rate, or if the combining entities change their assessment of whether they will exercise an extension or termination option.

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

(f) **Investment properties**

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

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

3. **Significant accounting policies (Cont'd)**

(f) **Investment properties (Cont'd)**

Freehold land and buildings under construction are not depreciated. Other investment properties are depreciated on a straight-line basis to write down the cost of each asset to their residual values over their estimated useful lives. The principal annual depreciation rates are:

Freehold buildings	2%
Leasehold land and building	Over the lease term

The residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each reporting date.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(m)(i) to the combined financial statements on impairment of non-financial assets.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

(g) **Financial assets**

Financial assets are recognised in the combined statements of financial position when, and only when, the combining entities become a party to the contractual provisions of the financial instrument.

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

The combining entities determine the classification of their financial assets at initial recognition, and are not reclassified subsequent to their initial recognition unless the combining entities change their 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 in the business model.

3. **Significant accounting policies (Cont'd)**

(g) **Financial assets (Cont'd)**

(i) Financial assets at amortised cost

The combining entities measure financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

All financial assets, except for those measured at FVTPL and equity investments measured at fair value through other comprehensive income, are subject to impairment.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the combining entities commit to purchase or sell the asset.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

(h) **Financial liabilities**

Financial liabilities are recognised when, and only when, the combining entities become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at FVTPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

3. **Significant accounting policies (Cont'd)**

(h) **Financial liabilities (Cont'd)**

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

(i) **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 when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as financial liabilities at fair value, net of transaction costs. Subsequently, the liability is measured at the higher of:

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

(j) **Offsetting of financial instruments**

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

(k) **Inventories**

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

Cost of trading goods comprises cost of purchase and others costs incurred in bringing it to their present location and condition are determined on weighted average basis.

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

(l) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances and fixed deposits with a licensed bank that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3. **Significant accounting policies (Cont'd)**

(m) **Impairment of assets**

(i) **Non-financial assets**

The carrying amounts of non-financial 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, the asset's recoverable amount is estimated.

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

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

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

In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

(ii) **Financial assets**

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

3. **Significant accounting policies (Cont'd)**

(m) **Impairment of assets (Cont'd)**

(ii) **Financial assets (Cont'd)**

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

(n) **Share capital**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

Invested equity represents the paid-up capital of the combined entities held by the common control shareholders.

(o) **Provisions**

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

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

Any reimbursement that the combining entities can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is recognised in the profit or loss net of any reimbursement.

3. **Significant accounting policies (Cont'd)**

(p) **Employee benefits**

(i) Short-term employee benefits

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the combining entities have no further payment obligations.

(q) **Revenue recognition**

(i) Revenue from contracts with customers

Revenue is recognised when the combining entities satisfied a performance obligation ("PO") by transferring a promised good or service to the customers, which is when the customers obtain control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The combining entities recognise revenue from the following major source:

<u>Sales of goods - wholesale</u>

The combining entities sell sanitary, kitchen and bathroom wares, bathroom utensils, equipment, accessories, tiling and building materials in the wholesale market. Revenue from sales of goods is recognised when control of the products has transferred, being the products are delivered to the customers.

Following delivery of the goods to the wholesaler's specific location, the wholesaler has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

3. **Significant accounting policies (Cont'd)**

(q) **Revenue recognition (Cont'd)**

(ii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(iii) Dividend income

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

(r) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the combining entities incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

(s) **Income taxes**

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial 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 for all temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

3. **Significant accounting policies (Cont'd)**

(s) **Income taxes (Cont'd)**

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. 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.

(t) **Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The combining entities' operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(u) **Contingencies**

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(v) **Related parties**

A related party is a person or entity that is related to the combining entities. A related party transaction is a transfer of resources, services or obligations between the combining entities and their related parties, regardless of whether a price is charged.

3. **Significant accounting policies (Cont'd)**

(v) **Related parties (Cont'd)**

(a) A person or a close member of that person's family is related to the combining entities if that person:
   (i) has control or joint control over the combining entities;
   (ii) has significant influence over the combining entities; or
   (iii) is a member of the key management personnel of the combining entities.

(b) An entity is related to the combining entities if any of the following conditions applies:
   (i) The entity and the combining entities are members of the same group.
   (ii) The entity is an associate or joint venture of the other entity.
   (iii) Both entities are joint ventures of the same third party.
   (iv) The entity is a joint venture of a third entity and the other entity is an associate of the same third entity.
   (v) The entity is a post-employment benefit plan for the benefits of employees of either the combining entities or an entity related to the combining entities.
   (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
   (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the combining entities.
   (viii) The entity, or any member of an entity of which it is a party, provides key management personnel services to the combining entities.

