12.1 HISTORICAL FINANCIAL INFORMATION

Our Group's historical financial information for the FYE Under Review has been prepared in accordance with MFRS and IFRS. There are no accounting policies which are peculiar to our Group in regard to the nature of the businesses or the industries in which our Group is involved in and there has been no audit qualification on our Group's audited financial statements for the FYE Under Review.

The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Accountants Report" as set out in Sections 12.4 and 14 of this Prospectus, respectively.

12.1.1 Consolidated statements of profit or loss and other comprehensive income

The following table sets out a summary of our Group's audited statements of profit or loss and other comprehensive income for the FYE Under Review:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**
Revenue	76,460	101,787	113,534
Cost of sales	(32,068)	(38,744)	(43,470)
GP	**44,392**	**63,043**	**70,064**
Other operating income	3,324	3,431	3,392
Net gain/(loss) on impairment of financial assets	146	(134)	(228)
Selling and distribution expenses	(20,910)	(20,798)	(24,612)
General and administrative expenses	(18,433)	(15,523)	(15,508)
Finance costs	(596)	(717)	(749)
Share of profit/(loss) of an associate, net of tax	150	(269)	(909)
PBT	**8,073**	**29,033**	**31,450**
Tax expenses	(4,089)	(6,803)	(7,597)
PAT	**3,984**	**22,230**	**23,853**
Other comprehensive (loss)/income, net of tax			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translations	(14)	6	1
Item that will not be reclassified subsequently to profit or loss			
Fair value adjustment on other investments	-	-	911
Realisation of revaluation reserve on disposal of investment properties	-	-	(806)
Total other comprehensive (loss)/income, net of tax	**(14)**	**6**	**106**
Total comprehensive income attributable to owners of our Company	3,970	22,236	23,959
PAT attributable to owners of our Company	**3,984**	**22,230**	**23,853**
EBITDA(1)	16,993	37,511	40,004
GP margin (%)(2)	58.06	61.94	61.71
PBT margin (%)(3)	10.56	28.52	27.70
PAT margin (%)(4)	5.21	21.84	21.01
Effective tax rate (%)(5)	50.65	23.43	24.16
Number of Shares assumed in issue ('000)(6)	977,517	977,517	977,517
Basic and diluted EPS (sen)(7)	0.41	2.27	2.44

Notes:

(1) The table below sets forth a reconciliation of our Group's PBT to EBITDA:

	Audited		
	FYE 2021	***FYE 2022***	***FYE 2023***
	RM'000	***RM'000***	***RM'000***
PBT	**8,073**	**29,033**	**31,450**
Adjusted for:			
Depreciation of property, plant and equipment	2,252	1,997	2,208
Depreciation of right-of-use assets	6,553	6,254	6,314
Interest expenses	596	717	749
Interest income	(481)	(490)	(717)
EBITDA	**16,993**	**37,511**	**40,004**

EBITDA presented in this Prospectus is a supplemental measure of our Group's performance and liquidity that are not required by or presented in accordance with IFRS and MFRS. Further, EBITDA is not a standardised term and hence, direct comparisons of EBITDA between companies may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.

(2) Computed based on total GP divided by total revenue.

(3) Computed based on total PBT divided by total revenue.

(4) Computed based on total PAT attributable to owners of our Company divided by total revenue.

(5) Computed based on total tax expenses divided by total PBT.

(6) Being our enlarged share capital of 977,517,100 Shares upon completion of our IPO.

(7) Computed based on PAT attributable to owners of our Company divided by our enlarged share capital upon completion of our IPO. The diluted EPS is equal to the basic EPS as we do not have any outstanding convertible securities.

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12.1.2 Consolidated statements of financial position

The following table sets out a summary of our Group's audited statements of financial position as at 30 June 2021, 2022 and 2023:

	Audited		
	As at 30 June		
	2021	2022	2023
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	22,470	23,479	40,368
Right-of-use assets	14,146	18,037	15,342
Goodwill	20	-	-
Investment properties	4,800	4,800	-
Investment in an associate	4,453	4,185	-
Other investments	-	-	4,767
Deferred tax assets	1,032	1,405	1,281
	46,921	**51,906**	**61,758**
Current assets			
Inventories	9,589	11,120	14,520
Trade and other receivables	10,761	19,618	8,800
Current tax assets	195	327	155
Cash and bank balances	39,601	47,321	60,864
Short term funds	5,711	5,815	2,936
	65,857	**84,201**	**87,275**
TOTAL ASSETS	**112,778**	**136,107**	**149,033**
EQUITY AND LIABILITIES			
Share capital	68,000	68,000	68,000
Exchange translation reserve	(256)	(250)	(250)
Revaluation reserve	806	806	-
Fair value reserve	-	-	911
Retained earnings	3,562	21,764	31,519
TOTAL EQUITY	**72,112**	**90,320**	**100,180**
LIABILITIES			
Non-current liabilities			
Borrowings	12,012	10,568	18,598
Lease liabilities	11,610	14,049	11,929
Deferred tax liabilities	50	50	9
Provision for restoration costs	590	1,204	1,135
	24,262	**25,871**	**31,671**
Current liabilities			
Trade and other payables	9,083	10,418	8,987
Borrowings	1,024	1,043	1,103
Lease liabilities	5,246	5,705	5,452
Provision for restoration costs	259	287	342
Current tax liabilities	792	2,463	1,298
	16,404	**19,916**	**17,182**
TOTAL LIABILITIES	**40,666**	**45,787**	**48,853**
TOTAL EQUITY AND LIABILITIES	**112,778**	**136,107**	**149,033**

12.1.3 Consolidated statements of cash flows

The following table sets out the summary of our Group's audited statements of cash flows for the FYE Under Review:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
PBT	8,073	29,033	31,450
Adjustments for:			
Depreciation of property, plant and equipment	2,252	1,997	2,208
Depreciation of right-of-use assets	6,553	6,254	6,314
Fair value loss/(gain) on short term funds	Neg	(51)	(113)
Gain on dilution of equity interest in an associate	(302)	-	(580)
Gain on disposal of:			
- investment properties	-	-	(1,856)
- property, plant and equipment, net	-	(3)	(4)
Gain on reassessments and modifications of leases	(594)	(918)	-
Impairment losses on:			
- trade and other receivables	6	215	241
- other investments	4,483	-	-
- property, plant and equipment	524	-	-
- right-of-use assets	1,505	-	-
- goodwill	-	20	-
Reversal of impairment losses on:			
- trade and other receivables	(152)	(81)	(13)
- right-of-use assets	-	(9)	-
Interest expenses	592	620	642
Interest income	(481)	(490)	(717)
Other receivable written off	-	2	1
Property, plant and equipment written off	3	1	3
Lease concessions	(975)	(984)	(39)
Share of (profit)/loss of an associate, net of tax	(150)	269	909
Unrealised loss/(gain) on foreign exchange, net	63	(120)	(17)
Unwinding of discount on provision for restoration costs	5	97	107
Operating profit before changes in working capital	**21,405**	**35,852**	**38,536**
Changes in working capital:			
Inventories	33	(1,530)	(3,400)
Trade and other receivables	(1,322)	(8,878)	10,590
Trade and other payables	(468)	976	(2,209)
Cash generated from operations	**19,648**	**26,420**	**43,517**
Tax paid	(4,013)	(5,641)	(8,456)
Tax refunded	10	4	-
Net cash from operating activities	**15,645**	**20,783**	**35,061**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of interests in an associate	(4,001)	-	-
Acquisition of other investment	(4,483)	-	-
Interest received	481	490	717
(Placement)/Withdrawal of short term funds	(107)	(53)	2,991
Proceeds from disposal of investment properties	-	-	5,800
Proceeds from disposal of property, plant and equipment	-	4	5
Purchase of property, plant and equipment	(848)	(2,649)	(18,323)
Net cash used in investing activities	**(8,958)**	**(2,208)**	**(8,810)**

12. FINANCIAL INFORMATION *(CONT'D)*

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	(15)	(9)	(5)
Dividends paid	(4,028)	(4,028)	(14,099)
Payments of leases liabilities	(5,762)	(5,402)	(6,690)
Repayments of terms loans	(893)	(1,436)	(3,480)
Drawdowns of term loans	11	11	11,550
Net cash used in financing activities	**(10,687)**	**(10,864)**	**(12,724)**
Net (decrease)/increase in cash and cash equivalents	**(4,000)**	**7,711**	**13,527**
Effects of exchange rate changes on cash and cash equivalents	(16)	9	16
Cash and cash equivalents at beginning of financial year	43,617	39,601	47,321
Cash and cash equivalents at end of financial year	**39,601**	**47,321**	**60,864**
Cash and cash equivalents consist of:			
Cash and bank balances	37,851	34,921	37,129
Deposits with a licensed bank	1,750	12,400	23,735
	39,601	**47,321**	**60,864**

Note:
Neg *Negligible.*

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12.2 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out a summary of the pro forma consolidated statements of financial position of our Group, to show the effects of the Public Issue and the use of proceeds from the Public Issue.

The pro forma consolidated statements of financial position is presented for illustrative purposes only and should be read in conjunction with the Reporting Accountants' report together with the notes and assumptions accompanying the Pro forma Consolidated Statements of Financial Position as set out in Section 13 of this Prospectus.

	(Audited)	(I)	(II)	(III)
	As at 30 June 2023	After subsequent events[(1)]	After (I) and the Public Issue	After (II) and the use of proceeds from the Public Issue
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	40,368	40,368	40,368	40,368
Right-of-use assets	15,342	15,342	15,342	15,342
Other investments	4,767	4,767	4,767	4,767
Deferred tax assets	1,281	1,281	1,281	1,281
	61,758	**61,758**	**61,758**	**61,758**
Current assets				
Inventories	14,520	14,520	14,520	14,520
Trade and other receivables	8,800	8,800	8,800	8,800
Current tax assets	155	155	155	155
Cash and bank balances	60,864	52,807	[•]	[•]
Short term funds	2,936	2,936	2,936	2,936
	87,275	**79,218**	**[•]**	**[•]**
TOTAL ASSETS	**149,033**	**140,976**	**[•]**	**[•]**
EQUITY AND LIABILITIES				
Share capital	68,000	68,000	[•]	[•]
Exchange translation reserve	(250)	(250)	(250)	(250)
Revaluation reserve	-	-	-	-
Fair value reserve	911	911	911	911
Retained earnings	31,519	23,462	23,462	[•]
TOTAL EQUITY	**100,180**	**92,123**	**[•]**	**[•]**
LIABILITIES				
Non-current liabilities				
Borrowings	18,598	18,598	18,598	18,598
Lease liabilities	11,929	11,929	11,929	11,929
Deferred tax liabilities	9	9	9	9
Provision for restoration costs	1,135	1,135	1,135	1,135
	31,671	**31,671**	**31,671**	**31,671**

	(Audited)	(I)	(II)	(III)
	As at 30 June 2023	After subsequent events[(1)]	After (I) and the Public Issue	After (II) and the use of proceeds from the Public Issue
	RM'000	RM'000	RM'000	RM'000
Current liabilities				
Trade and other payables	8,987	8,987	8,987	8,987
Borrowings	1,103	1,103	1,103	1,103
Lease liabilities	5,452	5,452	5,452	5,452
Provision for restoration costs	342	342	342	342
Current tax liabilities	1,298	1,298	1,298	1,298
	17,182	**17,182**	**17,182**	**17,182**
TOTAL LIABILITIES	**48,853**	**48,853**	**48,853**	**48,853**
TOTAL EQUITY AND LIABILITIES	**149,033**	**140,976**	**[•]**	**[•]**
No. of Shares in issue ('000)	805,651	805,651	977,517	977,517
NA per Share (RM)[(2)]	0.12	0.11	[•]	[•]
Gearing (times)[(3)]	0.20	0.21	[•]	[•]
Current ratio (times)[(4)]	5.08	4.61	[•]	[•]

Notes:

(1) After accounting for the following events subsequent to FYE 2023:

- *single tier interim dividend of 0.5 sen per Share in respect of FYE 2024 with an entitlement date and payment date of 1 September 2023 and 15 September 2023, respectively; and*
- *single tier interim dividend of 0.5 sen per Share in respect of FYE 2024 with an entitlement date and payment date of 8 March 2024 and 20 March 2024, respectively.*

(2) Computed based on total equity divided by number of Shares in issue.

(3) Computed based on total borrowings (i.e., borrowings and lease liabilities owing to financial institutions) divided by total equity.

(4) Computed based on total current assets divided by total current liabilities.

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12.3 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness as at 31 January 2024 and adjusting for the effect of the Public Issue and the use of proceeds from the Public Issue.

The pro forma financial information below does not represent our Group's capitalisation and indebtedness as at 31 January 2024 and is provided for illustrative purpose only.

	Unaudited as at 31 January 2024	**As adjusted after Public Issue and use of proceeds**
	RM'000	**RM'000**
Indebtedness		
Current		
Secured and guaranteed		
- Term loans	840	840
- Lease liabilities[(1)]	36	36
Non-current		
Secured and guaranteed		
- Term loans	7,230	7,230
	8,106	8,106
Current		
Not secured and not guaranteed		
- Lease liabilities[(2)]	6,065	6,065
Non-current		
Not secured and not guaranteed		
- Lease liabilities[(2)]	15,272	15,272
	21,337	21,337
Total indebtedness	**29,443**	**29,443**
Total capitalisation	**106,843**	**[•]**
Total capitalisation and indebtedness	**136,286**	**[•]**
Gearing ratio (times)[(3)]	0.08	[•]

Notes:

(1) Being lease liabilities owing to a financial institution.

(2) Being lease liabilities arising in relation to the lease of boutiques and head office of our Group.

(3) Computed based on total indebtedness (excluding lease liabilities arising in relation to the lease of boutiques and head office of our Group) divided by total capitalisation.

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12.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our Group's financial condition and results of operations should be read together with the Accountants' Report and related notes as set out in Section 14 of this Prospectus.

This discussion and analysis contains data derived from our consolidated financial statements as well as forward-looking statements that reflect our views with respect to future events and our Group's future financial performance. Actual events and results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 9 of this Prospectus.

12.4.1 Overview of our business operations

We have 2 operating segments as summarised below:

(i) Retailing - designing, promoting, marketing, distributing and retailing of women's handbags, footwear and accessories under the Carlo Rino and C.Rino (for eyewear only) brands.

For the FYE Under Review, retailing segment is the main revenue contributor to our Group with revenue contribution at 99.64%, 99.72% and 99.94%, respectively, and generates sales via the following sale channels:

Boutique	Departmental store	E-commerce platforms
We sell a wide range of women's handbags, footwear, and accessories under the brands of Carlo Rino and C.Rino (eyewear only) at 36 boutiques in shopping malls and 5 premium outlets in Malaysia as at the LPD, which were rented by our Group.	We consign our Carlo Rino range of women's handbags, footwear, and accessories to 82 departmental store counters in Malaysia as at the LPD, such as AEON, Isetan, Parkson, SOGO, GAMA, The Store, and Pacific Group. Sales from end-customers generated through departmental store counters are invoiced on a monthly basis. We are charged with a trade margin by the departmental stores based on the sales value of products sold.	We promote and sell our range of women's handbags, footwear, and accessories on our own online platform at https://www.carlorino.net as well as various third-party e-commerce platforms such as Zalora, Lazada, Shopee and TikTok Shop in Malaysia.

Malaysia, which contributes more than 99% of our Group's total revenue for the FYE Under Review, is the principal market for our Group's retailing segment for the FYE Under Review; and

(ii) Investment and management services – investment holding of securities and properties and provision of management services.

This segment, which contributes less than 1% of our Group's total revenue for the FYE Under Review, refers to the rental income from our investment property located in Desa Tun Razak, Cheras, which was later disposed of on 20 April 2023.

Please refer to Section 7 of this Prospectus for our Group's detailed business overview.

12.4.2 Significant factors affecting our Group's financial condition and results of operations

Our Group's financial condition and results of operations have been, and are expected to be affected by, amongst others, the principal factors set out below:

(i) Dependency on our brand and reputation

Our Carlo Rino brand, logo and trademark have brand value and recognition that have contributed significantly to the growth and success of our Group's business. Our brand is essential for our continued ability to attract consumers to visit and shop at our boutiques, purchase our products via our own online platform and third party e-commerce platforms, and to maintain our relationships with suppliers, shopping mall operators and landlords. However, occurrence of events which draw negative publicity may impact our Carlo Rino brand, deter consumers from shopping with us, and discourage suppliers from conducting business with us. Examples of such events include incidents relating to product quality, business practice as well as perception from the general public and customers which are beyond our control.