4. **Property, plant and equipment**

	Freehold land RM	Freehold building RM	Computer and software RM	Office equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Signboard RM	Capital work-in-progress RM	Total RM
Cost										
At 1 July 2020	-	-	383,430	149,031	519,452	56,867	966,060	12,155	-	2,086,995
Additions	-	-	120,582	871,347	280,551	108,284	201,000	-	-	1,581,764
At 30 June 2021	-	-	504,012	1,020,378	800,003	165,151	1,167,060	12,155	-	3,668,759
Additions	1,171,508	2,400,000	25,679	34,730	134,705	152,433	274,441	10,620	183,168	4,387,284
Disposal	-	-	-	-	(207,562)	-	(39,050)	-	-	(246,612)
Written off	-	-	-	(460)	-	-	-	-	-	(460)
At 30 June 2022	1,171,508	2,400,000	529,691	1,054,648	727,146	317,584	1,402,451	22,775	183,168	7,808,971
Additions	-	-	61,066	80,387	99,074	390,199	486,502	5,612	228,960	1,351,800
Disposal	-	-	-	(1,799)	-	-	(41,000)	-	-	(42,799)
At 30 June 2023	1,171,508	2,400,000	590,757	1,133,236	826,220	707,783	1,847,953	28,387	412,128	9,117,972
Accumulated depreciation										
At 1 July 2020	-	-	172,911	89,764	249,261	34,855	628,433	2,431	-	1,177,655
Charge for the financial year	-	-	53,280	97,223	65,375	14,957	147,942	1,216	-	379,993
At 30 June 2021	-	-	226,191	186,987	314,636	49,812	776,375	3,647	-	1,557,648
Charge for the financial year	-	48,000	49,570	100,400	70,266	30,200	198,828	2,277	-	499,541
Disposal	-	-	-	-	(181,928)	-	(22,325)	-	-	(204,253)
Written off	-	-	-	(23)	-	-	-	-	-	(23)
At 30 June 2022	-	48,000	275,761	287,364	202,974	80,012	952,878	5,924	-	1,852,913
Charge for the financial year	-	48,000	56,446	108,143	79,932	46,615	257,532	2,839	-	599,507
Disposal	-	-	-	(360)	-	-	(41,000)	-	-	(41,360)
At 30 June 2023	-	96,000	332,207	395,147	282,906	126,627	1,169,410	8,763	-	2,411,060
Carrying amount										
At 30 June 2023	1,171,508	2,304,000	258,550	738,089	543,314	581,156	678,543	19,624	412,128	6,706,912
At 30 June 2022	1,171,508	2,352,000	253,930	767,284	524,172	237,572	449,573	16,851	183,168	5,956,058
At 30 June 2021	-	-	277,821	833,391	485,367	115,339	390,685	8,508	-	2,111,111

4. **Property, plant and equipment (Cont'd)**

(a) Including in net carrying amount of property, plant and equipment are right-of-use assets as follows:

	2023 RM	2022 RM	2021 RM
Motor vehicles			
Cost			
At beginning of the financial year	825,689	552,228	420,228
Additions	483,902	273,461	132,000
At end of the financial year	1,309,591	825,689	552,228
Accumulated depreciation			
At beginning of the financial year	482,010	316,873	206,427
Charge for the financial year	223,582	165,137	110,446
At end of the financial year	705,592	482,010	316,873
Carrying amount	603,999	343,679	235,355

(b) The net carrying amount of motor vehicles amounted to RM603,999 (2022: RM343,679 and 2021: RM235,355) were acquired under finance lease arrangements.

(c) Assets pledged as securities to financial institutions:

	2023 RM	2022 RM	2021 RM
Freehold land	1,171,508	1,171,508	-
Freehold building	2,304,000	2,352,000	-
	3,475,508	3,523,508	-

5. **Investment properties**

	Freehold land and building RM	Leasehold land and building RM	Freehold buildings RM	Freehold buildings in construction RM	Total RM
Cost					
At 1 July 2020	1,466,610	-	-	171,248	1,637,858
Additions	-	360,655	-	67,647	428,302
Disposal	(1,466,610)	-	-	-	(1,466,610)
At 30 June 2021	-	360,655	-	238,895	599,550
Additions	-	-	-	282,510	282,510
At 30 June 2022	-	360,655	-	521,405	882,060
Reclassification	-	-	521,405	(521,405)	-
Additions	-	-	232,849	-	232,849
Disposal	-	(360,655)	-	-	(360,655)
At 30 June 2023	-	-	754,254	-	754,254
Accumulated depreciation					
At 1 July 2020	-	-	-	-	-
Charge for the financial year	-	4,052	-	-	4,052
At 30 June 2021	-	4,052	-	-	4,052
Charge for the financial year	-	4,052	-	-	4,052
At 30 June 2022	-	8,104	-	-	8,104
Charge for the financial year	-	-	15,085	-	15,085
Disposal	-	(8,104)	-	-	(8,104)
At 30 June 2023	-	-	15,085	-	15,085
Carrying amount					
At 30 June 2023	-	-	739,169	-	739,169
At 30 June 2022	-	352,551	-	521,405	873,956
At 30 June 2021	-	356,603	-	238,895	595,498

The leasehold land of the combining entities was not separable from its leasehold building. Hence, depreciation was charged at the aggregate amount of leasehold land and building.

5. **Investment properties (Cont'd)**

Income and expenses recognised in profit or loss

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

	2023 RM	2022 RM	2021 RM
Direct operating expenses	88	-	-

Fair value basis of investment properties

The fair values of the investment properties of the combining entities were estimated by the Directors based on recent transacted prices in the market of properties with similar condition and location. In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

Fair value measurements of the investment properties were categorised as follows:

	2023 RM	2022 RM	2021 RM
Recurring fair value measurement:			
Leasehold land and building	-	381,171	381,171
Freehold buildings	785,004	-	-
	785,004	381,171	381,171

Level 3 fair value

Level 3 fair value of lands and buildings have been generally derived by using sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property site. The most significant input into this valuation approach is price per square foot of comparable properties.

6. **Investment in associates**

	2023 RM	2022 RM	2021 RM
Unquoted shares, at cost			
At beginning of the financial year	350	405	50,405
Disposal	-	(25)	(50,000)
Strike off	-	(30)	-
At end of the financial year	350	350	405

6. **Investment in associates (Cont'd)**

The details of the associates are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest 2023 %	2022 %	2021 %	Principal activities
GBI Building Materials Sdn. Bhd. ("GBI") *	Malaysia	35	35	35	Supply of building material for construction needs
SRT Bathware Sdn. Bhd. ("SRT") *	Malaysia	-	-	30	Trading of bathware
Boon Seng Resources Sdn. Bhd. ("Boon Seng") *	Malaysia	-	-	25	Investment holding and general trading

* *Associates not audited by TGS TW PLT*

(a) Summarised financial information of the associates is set out below:

(i) Summarised statement of financial position

	GBI 2023 RM	2022 RM	2021 RM
Non-current assets	6,831	7,473	8,111
Current assets	10,030	15,184	31,443
Current liabilities	(124,213)	(127,814)	(119,475)
Net liabilities	(107,352)	(105,157)	(79,921)

	SRT 2023 RM	2022 RM	2021 RM
Current assets	-	-	11,234
Current liabilities	-	-	(5,900)
Net assets	-	-	5,334

6. **Investment in associates (Cont'd)**

(a) Summarised financial information of the associate is set out below: (Cont'd)

(i) Summarised statement of financial position (Cont'd)

	Boon Seng		
	2023	**2022**	**2021**
	RM	**RM**	**RM**
Non-current assets	-	-	100,000
Current assets	-	-	12,307,719
Current liabilities	-	-	(12,445,038)
Net liabilities	-	-	(37,319)

(ii) Summarised statement of profit or loss

	GBI		
	2023	**2022**	**2021**
	RM	**RM**	**RM**
Loss for the financial year	(291)	(14,497)	(28,465)

	SRT		
	2023	**2022**	**2021**
	RM	**RM**	**RM**
Loss for the financial year	-	-	(5,764)
Included in profit or loss for the financial year is:			
- Revenue	-	-	4,846
- Dividend paid	-	-	(1,485,000)

	Boon Seng		
	2023	**2022**	**2021**
	RM	**RM**	**RM**
Loss for the financial year	-	-	(4,770)

The combining entities do not have obligation to share the loss before tax during the financial year as they have exceeded the cost of investment of GBI, SRT and Boon Seng respectively.

6. **Investment in associates (Cont'd)**

(b) Disposal/strike off of associates

On 11 January 2021, the combining entities disposed off 50% equity interest in Topyear Logistics Sdn. Bhd. for a cash consideration of RM50,000 at a no gain no loss position.

On 13 October 2021, the combining entities disposed off 25% equity interest in Boon Seng for a cash consideration of RM25 at a no gain no loss position.

On 30 November 2021, the combining entities struck off SRT, which had resulted a loss of RM30.

7. **Deferred tax assets/(liabilities)**

	2023 RM	**2022 RM**	**2021 RM**
At beginning of the financial year	24,109	(46,891)	24,435
Recognised in profit or loss	(191,976)	(3,247)	(99,872)
Under provision in prior financial year	32,856	74,247	28,546
At end of the financial year	(135,011)	24,109	(46,891)

The net deferred tax assets and liabilities shown on the combined statements of financial position after appropriate offsetting are as follows:

	2023 RM	**2022 RM**	**2021 RM**
Deferred tax assets	74,000	173,000	102,000
Deferred tax liabilities	(209,011)	(148,891)	(148,891)
	(135,011)	24,109	(46,891)

The components and movements of deferred tax assets/(liabilities) are as follows:

	2023 RM	**2022 RM**	**2021 RM**
Property, plant and equipment	(214,011)	(163,891)	(158,891)
Provisions	38,000	188,000	112,000
Unutilised business losses	41,000	-	-
	(135,011)	24,109	(46,891)

8. **Inventories**

	2023 RM	2022 RM	2021 RM
Trading goods	24,306,248	20,742,053	18,133,485
Goods-in-transit	1,826,574	-	-
	26,132,822	20,742,053	18,133,485

	2023 RM	2022 RM	2021 RM
Recognised in profit or loss:			
Inventories recognised as cost of sales	48,928,439	46,983,776	39,804,138
Inventories written off	-	11,071	5,630
(Reversal of)/Impairment losses on slow moving inventories	(201,380)	81,915	138,931

The inventories written off is made when the related inventories were obsolete.

Impairment losses on slow moving inventories is presented in cost of sales.

The reversal of impairment losses on slow moving inventories was made during the financial year when the related inventories were sold.

9. **Trade receivables**

	2023 RM	2022 RM	2021 RM
Trade receivables	27,281,383	28,457,679	18,228,387
Less: Allowance for expected credit losses ("ECLs")	(139,482)	(733,182)	(393,162)
	27,141,901	27,724,497	17,835,225

Trade receivables are non-interest bearing and are generally on cash on delivery to 90 days (2022: cash on delivery to 90 days and 2021: cash on delivery to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of RM947,030 (2022: RM938,735 and 2021: RM496,036) due from related companies in which Directors have interests.

9. **Trade receivables (Cont'd)**

Movements in the allowance for ECLs are as follows:

	2023 RM	2022 RM	2021 RM
At beginning of the financial year	733,182	393,162	396,616
Charge for the financial year	-	340,020	-
Reversal of impairment losses	(33,193)	-	(3,454)
Written off	(560,507)	-	-
At end of the financial year	139,482	733,182	393,162

The following table provides information about the exposure to credit risk and allowance for ECLs for trade receivables:

	Gross amount RM	ECLs RM	Net amount RM
2023			
Not past due	19,705,973	(1,493)	19,704,480
Past due:			
Less than 30 days	3,136,490	(1,067)	3,135,423
31 to 60 days	1,469,801	(688)	1,469,113
61 to 90 days	1,333,121	(1,492)	1,331,629
Past due more than 90 days	1,504,736	(3,480)	1,501,256
	27,150,121	(8,220)	27,141,901
Credit impaired:			
Individual impaired	131,262	(131,262)	-
	27,281,383	(139,482)	27,141,901
2022			
Not past due	16,922,058	(2,788)	16,919,270
Past due:			
Less than 30 days	5,813,973	(775)	5,813,198
31 to 60 days	2,083,011	(1,825)	2,081,186
61 to 90 days	701,937	(585)	701,352
Past due more than 90 days	2,218,960	(9,469)	2,209,491
	27,739,939	(15,442)	27,724,497
Credit impaired:			
Individual impaired	717,740	(717,740)	-
	28,457,679	(733,182)	27,724,497

9. **Trade receivables (Cont'd)**

The following table provides information about the exposure to credit risk and allowance for ECLs for trade receivables: (Cont'd)

	Gross amount RM	ECLs RM	Net amount RM
2021			
Not past due	6,422,928	(2,795)	6,420,133
Past due:			
Less than 30 days	4,701,288	(1,721)	4,699,567
31 to 60 days	2,597,829	(92)	2,597,737
61 to 90 days	1,385,789	(417)	1,385,372
Past due more than 90 days	2,759,910	(27,494)	2,732,416
	17,867,744	(32,519)	17,835,225
Credit impaired:			
Individual impaired	360,643	(360,643)	-
	18,228,387	(393,162)	17,835,225

10. **Other receivables**

	2023 RM	2022 RM	2021 RM
Non-trade receivables	296,588	1,211,765	2,270,918
Deposits	344,397	92,719	113,550
Prepayments	128,374	134,956	170,637
Advances to suppliers	2,231,299	571,668	-
	3,000,658	2,011,108	2,555,105

Non-trade receivables are unsecured, non-interest bearing and repayable on demand.