The occurrence of negative events could lead to decreased trust and confidence in our products, reduced demand for our products and adversely affect our business, financial performance and prospects.

(ii) Demand for our Group's products

The demand for our Group's products is dependent on the market sentiment, our ability to design products which are in line with the latest fashion trends and our capability of pricing our products competitively as well as appropriately and timely carrying out A&P activities. Consumers are generally receptive to the frequently changing fashion trends, resulting in relatively shorter product lifecycles for women's footwear and handbags.

According to the IMR Report, the market for women's footwear in Malaysia is forecasted to grow at a healthy CAGR of 9.0% between 2022 and 2027, from RM3.91 billion in 2022 to RM6.00 billion in 2027. Further, the market for women's handbags in Malaysia is projected to grow at a CAGR of 7.1% between 2022 and 2027, from RM3.09 billion in 2022 to RM4.34 billion in 2027, whereas the market for accessories is projected to grow at a CAGR of 7.9% for the same period from RM16.09 billion to RM23.49 billion.

We believe our Group is well positioned to capitalise on the continued growth of women's footwear and handbags markets in Malaysia as these have been and are our product focus. By leveraging on our D&D capability (in identifying trends, creating new design and SKUs that meet consumer needs and preferences in a timely manner) as well as sales and marketing initiatives in increasing brand awareness, we anticipate that demand for our women's footwear and handbags will continue to grow.

(iii) Competition

Our Group's financial condition and results of operations will be affected by our ability to address the competitive pressures in the industry in which we operate. Our Group faces competition from other women's footwear and handbag industry players, be it existing competitors or new competitors seeking to penetrate markets which our Group operates in. Increased competition may result in lower profit as well reduced profit margins, loss of market share and/or increased difficulty in market penetration. All of these could adversely affect our Group's operations and financial results.

We can leverage on our D&D capability in identifying trends and creating new designs and SKUs that meet consumer needs and preferences in a timely manner; sales and marketing initiatives in increasing brand awareness; and executive leadership from our Group Managing Director to steer our Group through the competitive landscape in which our Group operates in.

(iv) General economic conditions and consumer spending in Malaysia

Malaysia is the principal market for our business, which accounted for more than 99% of our Group's total revenue for the FYE Under Review. Further, as at the LPD, we operate 36 boutiques, 5 premium outlets and 82 departmental store counters in Malaysia. As a result, our Group's business depends on, and will continue to depend on, Malaysian consumer spending, general state of the Malaysian economy and the tax regime in Malaysia.

Our Group's business is dependent on consumer spending patterns which could be affected by numerous factors such as market performance, inflation and unemployment rates, fluctuation of income levels, consumer preferences and brand loyalty.

The market performance is largely driven by economic trends, such as disposable income, consumer confidence and consumer spending. With greater consumer spending power, consumers in Malaysia would also be more conscious of fashion styles, place more importance on keeping up with the latest trends and may have an affinity for recognised brands. Accordingly, this will drive demand for the women's footwear, handbags and accessories in Malaysia.

Consumers' demands and preferences are ever changing. Inability of our D&D personnel to identify the consumers' needs and expectations may result in our Group losing out sales opportunities to compete with other fashion brands in the market.

(v) Rental expenses and capital expenditure

Our retail segment requires us to set-up our boutiques at high foot traffic locations and renovate and refurbish our boutiques from time to time in order to achieve maximum brand awareness. Accordingly, rental expenses and renovation expenses are our major operating expenses. The average tenancy tenure for the tenancy agreements with shopping mall operators and/or landlords for the leasing of our boutiques is 3 years with renewal option. Such tenancy agreements may also subject to review and revision by the shopping mall operators and/or landlords, depending on the provisions and terms stipulated in the respective tenancy agreements. Further, rental rates also subject to prevailing property market conditions, location and the demand profile of particular retail lots within a locality. Renovation expenses are subject to material costs and renovation work specifications.

Our Group's financial performance may be affected if the shopping mall operators and/or landlords choose to significantly increase rental rates upon renewal, particularly for prime locations, or if shopping mall operators and/or landlords choose not to renew the tenancies for our boutiques. In such event, we may not be able to operate the affected boutiques optimally, or may even need to relocate our boutiques and terminate the tenancy arrangement.

(vi) Impact of the COVID-19

The recurrent outbreak and spread of the COVID-19 pandemic or other contagious or virulent diseases had and will continue to affect our Group's business operations. As evidenced during the COVID-19 pandemic, measures such as lockdowns or movement restrictions have impacted the operation of retail business in Malaysia. Any reduction in retail activities will affect the demand for our Group's products which in turn, could affect the business operations and financial performances of our Group. Refer to Section 7.15.2 of this Prospectus for further details on the business interruptions and impact of COVID-19 to our Group.

(vii) SSSG

SSSG is a measure of growth in revenue generated by our boutiques during a period as compared to the revenue generated by the same boutique during the corresponding period of preceding year/period. A boutique can record positive SSSG due to increase in revenue arising from (i) an increase in the average value of each transaction at the boutique; and/or (ii) an increase in the number of transactions at the boutique. The average transaction value varies across our boutiques depending on the product mix and the prices of products offered at the boutique as well as our ability to anticipate and respond effectively to consumer preference, consumer buying patterns and economic trends. We continuously review our product mix and pricing in order to respond to the changing preferences of our customers and to maintain a competitive advantage over our competitors. The number of transactions at a boutique depends primarily on the level of footfall to the boutique's location, our ability to provide a product range that generate new and repeat visits to our boutiques, satisfactory customer experience and the standard of services we provide to our customers at our boutiques.

The following table sets out the SSSG of our boutiques*(1)* for the FYE Under Review:

	FYE 2021	FYE 2022	FYE 2023
SSSG (%)*(1)*	-7.91	+36.82	+17.61

Note:

(1) The SSSG of our boutiques for a period (e.g. 12 months) is computed by dividing (a) the revenue by our boutiques during current period after deducting the revenue generated by same boutiques during the corresponding preceding period, by (b) the revenue generated by the same boutiques during the preceding period.

SSSG of our boutiques reduced by 7.91% in FYE 2021 primarily due to movement restriction measures and closure of borders during the COVID-19 outbreak, which led to lower foot traffic (including tourist arrivals) to our boutiques.

SSSG of our boutiques improved to 36.82% in FYE 2022 primarily due to the recovery of sales from most of our boutiques which were attributed to the progressive relaxation of the restriction imposed by the Government and the return of tourists into our country after the Government eased the entry restrictions for travellers to Malaysia in the second half of FYE 2022.

SSSG of our boutiques improved to 17.61% in FYE 2023 primarily due to higher sales recorded from our Genting Highland Premium Outlet, Mitsui Outlet Park KLIA and Pavilion boutique fuelled by higher domestic spending coupled with higher tourist arrivals as Malaysia transitioned into the endemic phase and re-opened its international borders on 1 April 2022.

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12.4.3 Review of results of operations

(i) Revenue

The segmental analysis of our Group's revenue for the FYE Under Review are set out below:

(a) Revenue by product group

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Women's handbags	47,759	62.46	64,517	63.38	67,892	59.80
Women's footwear	13,936	18.23	17,008	16.71	22,467	19.79
Women's accessories	14,486	18.95	19,981	19.63	23,103	20.35
Others[(1)]	279	0.36	281	0.28	72	0.06
TOTAL	**76,460**	**100.00**	**101,787**	**100.00**	**113,534**	**100.00**

Note:

(1) Being rental income from our investment property located in Desa Tun Razak, Cheras, which was disposed of on 20 April 2023.

(b) Revenue by distribution channel

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Boutique	35,403	46.30	51,712	50.80	62,815	55.33
Departmental store	28,338	37.06	37,334	36.68	39,218	34.54
E-commerce platforms	12,237	16.01	12,385	12.17	11,318	9.97
Others[(1)]	482	0.63	356	0.35	183	0.16
TOTAL	**76,460**	**100.00**	**101,787**	**100.00**	**113,534**	**100.00**

Note:

(1) Consist of rental income from our investment property located in Desa Tun Razak, Cheras, which was disposed of on 20 April 2023 (of which we only recorded rental income from this property for a period of 3 months in FYE 2023) and the outright sales of our products directly to our staff and an authorised distributor in Vietnam.