Included in non-trade receivables is an amount of RM1,565 (2022: RM2,264 and 2021: RM524,838) due from related companies in which Directors have interests.

The foreign currency profile of other receivables are as follows:

	2023 RM	2022 RM	2021 RM
United States Dollar ("USD")	156,642	1,716,681	1,099,482
Renminbi ("RMB")	1,861,665	-	-
	2,018,307	1,716,681	1,099,482

11. **Amount due from associates**

Amount due from associates represent non-trade in nature, unsecured, non-interest bearing and repayable on demand.

12. **Fixed deposits with a licensed bank**

The interest rate of fixed deposits with a licensed bank ranged from 2.25% to 3.65% (2022: 1.70% to 2.25% and 2021: 1.70% to 2.15%) per annum. The maturities of fixed deposits with a licensed bank were 90 days (2022: 30 to 90 days and 2021: 30 days).

13. **Cash and bank balances**

The foreign currency profile of cash and bank balances are as follows:

	2023	**2022**	**2021**
	RM	**RM**	**RM**
USD	29,426	28,045	75,093
Singapore Dollar ("SGD")	-	-	10
	29,426	28,045	75,103

14. **Share capital/Invested equity**

(a) **Share capital**

	Number of ordinary shares		
	2023	**2022**	**2021**
	Units	**Units**	**Units**
At beginning/end of the financial year	1,000	-	-

		Amount	
	2023	**2022**	**2021**
	RM	**RM**	**RM**
At beginning/end of the financial year	1,000	-	-

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. All ordinary shares rank equally with regards to the Company's residual assets.

14. **Share capital/Invested equity (Cont'd)**

(b) **Invested equity**

	Number of ordinary shares		
	2023	**2022**	**2021**
	Units	**Units**	**Units**
Issued and fully paid			
At beginning of the financial year	381,000	381,000	351,100
Issuance of shares	-	-	29,900
At end of the financial year	381,000	381,000	381,000

	Amount		
	2023	**2022**	**2021**
	RM	**RM**	**RM**
Issued and fully paid			
At beginning of the financial year	381,000	381,000	351,100
Issuance of shares	-	-	29,900
At end of the financial year	381,000	381,000	381,000

Invested equity comprised the aggregate number of issued and paid-up ordinary shares of SSB, NSSB, BBSB and IBSB.

During the financial year ended 30 June 2021, BBSB issued 29,900 new ordinary shares of RM1 each for a total cash consideration of RM29,900 for working capital purposes.

15. **Loans and borrowings**

	2023 RM	2022 RM	2021 RM
Total loans and borrowings			
Term loans	2,718,859	2,674,987	-
Bankers' acceptance	9,445,000	6,703,000	2,475,000
	12,163,859	9,377,987	2,475,000
Non-current			
Secured			
Term loans	2,633,017	2,578,616	-
Current			
Secured			
Term loans	85,842	96,371	-
Bankers' acceptance	9,445,000	6,703,000	2,475,000
	9,530,842	6,799,371	2,475,000
	12,163,859	9,377,987	2,475,000

The above credit facilities are secured by the followings:

(i) Legal charge over the freehold land and building of the combining entities as disclosed in Note 4 to the combined financial statements;
(ii) Legal charge over a unit of warehouse owned by a company in which the Directors have interests;
(iii) Facility agreements; and
(iv) Joint and several guarantees by the Directors of the combining entities.

The repayment terms of above credit facilities are as follows:

(i) Term loans are repayable by 240 to 300 (2022: 120 to 300 and 2021: 120) monthly installments.
(ii) Bankers' acceptance are repayable by 117 to 150 (2022: 21 to 296 and 2021: 14 to 120) days.

The average effective interest rates per annum are as follows:

	2023 %	2022 %	2021 %
Term loans	3.67 - 4.52	3.17 - 3.27	4.52
Bankers' acceptance	2.95 - 4.42	2.95 - 3.27	3.05 - 3.44

16. **Lease liabilities**

	2023 RM	2022 RM	2021 RM
Non-current	396,654	200,147	61,863
Current	145,479	73,642	50,523
	542,133	273,789	112,386

The maturity analysis of lease liabilities at the end of the reporting period:

	2023 RM	2022 RM	2021 RM
Within 1 year	166,857	84,660	55,774
Between 1 - 5 years	426,467	213,623	66,005
	593,324	298,283	121,779
Less: Future finance charges	(51,191)	(24,494)	(9,393)
Present value of lease liabilities	542,133	273,789	112,386

The combining entities lease motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease liabilities bear interest rates of 2.40% to 4.11% (2022: 3.35% to 4.11% and 2021: 3.08% to 3.35%) per annum. Interest rates are fiscal of the inspection of the lease liabilities agreements.

17. **Trade payables**

The normal trade credit terms granted to the combining entities ranged from cash term to 60 days (2022: cash term to 90 days and 2021: cash term to 90 days) depending on the terms of the contracts.

Included in trade payables is an amount of RMNil (2022: RMNil and 2021: RM34,365) due from related companies in which Directors have interests.

The foreign currency profile of trade payables are as follows:

	2023 RM	2022 RM	2021 RM
USD	7,701,378	9,917,817	18,827,371
RMB	2,603,794	-	-
	10,305,172	9,917,817	18,827,371

18. **Other payables**

	2023 RM	2022 RM	2021 RM
Non-trade payables	627,805	950,884	1,168,800
Accruals	2,293,639	435,848	261,429
	2,921,444	1,386,732	1,430,229

Included in non-trade payables is an amount of RM17,408 (2022: RM882 and 2021: RM58,257) due from related companies in which Directors have interests.

The foreign currency profile of other payables are as follows:

	2023 RM	2022 RM	2021 RM
RMB	83,018	-	-

19. **Amount due to Directors**

Amount due to Directors represent non-trade in nature, unsecured, non-interest bearing and repayable on demand.

20. **Revenue**

	2023 RM	2022 RM	2021 RM
Revenue from contracts with customers:			
Sales of goods	112,310,949	90,687,870	66,106,978
Timing of revenue recognition:			
At a point in time	112,310,949	90,687,870	66,106,978

21. **Finance costs**

	2023 RM	2022 RM	2021 RM
Interest expenses on:			
- Term loans	109,147	22,566	21,428
- Bankers' acceptance	268,865	102,867	78,274
- Lease liabilities	17,485	9,996	2,853
	395,497	135,429	102,555

22. **Profit before tax**

Profit before tax is determined after charging/(crediting) amongst other, the following items:

	2023 RM	2022 RM	2021 RM
Auditors' remuneration			
- Current financial year	109,000	206,600	61,600
- Over/(Under) provision in prior financial year	1,140	(2,200)	(1,500)
Depreciation of property, plant and equipment	599,507	499,541	379,993
Gain on disposal of property, plant and equipment	(19,060)	(28,641)	-
Property, plant and equipment written off	-	437	-
Depreciation of investment properties	15,085	4,052	4,052
Loss/(Gain) on disposal of investment properties	52,551	-	(33,390)
(Reversal of)/Impairment losses on slow moving inventories	(201,380)	81,915	138,931
Inventories written off	-	11,071	5,630
(Reversal of)/Allowance of expected credit losses on trade receivables	(33,193)	340,020	(3,454)
Interest income			
- Fixed deposits with a licensed bank	(186,299)	(62,337)	(77,461)
- Cash and cash equivalents	(15,916)	(15,338)	(12,465)
Foreign exchange loss/(gain)			
- Unrealised	171,191	118,278	(427,256)
- Realised	96,664	226,701	(369,339)

22. **Profit before tax (Cont'd)**

Profit before tax is determined after charging/(crediting) amongst other, the following items: (Cont'd)

	2023 RM	2022 RM	2021 RM
Bad debts written off/(recovered)	6,668	168,942	(340,429)
Loss on strike off of an associate	-	30	-
Short-term leases (a)	1,758,242	1,187,620	1,047,265
Wages subsidies (b)	-	(98,400)	(138,600)
Dividend income	-	-	(445,500)

(a) The combining entities lease various properties and motor vehicles with contract terms of not more than one year. These leases are short-term. The combining entities have elected not to recognise right-of-use assets and lease liabilities for these leases.

(b) The combining entities were entitled to a wages subsidy programme introduced by the government of Malaysia in response to the COVID-19 pandemic during the financial year.

23. **Taxation**

	2023 RM	2022 RM	2021 RM
Tax expenses recognised in profit or loss			
Current tax			
Current financial year provision	7,973,870	4,296,239	2,075,822
Under/(Over) provision in prior financial year	58,226	1,235	(701)
	8,032,096	4,297,474	2,075,121
Deferred tax			
Origination and reversal of temporary differences	191,976	3,247	99,872
Under provision in prior financial year	(32,856)	(74,247)	(28,546)
	159,120	(71,000)	71,326
	8,191,216	4,226,474	2,146,447

23. **Taxation (Cont'd)**

A reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expenses at the effective income tax of the combining entities are as follows:

	2023 RM	2022 RM	2021 RM
Profit before tax	33,121,277	16,967,975	9,923,838
At Malaysian statutory tax rate of 24% (2022: 24% and 2021: 24%)	7,949,106	4,072,314	2,381,721
Change in tax rate for first tranche of chargeable income	(73,145)	(48,150)	(99,319)
Expenses not deductible for tax purposes	467,711	216,841	168,738
Income not subject to tax	(53,026)	(51,439)	(274,774)
Under/(Over) provision of tax expenses in prior financial year	58,226	1,235	(701)
Under provision of deferred tax in prior financial year	(32,856)	(74,247)	(28,546)
Movements of deferred tax assets not recognised	(124,800)	109,920	(672)
	8,191,216	4,226,474	2,146,447

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2023 RM	2022 RM	2021 RM
Property, plant and equipment	-	(2,200)	(2,800)
Provisions	-	172,700	64,800
Unutilised business losses	-	348,700	-
Unabsorbed capital allowances	-	800	-
	-	520,000	62,000

In accordance with the provision of Finance Act 2018, the unutilised business losses could be carried forward for a maximum of seven consecutive years of assessment. Any balance of the unutilised business losses at the end of the seventh year shall be disregarded.

23. **Taxation (Cont'd)**

Unrecognised deferred tax assets (Cont'd)

The Finance Act 2021 stated that the time frame to carry forward unutilised business losses for year of assessment 2019 and subsequent years of assessment be extended from seven to ten consecutive years of assessment. The other temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset.

24. **Earnings per share**

Basic earnings per share

The basic earnings per share are calculated based on the profit for the financial year attributable to owners of the combining entities and the weighted average number of ordinary shares in issue during the financial year as follows:

	2023	**2022**	**2021**
	RM	**RM**	**RM**
Profit attributable to owners of the combining entities	24,930,061	12,741,501	7,777,391
Number of enlarged ordinary shares (units)	860,000,000	860,000,000	860,000,000
Basic earnings per ordinary share (sen)	0.03	0.01	0.01

Diluted earnings per share

There are no diluted earnings per share as the combining entities do not have any dilutive potential ordinary shares outstanding as at the end of the reporting date.