(c) Revenue by geographical market

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	76,212	99.68	101,730	99.94	113,534	100.00
Vietnam	248	0.32	57	0.06	-	-
TOTAL	**76,460**	**100.00**	**101,787**	**100.00**	**113,534**	**100.00**

Commentaries:

(a) FYE 2022 compared to FYE 2021

Our Group's revenue increased by RM25.33 million or 33.12% from RM76.46 million in FYE 2021 to RM101.79 million in FYE 2022, mainly due to improvement in revenue from our boutique, departmental store and e-commerce channels totalling RM25.45 million or 33.50%. The improvement in revenue in FYE 2022 was mainly attributed to the following:

(i) higher revenue from Genting Highland Premium Outlet, Mitsui Outlet Park KLIA and Johor Premium Outlet by RM3.92 million collectively, driven by the progressive relaxation of the restriction imposed by the Government which allowed in-store shopping coupled with the return of tourists into our country after the Government eased the entry restrictions for travellers to Malaysia in the second half of FYE 2022;

(ii) higher revenue contributions from our boutiques at KL East Mall, Wetex Parade, Aeon Seremban 2 and KTCC Mall by RM3.23 million, collectively. This was mainly due to recognition of full year revenue with respect to these boutiques in FYE 2022 as they were only operating for approximately 5 months on average in FYE 2021;

(iii) relocation of our boutique at Pavilion Elite Kuala Lumpur to a more prime location at Pavilion Kuala Lumpur in February 2021, which resulted in higher sales by RM0.62 million in FYE 2022; and

(iv) the pent-up demand for consumer products in tandem with the progressive relaxation of MCO restrictions imposed by the Government, coupled with the festive spending for Hari Raya Aidilfitri in May 2022.

In terms of product group, revenue from all of 3 product groups grew in tandem with the growth in sales from our boutique, departmental store and e-commerce channels due to the reasons state above.

(b) FYE 2023 compared to FYE 2022

Our Group's revenue increased by RM11.74 million or 11.53% from RM101.79 million in FYE 2022 to RM113.53 million in FYE 2023, mainly due to improvement in revenue from our boutique channel by RM11.10 million or 21.47%. The improvement in revenue in FYE 2023 was mainly attributed to the following:

(i) higher sales from in Genting Highland Premium Outlet, Mitsui Outlet Park KLIA and Johor Premium Outlet by RM4.01 million collectively, fuelled by higher domestic spending coupled with higher tourist arrivals as Malaysia transitioned into the endemic phase and re-opened its international borders on 1 April 2022; and

(ii) higher sale contributions from our boutiques at Mid Valley Southkey, Sunway Carnival Mall, SkyAvenue Genting and Central I-City by RM3.35 million collectively. This was mainly due to recognition of full year revenue with respect to these stores in FYE 2023 compared to FYE 2022 as these stores were only opened in the 4th quarter of FYE 2022.

In terms of product group, revenue from all of 3 product groups have improved. The growth in revenue was largely driven by the growth in sales of women's footwear and women's accessories where total revenue increased by RM5.46 million or 32.10% and RM3.12 million or 15.62% respectively, mainly attributed to:

(i) higher number of new products introduced during FYE 2023 in anticipation of higher demand as Malaysia transitioned into endemic phase and re-opening of international borders, resulting in higher sales of products under these categories with lower price discount level; and

(ii) better Carlo Rino brand and product awareness as a result of higher A&P expenses incurred for digital and print media advertising as well as event sponsorships.

(ii) Cost of sales

Our Group's cost of sales comprises the following components:

Finished goods	:	It is the main component of our Group's cost of sales and it includes (i) the total cost incurred in procuring finished goods from our suppliers; and (ii) trade margin and commissions charged by departmental stores and e-commerce platform providers, respectively, for our Group's products sold through these channels.
Raw materials	:	Being the materials purchased by our Group to be used by third parties as input in the manufacturing of our Group's finished goods.
Packaging material	:	Being the materials used in packing our Group's products before they are sold to end customers.

The tables below set out our Group's cost of sales analysis for the FYE Under Review:

(a) Cost of sales by composition

	Audited					
	FYE 2021		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Finished goods	31,529	98.32	38,215	98.64	42,834	98.54
Raw materials	177	0.55	122	0.31	91	0.21
Packaging material	362	1.13	407	1.05	545	1.25
TOTAL	**32,068**	**100.00**	**38,744**	**100.00**	**43,470**	**100.00**

(b) Cost of sales by product group

	Audited					
	FYE 2021		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Women's handbags	19,108	59.59	24,658	63.64	26,743	61.52
Women's footwear	7,400	23.07	6,988	18.04	9,659	22.22
Women's accessories	5,560	17.34	7,098	18.32	7,068	16.26
Others*(1)*	-	-	-	-	-	-
TOTAL	**32,068**	**100.00**	**38,744**	**100.00**	**43,470**	**100.00**

Note:

(1) No cost of sales for the rental income.

(c) Cost of sales by distribution channel

	Audited					
	FYE 2021		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Boutique	11,645	36.31	14,724	38.00	18,472	42.49
Departmental store	15,056	46.95	19,054	49.18	20,224	46.53
E-commerce platforms	5,237	16.33	4,857	12.54	4,730	10.88
Others*(1)*	130	0.41	109	0.28	44	0.10
TOTAL	**32,068**	**100.00**	**38,744**	**100.00**	**43,470**	**100.00**

Note:

(1) Consist of costs incurred relating to outright sales of our products directly to our staff and an authorised distributor in Vietnam.

Commentaries:

(a) FYE 2022 compared to FYE 2021

Our Group's cost of sales increased by RM6.67 million or 20.80% from RM32.07 million in FYE 2021 to RM38.74 million in FYE 2022, mainly due to higher cost of finished goods in line with higher revenue recorded during the year.

Further, cost of sales incurred by our boutique and department store channels in FYE 2022 increased by RM7.08 million or 26.50%, in line with higher sales recorded from these channels by RM25.31 million or 39.70%.

In terms of product group, the increase in cost of sales was attributed to higher cost of sales for women's handbags and women's accessories totalling RM7.09 million or 28.73%, in line with higher sales recorded from these product groups by RM22.25 million or 35.75%. The lower percentage of increase in cost of sales compared to revenue for the abovementioned product groups was mainly attributed to lower level of sales discount for our women's handbags and women's accessories during FYE 2022.

(b) FYE 2023 compared to FYE 2022

Our Group's cost of sales increased by RM4.73 million or 12.21% from RM38.74 million in FYE 2022 to RM43.47 million in FYE 2023, mainly due to higher cost of finished goods in line with higher revenue recorded during the year.

The cost of sales incurred by our boutique channel experienced significant increase by RM3.75 million or 25.46%, in line with the increase in sales for our boutique channel by RM11.10 million or 21.47%.

In terms of product group, the increase in cost of sales was attributed to higher cost of sales for women's handbags and footwear totalling RM4.76 million or 15.03%, in line with higher sales recorded from these product group by RM8.83 million or 10.84%. The higher percentage of increase in cost of sales compared to revenue for the abovementioned product group was mainly attributed to:

(i) higher increase in cost of sales for women's footwear by 38.22% compared to the increase in revenue by 32.10% due to increase in purchase cost of finished goods from our suppliers; and

(ii) higher increase in cost of sales for women's handbags by 8.46% compared to the increase in revenue by 5.23% due to higher levels of discount given in the promotional activities during FYE 2023 compared with FYE 2022.

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(iii) GP and GP margin

Our Group's GP and GP margin for the FYE Under Review are analysed as follows:

(a) GP and GP margin by product group

	Audited					
	FYE 2021		**FYE 2022**		**FYE 2023**	
	GP	**GP margin**	**GP**	**GP margin**	**GP**	**GP margin**
	RM'000	**(%)**	**RM'000**	**(%)**	**RM'000**	**(%)**
Women's handbags	28,651	59.99	39,859	61.78	41,149	60.61
Women's footwear	6,536	46.90	10,020	58.91	12,808	57.01
Women's accessories	8,926	61.61	12,883	64.48	16,035	69.41
Others*(1)*	279	100.00	281	100.00	72	100.00
Overall	**44,392**	**58.06**	**63,043**	**61.94**	**70,064**	**61.71**

Note:

(1) Being rental income from our investment property located in Desa Tun Razak, Cheras, which was disposed of in FYE 2023.