25. **Dividends**

	Audited		
	2023	**2022**	**2021**
	RM	**RM**	**RM**
Dividends recognised as distribution to owners of the combining entities:			
<u>SSB</u>			
An interim single-tier dividend of RM8.00 per ordinary share declared on 17 January 2023 and paid on 18 January 2023	2,000,000	-	-
An interim single-tier dividend of RM6.40 per ordinary share declared on 27 January 2023 and paid on 30 January 2023	1,600,000	-	-
An interim single-tier dividend of RM6.00 per ordinary share declared on 22 March 2023 and paid on 23 March 2023	1,500,000	-	-
An interim single-tier dividend of RM4.00 per ordinary share declared on 7 June 2023 and paid on 16 June 2023	1,000,000	-	-
An interim single-tier dividend of RM9.60 per ordinary share declared on 1 September 2021 and paid on 1 September 2021	-	2,400,000	-
An interim single-tier dividend of RM10.53 per ordinary share declared on 23 March 2021 and paid on 25 March 2021	-	-	2,632,500
<u>BBSB</u>			
An interim single-tier dividend of RM5.56 per ordinary share declared on 3 August 2022 and paid on 5 August 2022	166,800	-	-
An interim single-tier dividend of RM13.33 per ordinary share declared on 10 January 2023 and paid on 11 January 2023	399,900	-	-
An interim single-tier dividend of RM11.65 per ordinary share declared on 25 April 2023 and paid on 26 April 2023	349,500	-	-

25. **Dividends (Cont'd)**

	Audited 2023 RM	2022 RM	2021 RM
Dividends recognised as distribution to owners of the combining entities: (Cont'd)			
BBSB (Cont'd)			
An interim single-tier dividend of RM33.30 per ordinary share declared on 15 November 2021 and paid on 16 November 2021	-	999,000	-
An interim single-tier dividend of RM22.05 per ordinary share declared on 9 December 2021 and paid on 10 December 2021	-	661,500	-
An interim single-tier dividend of RM10.00 per ordinary share declared on 20 January 2022 and paid on 24 January 2022	-	300,000	-
An interim single-tier dividend of RM53.35 per ordinary share declared on 21 January 2021 and paid on 22 January 2021	-	-	1,600,500
IBSB			
An interim single-tier dividend of RM200.00 per ordinary share declared on 14 February 2023 and paid on 15 February 2023	200,000	-	-
	7,216,200	4,360,500	4,233,000

The combining entities had on 27 July 2023 declared an interim single-tier dividend of RM4.00 per share amounting to RM1,000,000 and payable on 28 July 2023. This dividend is not reflected in the combined financial statements for the current financial year and will be accounted for as an appropriation of retained earnings in the financial year ending 30 June 2024.

The combining entities had on 22 September 2023 declared an interim single-tier dividend of RM1.998 per share amounting to RM499,500 and payable on 25 September 2023. This dividend is not reflected in the combined financial statements for the current financial year and will be accounted for as an appropriation of retained earnings in the financial year ending 30 June 2024.

25. **Dividends (Cont'd)**

The combining entities had on 12 January 2024 declared an interim single-tier dividend of RM1.998 per share amounting to RM499,500 and payable on 19 January 2024. This dividend is not reflected in the combined financial statements for the current financial year and will be accounted for as an appropriation of retained earnings in the financial year ending 30 June 2024.

26. **Staff costs**

	2023 RM	2022 RM	2021 RM
Salaries, fees and other emoluments	8,348,235	6,119,646	5,790,703
Defined contribution plans	917,056	743,814	588,648
Social security contributions	101,871	76,437	69,456
Other benefits	192,290	153,754	118,009
	9,559,452	7,093,651	6,566,816

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the combining entities during the financial year as below:

	2023 RM	2022 RM	2021 RM
Fees	860,000	-	120,000
Salaries and other emoluments	692,345	637,299	839,427
Defined contribution plans	83,747	77,156	100,964
Social security contributions	4,626	3,758	3,545
	1,640,718	718,213	1,063,936

27. **Reconciliation of liabilities arising from financing activities**

The table below shows the details changes in the liabilities of the combining entities arising from financing activities, including both cash and non-cash changes:

	At 1.7.2022 RM	Drawdowns RM	Repayments RM	At 30.6.2023 RM
Term loans	2,674,987	117,500	(73,628)	2,718,859
Bankers' acceptance	6,703,000	19,416,000	(16,674,000)	9,445,000
Lease liabilities	273,789	367,000	(98,656)	542,133
	9,651,776	19,900,500	(16,846,284)	12,705,992

27. **Reconciliation of liabilities arising from financing activities (Cont'd)**

The table below shows the details changes in the liabilities of the combining entities arising from financing activities, including both cash and non-cash changes: (Cont'd)

	At 1.7.2021 RM	Drawdowns RM	Repayments RM	At 30.6.2022 RM
Term loans	-	2,714,500	(39,513)	2,674,987
Bankers' acceptance	2,475,000	10,534,000	(6,306,000)	6,703,000
Lease liabilities	112,386	233,000	(71,597)	273,789
	2,587,386	13,481,500	(6,417,110)	9,651,776

	At 1.7.2020 RM	Drawdowns RM	Repayments RM	At 30.6.2021 RM
Term loans	937,346	-	(937,346)	-
Bankers' acceptance	1,013,000	5,867,000	(4,405,000)	2,475,000
Lease liabilities	83,968	90,000	(61,582)	112,386
	2,034,314	5,957,000	(5,403,928)	2,587,386

28. **Capital commitment and corporate guarantee**

	2023 RM	2022 RM	2021 RM
Capital expenditure			
Authorised and contracted for:			
- Freehold land and building	-	-	3,430,000
- Investment properties	-	232,849	515,360
- Renovation	171,521	-	-
	171,521	232,849	3,945,360
Corporate guarantee			
Guarantee given to financial institutions for credit facilities granted to companies in which the Directors have interests	37,955,000	34,955,000	41,155,000