(b) GP and GP margin by distribution channel

	Audited					
	FYE 2021		**FYE 2022**		**FYE 2023**	
	GP	**GP margin**	**GP**	**GP margin**	**GP**	**GP margin**
	RM'000	**(%)**	**RM'000**	**(%)**	**RM'000**	**(%)**
Boutique	23,758	67.11	36,988	71.53	44,343	70.59
Departmental store	13,282	46.87	18,280	48.96	18,994	48.43
E-commerce platforms	7,000	57.20	7,528	60.78	6,588	58.21
Others*(1)*	352	73.03	247	69.38	139	75.96
Overall	**44,392**	**58.06**	**63,043**	**61.94**	**70,064**	**61.71**

Note:

(1) Consist of outright sales of our products directly to our staff and an authorised distributor in Vietnam.

Commentaries:

(a) FYE 2022 compared to FYE 2021

Our Group's total GP increased by RM18.65 million or 42.01% from RM44.39 million in FYE 2021 to RM63.04 million in FYE 2022, while our Group's overall GP margin increased from 58.06% in FYE 2021 to 61.94% in FYE 2022. The increase in our overall GP margin in FYE 2022 was largely contributed by the higher GP margin derived from our boutique and departmental store channels. The improvement in GP margin from our boutiques and departmental store channels from 67.11% and 46.87% in FYE 2021 to 71.53% and 48.96% in FYE 2022 respectively was mainly attributed to higher sales from these products with higher margin during FYE 2022, particularly for new products introduced during FYE 2022 which had lower price discount level during FYE 2022.

(b) FYE 2023 compared to FYE 2022

Our Group's GP increased by RM7.02 million or 11.14% from RM63.04 million in FYE 2022 to RM70.06 million in FYE 2023, while our Group's overall GP margin reduced slightly from 61.94% in FYE 2022 to 61.71% in FYE 2023. The slight reduction in our overall GP margin in FYE 2023 was due to lower GP margin recorded across all 3 distribution channels.

The reduction in our Group's overall GP margin in FYE 2023 was attributed to the following:

(i) higher proportion of sales from boutiques in premium outlets which contributed 29.01% of total sales for our boutique channel (FYE 2022: 27.26%). Sales from these outlets generally have lower GP margin compared to sales from boutiques in shopping malls due to higher levels of discount given for products sold in respective premium outlets;

(ii) lower GP margin derived from sales of women's handbags due to higher discount on selling price of slow moving stocks of women's handbags; and

(iii) higher proportion of sales of women's footwear which accounted for 19.79% of total revenue in FYE 2023 (FYE 2022: 16.71%) where sales of women's footwear generally generate lower margin compared to other products.

(iv) Other operating income

The table below sets out the breakdown of our Group's operating income for the FYE Under Review:

	Audited					
	FYE 2021		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Gain on dilution of equity interest in an associate	302	9.09	-	-	580	17.10
Gain on disposal of investment property	-	-	-	-	1,856	54.72
Gain on reassessments and modifications of leases[(1)]	594	17.87	918	26.76	-	-
Interest income	481	14.47	490	14.28	717	21.14
Lease concessions[(2)]	975	29.33	984	28.68	39	1.14
Wages subsidy[(3)]	887	26.68	584	17.02	-	-
Others[(4)]	85	2.56	455	13.26	200	5.90
TOTAL	**3,324**	**100.00**	**3,431**	**100.00**	**3,392**	**100.00**

Notes:

(1) Mainly due to gain arising from the termination of leases in relation to boutiques.

(2) Lease concessions pertain to lease rebate granted by landlords for boutiques and office building due to the imposition of various MCOs.

(3) Wages subsidy received from the Government under the Wage Subsidy Programme as part of the Government's COVID-19 economic stimulus package.

(4) Mainly consist of fair value gain on short term funds, realised and unrealised gain on foreign exchange.

Commentaries:

(a) FYE 2022 compared to FYE 2021

Our Group's other operating income increased marginally by RM0.11 million or 3.22% from RM3.32 million in FYE 2021 to RM3.43 million in FYE 2022, mainly due to the increase in gain on reassessments and modifications of leases of RM0.32 million arising from the termination of our tenancy agreements for 2 non-performing boutiques during FYE 2022.

However, the above increase was partially offset by lower wages subsidy received from the Government under the Wage Subsidy Programme by RM0.30 million.

(b) FYE 2023 compared to FYE 2022

Our Group's other operating income decreased marginally by RM0.04 million or 1.14% from RM3.43 million in FYE 2022 to RM3.39 million in FYE 2023, mainly due to the following:

(i) decrease in lease concessions by RM0.95 million due to cessation of rental rebates from landlords for our boutiques. These rebates were given due to store closures during the various MCOs;

(ii) absence of gain on reassessments and modifications of leases in FYE 2023 (FYE 2022: RM0.92 million) as there is no early termination of lease arrangement in relation to our boutiques; and

(iii) absence of wages subsidy received from the Wage Subsidy Programme which ended during FYE 2022.

However, the above decrease in other operating income was partially offset by the following:

(i) gain on disposal of our investment property located in Desa Tun Razak, Cheras, amounted to RM1.86 million in FYE 2023. The disposal was completed on 20 April 2023;

(ii) gain on dilution of equity interest in an associate amounted to RM0.58 million in FYE 2023 due to private placement exercise undertaken by our then associate company; and

(iii) increase in interest income by RM0.23 million, which is in line with the increase in the overnight policy rate from 2.00% as at 1 July 2022 to 3.00% as at 30 June 2023.

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(v) Net gain/(loss) on impairment of financial assets

The table below sets out the breakdown of our Group's net gain/(loss) on impairment of financial assets for the FYE Under Review:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Net gain/(loss) on impairment of financial assets	146	(134)	(228)

Commentaries:

(a) FYE 2022 compared to FYE 2021

Our Group recorded a net loss on impairment of financial assets of RM0.13 million in FYE 2022 (FYE 2021: net gain on impairment of financial assets of RM0.15 million), mainly due to increase in impairment losses on trade and other receivables amounted to RM0.21 million relating to outstanding amount of trade receivables (of RM0.11 million) and outstanding amount of non-trade receivables of our then oversea subsidiaries (of RM0.10 million), both of which were outstanding for more than 12 months.

(b) FYE 2023 compared to FYE 2022

Our Group's net loss on impairment of financial assets increased by RM0.09 million or 70.15%, mainly due to increase in impairment losses on trade receivables by RM0.13 million relating to expected credit loss computation under MFRS 9.

(vi) Selling and distribution expenses

The table below sets out the breakdown of our Group's selling and distribution expenses for the FYE Under Review:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
A&P	2,272	10.87	1,958	9.41	3,030	12.31
Dealers' commission[(1)]	1,505	7.20	1,588	7.64	1,230	5.00
Depreciation of property, plant and equipment and right-of-use assets	7,007	33.51	6,532	31.41	6,697	27.21
Impairment losses on right-of-use assets	1,505	7.20	-	-	-	-
Rental of boutiques	2,169	10.37	2,996	14.41	3,447	14.00
Sales promoter cost	5,520	26.40	6,717	32.30	8,860	36.00
Transportation cost	499	2.39	477	2.29	640	2.60
Others[(2)]	433	2.06	530	2.54	708	2.88
TOTAL	**20,910**	**100.00**	**20,798**	**100.00**	**24,612**	**100.00**

Notes:

(1) Being commission paid to external dealers who are appointed to manage certain of our boutiques and departmental store counters, which is computed based on an agreed percentage on the revenue generated from the boutiques and departmental store counters.

(2) Mainly consists of credit card charges, payment gateway charges and expenses relating to the maintenance of our departmental store counters.

Commentaries:

(a) FYE 2022 compared to FYE 2021

Our Group's selling and distribution expenses decreased marginally by RM0.11 million or 0.53% from RM20.91 million in FYE 2021 to RM20.80 million in FYE 2022, mainly due to the following:

(i) absence of impairment losses on right-of-use assets during FYE 2022 (FYE 2021: RM1.51 million). The impairment loss recognised in FYE 2021 was due to poor sales performance of certain boutiques;

(ii) decrease in depreciation of property, plant and equipment and right-of-use assets by RM0.48 million, mainly due to the closure of boutiques; and

(iii) lower A&P expenses by RM0.31 million during the lockdown period in the 1st quarter of FYE 2022.

Nevertheless, the decrease in selling and distribution expenses was partially offset by the following:

(i) higher sales promoter cost by RM1.20 million mainly due to higher commission paid and payable, which is in line with the improvement in revenue; and

(ii) increase in rental of boutiques by RM0.83 million due to higher rental paid to landlords, in tandem with the higher sales recorded from certain boutiques.

(b) FYE 2023 compared to FYE 2022

Our selling and distribution expenses increased by RM3.81 million or 18.34% from RM20.80 million in FYE 2022 to RM24.61 million in FYE 2023, mainly due to the following:

(i) higher sales promoter cost by RM2.14 million, due to an increase in headcount from 227 as at 30 June 2022 to 237 as at 30 June 2023 and higher payment of over-time wages arising from the amendments to the Employment Act 1955 which came into effect on 1 January 2023;

(ii) increase in A&P expenses by RM1.07 million due to increased marketing efforts via digital and print media advertising as well as event sponsorships; and

(iii) increase in rental of boutiques by RM0.45 million due to higher rental paid to landlords, in tandem with the higher sales recorded from certain boutiques.

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(vii) General and administrative expenses

The table below sets out the breakdown of our Group's general and administrative expenses for the FYE Under Review:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Employee costs and benefits	8,552	46.40	9,301	59.92	8,414	54.26
Depreciation of property, plant and equipment and right-of-use assets	1,798	9.76	1,719	11.08	1,825	11.78
Impairment loss on other investment	4,483	24.32	-	-	-	-
Impairment losses on property, plant and equipment	524	2.84	-	-	-	-
Postage, printing and stationery	367	1.99	253	1.63	337	2.17
Professional fees	330	1.79	882	5.68	773	4.98
Travelling and transportation costs	129	0.70	186	1.20	483	3.11
Upkeep and maintenance	804	4.36	1,512	9.74	1,382	8.91
Utilities and telecommunication expenses	504	2.73	502	3.23	636	4.10
Web and email hosting	245	1.33	393	2.53	359	2.31
Others(1)	697	3.78	775	4.99	1,299	8.38
TOTAL	**18,433**	**100.00**	**15,523**	**100.00**	**15,508**	**100.00**

Note:

(1) Mainly consists of insurance costs, royalties, subscription and membership fees.

Commentaries:

(a) FYE 2022 compared to FYE 2021

Our Group's general and administrative expenses decreased by RM2.91 million or 15.79% from RM18.43 million in FYE 2021 to RM15.52 million in FYE 2022, mainly due to the following:

(i) absence of impairment loss on other investment in FYE 2022 (FYE 2021: RM4.48 million). The impairment loss in FYE 2021 was recognised in relation to our Group's investment in Shoppr Labs Sdn. Bhd., which was fully impaired in FYE 2021 due to its loss-making and net liability position; and

(ii) absence of impairment losses on property, plant and equipment in FYE 2022 (FYE 2021: RM0.52 million). The impairment loss in FYE 2021 was recognised due to poor sales performance of certain boutiques.

However, the decrease in our Group's general and administrative expenses was partially offset by the following:

(i) higher upkeep and maintenance expenses by RM0.71 million, due to higher maintenance works performed for our boutiques during FYE 2022 as we postponed some of the refurbishment works planned for FYE 2021 to FYE 2022 due to movement control restrictions;

(ii) increase in employee costs and benefits by RM0.75 million, mainly due to higher expenses incurred for employees' bonus; and

(iii) increase in professional fees by RM0.55 million mainly relating to expenses incurred for feasibility study for our IPO exercise.

(b) FYE 2023 compared to FYE 2022

Our Group's general and administrative expenses decreased marginally by RM0.01 million or 0.06% from RM15.52 million in FYE 2022 to RM15.51 million in FYE 2023, mainly due to the following:

(i) lower employee costs and benefits by RM0.89 million, mainly due to lower expenses incurred for employees' bonus; and

(ii) lower upkeep and maintenance expenses by RM0.13 million, due to less maintenance works for our boutiques undertaken in FYE 2023. We incurred additional upkeep and maintenance costs during FYE 2022 due to the postponement of maintenance works from FYE 2021 to FYE 2022.

However, the decrease in general and administrative expenses was partially offset by the increase in travelling and transportation costs by RM0.29 million due to resumption of overseas travelling for market study after the cross-border movement control restrictions were lifted.

(viii) Finance costs

The table below sets out the breakdown of our Group's finance costs for the FYE Under Review:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Bank guarantee interest	3	0.50	-	-	-	-
Lease interest	588	98.66	620	86.47	622	83.04
Term loan interest	-	-	-	-	20	2.67
Unwinding of discount on provision for restoration costs[(1)]	5	0.84	97	13.53	107	14.29
TOTAL	**596**	**100.00**	**717**	**100.00**	**749**	**100.00**

Note:

(1) Unwinding of discount on provision for restoration costs which is accounted for as accreted interest based on the present value of such provisions for the restoration costs of our boutiques to original condition upon the expiry of the leases.

Commentaries:

(a) FYE 2022 compared to FYE 2021

Our Group's finance costs increased by RM0.12 million or 20.30% from RM0.60 million in FYE 2021 to RM0.72 million in FYE 2022, mainly due to the increase in unwinding of discount on provision for restoration cost arising from the opening of 3 new boutiques during FYE 2022 coupled with the increase in overnight policy rate from 1.75% as at 1 July 2021 to 2.00% as at 30 June 2022.

(b) FYE 2023 compared to FYE 2022

Our Group's finance costs increased by RM0.03 million or 4.46% from RM0.72 million in FYE 2022 to RM0.75 million in FYE 2023, mainly due to the increase in term loan interest by RM0.02 million in line with the drawdown of term loan amounted to RM11.55 million during FYE 2023 for the acquisition of the property at Jalan Imbi, Kuala Lumpur.

(ix) Share of profit/(loss) of an associate, net of tax

This relates to our Group's investment in Carzo Holdings, of which our Group's initial shareholding of 20.00% in Carzo Holdings in FYE 2021 was further reduced to 16.65% in FYE 2023. Such investment has been recognised as other investment in our books since 1 December 2022.

Our Group recorded a share of loss since FYE 2022 as Carzo Holdings has been in net loss position.

(x) PBT and PAT

The table below sets out our PBT, PBT margin, PAT and PAT margin for the FYE Under Review:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
PBT (RM'000)	8,073	29,033	31,450
PBT margin (%)	10.56	28.52	27.70
PAT attributable to owners of our Company (RM'000)	3,984	22,230	23,853
PAT margin (%)	5.21	21.84	21.01

Commentaries:

(a) FYE 2022 compared to FYE 2021

Our Group recorded an increase in PBT by RM20.96 million or 259.73%, from RM8.07 million in FYE 2021 to RM29.03 million in FYE 2022, in line with the increase in GP by RM18.65 million or 42.01% during the year. The increase in GP recorded on the back of lower selling and distribution expenses and general and administrative expenses in FYE 2022 (as set out in Sections 12.4.3(vi) and (vii) of this Prospectus) resulted in the increase in our Group's PBT margin from 10.56% in FYE 2021 to 28.52% in FYE 2022.

Correspondingly, our Group's PAT attributable to owners of our Company increased by RM18.25 million or 457.98% from RM3.98 million in FYE 2021 to RM22.23 million in FYE 2022, while our Group's PAT margin increased from 5.21% in FYE 2021 to 21.84% in FYE 2022.

As set out in Section 12.4.3(vii) of this Prospectus, our Group recorded an impairment loss on other investment of RM4.48 million in FYE 2021. If this non-recurrent impairment loss is excluded, our Group's adjusted PBT and PBT margin for FYE 2021 would be RM12.56 million and 16.42%, respectively. In this regard, our Group recorded an increase in PBT by RM16.48 million or 131.23%, from RM12.56 million (adjusted) in FYE 2021 to RM29.03 million in FYE 2022, which is still in line with the increase in GP and lower selling and distribution expenses and general and administrative expenses as explained above. Correspondingly, our Group's PAT attributable to owners of our Company increased by RM13.76 million or 162.55% from adjusted PAT attributable to owners of our Company of RM8.47 million in FYE 2021 to RM22.23 million in FYE 2022, while our Group's adjusted PAT margin increased from 11.07% in FYE 2021 to 21.84% in FYE 2022.