29. **Related party disclosures**

(a) Identifying related parties

For the purposes of these combined financial statements, parties are considered to be related to the combining entities if the combining entities have the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the combining entities 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 combining entities either directly or indirectly. The key management personnel comprise the Directors and management personnel of the combining entities, having authority and responsibility for planning, directing and controlling the activities of the combining entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the combined financial statements, the significant related party transactions of the combining entities are as follows:

	2023	**2022**	**2021**
	RM	**RM**	**RM**
Transactions with companies in which the Directors have interests			
- Sales to	(3,980,727)	(4,823,489)	(4,728,826)
- Purchase from	4,347	54,559	245,360
- Rental paid to	1,335,000	900,000	965,965
- Purchase of property, plant and equipment	-	-	12,874
- Administration fee paid	-	-	84,000
Transaction with a Director			
- Disposal of associates	-	25	50,000
Transaction with a person connected to a company in which the Directors have interests			
- Disposal of an investment property	-	-	1,500,000

29. **Related party disclosures (Cont'd)**

(c) Compensation of key management personnel

Remuneration of key management personnel is as follows:

	2023 RM	2022 RM	2021 RM
Salaries, wages and other emoluments	216,000	192,000	192,000
Defined contribution plans	25,200	23,040	22,320
Social security contributions	1,120	924	924
	242,320	215,964	215,244

30. **Segment information**

(a) Business segments

For management purposes, the combining entities are predominantly involved in trading of sanitary, kitchen and bathroom wares, bathroom utensils, equipment and accessories.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the combined financial statements.

Information about operating segments has not been reported separately as the combining entities' revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment.

(b) Geographic information

No disclosure on geographical segment information as the combining entities predominantly operates in Malaysia.

(c) Major customers

The combining entities have large and diversified customers base which consists of individuals and corporations. There was no single customer that contributed 10% or more of the combining entities' revenue for the financial years ended 30 June 2023, 30 June 2022 and 30 June 2021.

31. **Financial instruments**

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the combined statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	2023 RM	2022 RM	2021 RM
Financial assets			
At amortised cost			
Trade receivables	27,141,901	27,724,497	17,835,225
Other receivables	640,985	1,304,484	2,384,468
Amount due from associates	50,000	50,000	2,865,000
Fixed deposits with a licensed bank	5,032,635	4,514,936	4,503,958
Cash and bank balances	7,992,344	3,692,024	2,960,599
	40,857,865	37,285,941	30,549,250
Financial liabilities			
At amortised cost			
Loans and borrowings	12,163,859	9,377,987	2,475,000
Trade payables	10,784,810	22,971,049	23,730,198
Other payables	2,921,444	1,386,732	1,430,229
Amount due to Directors	866,548	708,726	1,068,935
	26,736,661	34,444,494	28,704,362

(b) Financial risk management objectives and policies

The combining entities' financial risk management policy is to ensure that adequate financial resources are available for the development of the combining entities' operations whilst managing their credit, liquidity and market risks. The combining entities operate within clearly defined guidelines that are approved by the Board and the combining entities' policy is not to engage in speculative transactions.

The following sections provide details regarding the combining entities' exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

31. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk

Credit risk is the risk of a financial loss to the combining entities if a customer or counterparty to a financial instrument fails to meet their contractual obligations. The combining entities' exposure to credit risk arises principally from trade receivables, other receivables, amount due from associates, fixed deposits with a licensed bank and cash and bank balances. There are no significant changes as compared to previous financial year.

The combining entities have adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The combining entities provide financial guarantees to banks for banking facilities granted to the companies in which the Directors have interests. The combining entities monitor on an ongoing basis the results of the related parties and repayments made by the related parties.

At each reporting date, the combining entities assess whether any of the receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when combining entities 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. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the combined statements of financial position as at the reporting date represent the combining entities' maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities to the companies in which the Directors have interests.

There are no significant changes as compared to previous financial year.

Credit risk concentration

The combining entities have no significant concentration of credit risk as their exposure spread over a large number of customers. The combining entities have no significant concentration of credit risks.

31. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk

Liquidity risk refers to the risk that the combining entities will encounter difficulty in meeting their financial obligations as they fall due. The combining entities' exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The combining entities' funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The combining entities finance their liquidity through internally generated cash flows and minimise liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the combining entities can be required to pay.

	On demand or within 1 year RM	1 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
2023					
Non-derivative financial liabilities					
Term loans	204,864	819,456	2,605,815	3,630,135	2,718,859
Bankers' acceptance	9,445,000	-	-	9,445,000	9,445,000
Lease liabilities	166,857	426,467	-	593,324	542,133
Trade payables	10,784,810	-	-	10,784,810	10,784,810
Other payables	2,921,444	-	-	2,921,444	2,921,444
Amount due to Directors	866,548	-	-	866,548	866,548
	24,389,523	1,245,923	2,605,815	28,241,261	27,278,794
Corporate guarantee *	37,955,000	-	-	37,955,000	-
2022					
Non-derivative financial liabilities					
Term loans	178,600	763,680	2,889,705	3,831,985	2,674,987
Bankers' acceptance	6,703,000	-	-	6,703,000	6,703,000
Lease liabilities	84,660	213,623	-	298,283	273,789
Trade payables	22,971,049	-	-	22,971,049	22,971,049
Other payables	1,386,732	-	-	1,386,732	1,386,732
Amount due to Directors	708,726	-	-	708,726	708,726
	32,032,767	977,303	2,889,705	35,899,775	34,718,283
Corporate guarantee *	34,955,000	-	-	34,955,000	-

31. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the combining entities can be required to pay. (Cont'd)

	On demand or within 1 year RM	1 to 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
2021					
Non-derivative financial liabilities					
Bankers' acceptance	2,475,000	-	-	2,475,000	2,475,000
Lease liabilities	55,774	66,005	-	121,779	112,386
Trade payables	23,730,198	-	-	23,730,198	23,730,198
Other payables	1,430,229	-	-	1,430,229	1,430,229
Amount due to Directors	1,068,935	-	-	1,068,935	1,068,935
	28,760,136	66,005	-	28,826,141	28,816,748
Corporate guarantee *	41,155,000	-	-	41,155,000	-

* Based on the maximum amount that can be called for under the corporate guarantee contract.

The combining entities provide financial guarantee to banks in respect of credit facilities granted to the companies in which the Directors have interests and monitors on an ongoing basis the performance of the related parties. At end of the financial year, there was no indication that the related parties would default on repayment.

Financial guarantee has not been recognised since the fair value on initial recognition was deemed not material and the probability of the related parties defaulting on their credit facilities is remote.

(iii) Market risk

(a) Foreign currency risk

The combining entities are exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of the combining entities. The currencies giving rise to this risk are primarily USD, RMB an SGD.

31. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(a) Foreign currency risk (Cont'd)

The carrying amounts of the combining entities' foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Denominated in			
	USD	**RMB**	**SGD**	**Total**
	RM	**RM**	**RM**	**RM**
2023				
Other receivables	156,642	1,861,665	-	2,018,307
Cash and bank balances	29,426	-	-	29,426
Trade payables	(7,701,378)	(2,603,794)	-	(10,305,172)
Other payables	-	(83,018)	-	(83,018)
	(7,515,310)	(825,147)	-	(8,340,457)
2022				
Other receivables	1,716,681	-	-	1,716,681
Cash and bank balances	28,045	-	-	28,045
Trade payables	(9,917,817)	-	-	(9,917,817)
	(8,173,091)	-	-	(8,173,091)
2021				
Other receivables	1,099,482	-	-	1,099,482
Cash and bank balances	75,093	-	10	75,103
Trade payables	(18,827,371)	-	-	(18,827,371)
	(17,652,796)	-	10	(17,652,786)

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the combining entities' profit before tax to a reasonably possible change in the USD, RMB and SGD exchange rates against RM, with all other variables held constant.

		Effect on profit before tax		
	Change in currency rate	**2023 RM**	**2022 RM**	**2021 RM**
USD	Strengthened 1% (2022: 1% and 2021: 1%)	(75,153)	(81,731)	(176,528)
	Weakened 1% (2022: 1% and 2021: 1%)	75,153	81,731	176,528

31. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(a) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis (Cont'd)

The following table demonstrates the sensitivity of the combining entities' profit before tax to a reasonably possible change in the USD, RMB and SGD exchange rates against RM, with all other variables held constant. (Cont'd)

	Change in currency rate	Effect on profit before tax 2023 RM	2022 RM	2021 RM
RMB	Strengthened 1% (2022: 1% and 2021: 1%)	(8,251)	-	-
	Weakened 1% (2022: 1% and 2021: 1%)	8,251	-	-
SGD	Strengthened 1% (2022: 1% and 2021: 1%)	-	-	*
	Weakened 1% (2022: 1% and 2021: 1%)	-	-	*

* *Amount below RM1*

(b) Interest rate risk

The combining entities' fixed rate deposits placed with a licensed bank and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The combining entities' variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The combining entities manage their interest rate risk of their deposits with a licensed financial institution by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The combining entities manage their interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The combining entities constantly monitor their interest rate risk by reviewing their debts portfolio to ensure favourable rates are obtained. The combining entities do not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

31. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

The interest rate profile of the combining entities' significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2023 RM	2022 RM	2021 RM
Fixed rate instruments			
Financial asset			
Fixed deposits with a licensed bank	5,032,635	4,514,936	4,503,958
Financial liabilities			
Bankers' acceptance	(9,445,000)	(6,703,000)	(2,475,000)
Lease liabilities	(542,133)	(273,789)	(112,386)
	(9,987,133)	(6,976,789)	(2,587,386)
Net financial (liabilities)/assets	(4,954,498)	(2,461,853)	1,916,572
Floating rate instrument			
Financial liability			
Term loans	(2,718,859)	(2,674,987)	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The combining entities do not account for any fixed rate financial asset 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.

31. **Financial instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

Cash flow sensitivity analysis for floating rate instrument

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the combining entities' profit before tax by RM27,189 (2022: RM26,750 and 2021: RMNil) arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

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

The combining entities entered into forward exchange contracts to manage their exposures to sales and purchase transactions that are denominated in RMB. The fair value of the foreign currency forward contracts has not been recognised in the combined financial statements as it is immaterial as at the end of the reporting date. The notional value of foreign currency forward contracts as at the end of the reporting year is as follows:

	2023	2022	2021
	RM	RM	RM
Foreign currency hedging contracts			
Notional value of contracts *	687,737	-	-

* *Equivalent to RMB1,062,963 (2022: Nil and 2021: Nil)*

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

31. **Financial instruments (Cont'd)**

(c) Fair value of financial instruments (Cont'd)

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair value for the financial assets and liabilities are estimated using unobservable inputs.

32. **Capital management**

The combining entities' objectives when managing capital are to safeguard the combining entities' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the combining entities may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There were no changes in the combining entities' approach to capital management during the financial year.

The combining entities are not subject to any externally imposed capital requirements.

33. **Subsequent event**

On 13 July 2023, the combining entities invested 100% in the share capital of MSB at an issue price of RM1 per share for total cash consideration of RM1,000.

SORENTO CAPITAL BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, the undersigned, being two of the Directors of the combining entities, do hereby state that, in the opinion of the Directors, the combined financial statements set out on pages 5 to 68 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the combined financial position of the combining entities as at 30 June 2023, 30 June 2022 and 30 June 2021 and of their combined financial performance and cash flows for the financial years ended 30 June 2023, 30 June 2022 and 30 June 2021.

Signed by the Board of Directors in accordance with a resolution of the Directors dated 26 March 2024.

LOO CHAI LAI	LOO JING KAI

KUALA LUMPUR