(b) FYE 2023 compared to FYE 2022

Our Group recorded an increase in PBT by RM2.42 million or 8.34% from RM29.03 million in FYE 2022 to RM31.45 million in FYE 2023, in line with the increase in GP by RM7.02 million or 11.14% during the year.

However, the increase in GP was offset by higher increase in selling and distribution expenses by RM3.81 million or 18.34% (as set out in Section 12.4.3(vi) of this Prospectus) which resulted in the reduction in our Group's PBT margin from 28.52% in FYE 2022 to 27.70% in FYE 2023. Correspondingly, our Group's PAT attributable to owners of our Company increased by RM1.62 million or 7.29% from RM22.23 million in FYE 2022 to RM23.85 million in FYE 2023, while our Group's PAT margin reduced marginally from 21.84% in FYE 2022 to 21.01% in FYE 2023.

(xi) Tax expense

The table below sets out our Group's effective tax rate and statutory tax rate for the FYE Under Review:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
Tax expenses (RM'000)	4,089	6,803	7,597
Statutory tax rate (%)	24.00	24.00	24.00
Effective tax rate (%)	50.65	23.43	24.16

Commentaries:

Our Group's effective tax rate of 50.65% for FYE 2021 was higher than the statutory tax rate of 24.00%, mainly due to certain expenses which are not tax deductible, such as depreciation for non-qualifying expenditures and impairment losses on right-of-use assets, property, plant and equipment and other investment of RM4.48 million as stated in Section12.4.3(vii) of this Prospectus; and deferred tax assets for loss-making subsidiaries not recognised during FYE 2021.

Our Group's effective tax rate of 23.43% for FYE 2022 was slightly lower than the statutory tax rate of 24.00%, mainly due to the tax effects in respect of utilisation of previously unrecognised tax losses.

Our Group's effective tax rate of 24.16% for FYE 2023 was slightly higher than the statutory tax rate of 24.00%, mainly due to certain expenses which are not tax deductible such as depreciation for non-qualifying expenditures.

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12.4.4 Review of financial position

(a) Assets

	Audited		
	As at 30 June		
	2021	2022	2023
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	22,470	23,479	40,368
Right-of-use assets	14,146	18,037	15,342
Goodwill	20	-	-
Investment properties	4,800	4,800	-
Investment in an associate	4,453	4,185	-
Other investments	-	-	4,767
Deferred tax assets	1,032	1,405	1,281
	46,921	**51,906**	**61,758**
Current assets			
Inventories	9,589	11,120	14,520
Trade and other receivables	10,761	19,618	8,800
Current tax assets	195	327	155
Cash and bank balances	39,601	47,321	60,864
Short term funds	5,711	5,815	2,936
	65,857	**84,201**	**87,275**
TOTAL ASSETS	**112,778**	**136,107**	**149,033**

Commentaries:

FYE 2022 vs FYE 2021

Our Group's total assets increased by RM23.33 million or 20.69%, from RM112.78 million as at 30 June 2021 to RM136.11 million as at 30 June 2022, mainly due to the following:

(i) increase in rights-of-use assets of RM3.89 million arising from the renewal of and entering into new tenancy agreements in relation to our boutiques;

(ii) increase in prepayments (as at 30 June 2022: RM8.82 million; as at 30 June 2021: RM0.51 million), due to advances paid to certain suppliers for higher purchase order in last quarter of FYE 2022;

(iii) increase in cash and bank balances by RM7.72 million, which was in line with increased revenue.

FYE 2023 vs FYE 2022

Our Group's total assets increased by RM12.93 million or 9.50%, from RM136.11 million as at 30 June 2022 to RM149.03 million as at 30 June 2023, mainly due to the following:

(i) increase in property, plant and equipment arising from the acquisition of the Imbi Property, which was completed on 15 March 2023;

(ii) increase in cash and bank balances by RM13.54 million, which was in line with increased revenue; and

(iii) increase in inventory of finished goods by RM3.40 million, due to inventories purchased during the end of FYE 2023 in anticipation of forthcoming festivities and promotional campaign.

The above increase was partially offset by the following:

(i) decrease in rights-of-use assets by RM2.70 million, due to depreciation of rights-of-use assets;

(ii) decrease in net trade receivables by RM2.85 million, due to lower sales generated during the last quarter of FYE 2023;

(iii) decrease in prepayments by RM7.80 million, due to the lower purchase orders placed during the last quarter of FYE 2023.

(b) Liabilities

	Audited		
	As at 30 June		
	2021	2022	2023
	RM'000	RM'000	RM'000
LIABILITIES			
Non-current liabilities			
Borrowings	12,012	10,568	18,598
Lease liabilities	11,610	14,049	11,929
Deferred tax liabilities	50	50	9
Provision for restoration costs	590	1,204	1,135
	24,262	**25,871**	**31,671**
Current liabilities			
Trade and other payables	9,083	10,418	8,987
Borrowings	1,024	1,043	1,103
Lease liabilities	5,246	5,705	5,452
Provision for restoration costs	259	287	342
Current tax liabilities	792	2,463	1,298
	16,404	**19,916**	**17,182**
TOTAL LIABILITIES	**40,666**	**45,787**	**48,853**

Commentaries:

FYE 2022 vs FYE 2021

Our Group's total liabilities increased by RM5.12 million or 12.59%, from RM40.67 million as at 30 June 2021 to RM45.79 million as at 30 June 2022, mainly due to the following:

(i) increase in lease liabilities by RM2.90 million, due to the renewal of and new tenancy agreements entered during the financial year in relation to our boutiques;

(ii) increase in provision for restoration costs by RM0.64 million, due to the provision of the restoration cost arising from the opening of 3 new boutiques and the changes in the basis of the estimation of the restoration cost due to incremental borrowing rate and historical actual average dismantled cost;

(iii) increase in current tax liabilities by RM1.67 million, due to increase in tax expenses in line with the growth in our Group's revenue; and

(iv) increase in accruals by RM1.80 million, mainly due to provision for staff's bonuses and accrual of expenses in June 2022, such as dealer and promoter commissions, staff wages and professional fees.

The above increase was partially offset by lower borrowings by RM1.43 million arising from repayment of term loan during FYE 2022.

FYE 2023 vs FYE 2022

Our Group's total liabilities increased by RM3.07 million or 6.70%, from RM45.79 million as at 30 June 2022 to RM48.85 million as at 30 June 2023, mainly due to the increase in borrowings by RM8.09 million, arising from the drawdown of term loan for the acquisition of the Imbi Property. This was partially offset by a decrease in lease liabilities by RM2.37 million attributed to lease payments and a decrease in other payables, deposits and accruals by RM0.86 million due to lesser accrued expenses in FYE 2023 as compared to FYE 2022 which includes the professional fees associated with the review of the financial statement of Carzo Holdings and our IPO.

12.5 LIQUIDITY AND CAPITAL RESOURCES

12.5.1 Working capital

Our Group's business operations have been financed through a combination of internal and external sources of funds. Internal sources comprise shareholders' equity and cash generates from our Group's operating activities while external sources are credits granted by our suppliers and banking facilities from financial institutions such as term loans and finance leases. The utilisation of these funds is principally for our Group's business operations and growth as well as acquisition of the Imbi Property and plant and equipment.

As at 30 June 2023, our Group has cash and cash equivalents and short term funds of RM63.80 million in total with a gearing ratio was 0.20 times (computed based on the aggregate of borrowings and lease liabilities owing to a financial institution divided by total equity) and a current ratio was 5.08 times.

As at the LPD, our Group has un-utilised banking facilities of RM12.91 million that may be utilised by our Group to fund our business operations.

After taking into consideration our Group's cash and cash equivalent, the expected cash flow to be generated from our Group's operations, the un-utilised amount of banking facilities, as well as proceeds to be raised from our Public Issue, our Board is of the view that our Group will have adequate working capital to meet our Group's present and foreseeable requirements for at least 12 months from the date of this Prospectus.

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12.5.2 Cash flows

The table below sets out the summary of our Group's statements of cash flows for the FYE Under Review and should be read in conjunction with the Accountants' Report as set out in Section 14 of this Prospectus:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
	(RM'000)	**(RM'000)**	**(RM'000)**
Net cash from operating activities	15,645	20,783	35,061
Net cash used in investing activities	(8,958)	(2,208)	(8,810)
Net cash used in financing activities	(10,687)	(10,864)	(12,724)
Net (decrease)/increase in cash and cash equivalents	**(4,000)**	**7,711**	**13,527**
Effect of exchange rate changes on cash and cash equivalents	(16)	9	16
Cash and cash equivalents at beginning of financial year	43,617	39,601	47,321
Cash and cash equivalents at end of financial year	**39,601**	**47,321**	**60,864**
Cash and cash equivalents consist of:			
Cash and bank balances	37,851	34,921	37,129
Deposits with a licensed bank	1,750	12,400	23,735
	39,601	**47,321**	**60,864**

Most of our Group's cash and cash equivalents are held in RM. Save for prior consents from financial institutions, there is no legal, financial or economic restriction on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to availability of distributable reserves, loans or advances in compliance with any applicable financial covenants.

(a) Net cash from operating activities

FYE 2021

For FYE 2021, our Group's operating profit before changes in working capital was RM21.41 million. Our Group's net cash from operating activities was RM15.65 million after adjusting for the following key items for working capital changes:

(i) increase in trade and other receivables of RM1.32 million, mainly due to the delay in payments by our trade receivables caused by the uncertainties and lockdowns arising from the COVID-19 pandemic; and

(ii) payment of income tax amounted to RM4.01 million.

FYE 2022

For FYE 2022, our Group's operating profit before changes in working capital was RM35.85 million. Our Group's net cash from operating activities was RM20.78 million after adjusting for the following key items for working capital changes:

(i) increase in trade and other receivables of RM8.88 million, mainly due to the prepayments of RM8.42 million to certain suppliers as advances for higher purchase orders placed during the last quarter of FYE 2022;

(ii) increase in inventories of RM1.53 million, mainly due to increase in purchases in line with the growth in our Group's revenue;

(iii) increase in trade and other payables of RM0.98 million, mainly due to increase in accrual expenses such as staff bonus and commission in FYE 2022; and

(iv) payment of income tax amounted to RM5.64 million.

FYE 2023

For FYE 2023, our Group's operating profit before changes in working capital was RM38.54 million. Our Group's net cash from operating activities was RM35.06 million after adjusting for the following key items for working capital changes:

(i) decrease in trade and other receivables of RM10.59 million, mainly due to the decrease in prepayments by RM7.80 million as there were lower purchase orders placed during the last quarter of FYE 2023;

(ii) increase in inventories of RM3.40 million, mainly due to increase in purchases in line with the growth in our Group's revenue;

(iii) decrease in trade and other payables of RM2.21 million, due to payment of outstanding other payable prior to 30 June 2023 and a decrease in outstanding trade payable in line with the decrease in purchases during the last quarter of FYE 2023; and

(iv) payment of income tax amounted to RM8.46 million.

(b) Net cash used in investing activities

FYE 2021

For FYE 2021, our Group's net cash used in investing activities was RM8.96 million, mainly due to the following:

(i) acquisition of equity interest in an associate company namely Carzo Holdings amounted to RM4.0 million;

(ii) acquisition of equity interest in Shoppr Labs Sdn. Bhd. as other investment amounted to RM4.48 million; and

(iii) purchase of property, plant and equipment amounted to RM0.85 million.

FYE 2022

For FYE 2022, our Group's net cash used in investing activities was RM2.21 million, mainly used for the purchase of property, plant and equipment amounted to RM2.65 million which was partially offset by cash inflow of RM0.49 million from interest income received.

FYE 2023

For FYE 2023, our Group's net cash used in investing activities was RM8.81 million, mainly used for the purchase of the Imbi Property amounting to RM17.37 million.

This was partially offset by the cash inflow of RM8.79 million arising from the withdrawal of short term funds (net of reinvestment) of RM2.99 million and the proceeds of RM5.80 million from disposal of our investment property located in Desa Tun Razak, Cheras.

(c) Net cash used in financing activities

FYE 2021

For FYE 2021, our Group's net cash used in financing activities was RM10.69 million, mainly attributed to the following:

(i) payment of lease liabilities for the rental payments for our boutiques and head office of RM5.68 million and the hire purchase for motor vehicles of RM0.08 million, respectively;

(ii) payments of dividends of RM4.03 million; and

(iii) repayment of term loans amounting to RM0.89 million.

FYE 2022

For FYE 2022, our Group's net cash used in financing activities was RM10.86 million, mainly attributed to the following:

(i) payment of lease liabilities for the rental payments for our boutiques and head office of RM5.32 million and the hire purchase for motor vehicles of RM0.08 million, respectively;

(ii) payment of dividends of RM4.03 million; and

(iii) repayment of term loans of RM1.44 million.

FYE 2023

For FYE 2023, our Group's net cash used in financing activities was RM12.72 million, mainly attributed to the following:

(i) payment of lease liabilities for the rental payments for our boutiques and head office of RM6.61 million and the hire purchase payables for motor vehicles of RM0.08 million, respectively;

(ii) payment of dividends of RM14.10 million;

(iii) repayment of term loans of RM3.48 million; and

(iv) a drawdown of term loan of RM11.55 million for the acquisition of the Imbi Property.

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12.5.3 Borrowings

As at 30 June 2023, our Group's outstanding borrowings (excluding lease liabilities arising in relation to the lease of boutiques and head office) stood at RM19.79 million, all of which were interest-bearing and denominated in RM, are set out below:

	As at 30 June 2023		
	Payable within 12 months	**Payable after 12 months**	**Total**
Type of facility	**RM'000**	**RM'000**	**RM'000**
Term loans	1,103	18,598	19,701
Lease liabilities	87	-	87
TOTAL	**1,190**	**18,598**	**19,788**
Gearing (times)			
- Before Public Issue[(1)]			0.20
- After Public Issue[(2)]			[●]

Notes:

(1) Computed based on total borrowings (excluding lease liabilities arising in relation to the lease of boutiques and head office of our Group) of RM19.79 million divided by our Group's total shareholders' equity as at 30 June 2023 of RM100.18 million.

(2) Computed based on total borrowings (excluding lease liabilities arising in relation to the lease of boutiques and head office of our Group) of RM19.79 million divided by our Group's pro forma total shareholders' equity after accounting for dividends paid subsequent to FYE 2023, the Public Issue and the use of proceeds from the Public Issue of RM[●] million.

The details of the types of banking facilities that our Group uses and its utilised balances as at the LPD are as follows:

Type of facility	**Tenure**	**Purpose**	**Effective interest rate per annum (%)**	**Facility limit RM'000**	**Balance outstanding as at the LPD RM'000**
Term loan I	240 months[(1)]	Acquisition of warehouse at Platinum Cheras, Selangor	4.52[(4)]	14,650	7,716
Term loan II	240 months[(2)]	Acquisition of the Imbi Property	4.72[(5)]	11,550	82
Lease liabilities	60 months[(3)]	Purchase of motor vehicle	2.22	400	22
TOTAL					**7,820**

Notes:

(1) Commenced in December 2014.
(2) Commenced in March 2023.
(3) Commenced in July 2019.
(4) Based on base lending rate minus 2.2% per annum.
(5) Based on base lending rate minus 2% per annum.

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Separately, our Group has also recognised the following lease liabilities on the right-of-use assets (in relation to the lease of boutiques and head office), which are denominated in RM and as set out below:

		Audited
		As at 30 June 2023
	Purpose	**RM'000**
Lease liabilities payable within 12 months	Lease of boutiques and head office	5,365
Lease liabilities payable after 12 months	Lease of boutiques and head office	11,929
TOTAL		**17,294**

As at the LPD, our Group does not have any borrowings which are non-interest bearing and/or in foreign currency.

Our Group has not defaulted on any payment of either principal sums and/or interest in relation to the borrowings for the FYE Under Review and the subsequent period up to the LPD.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect the financial position and results of business operations of our Group or the investments by our shareholders.

During the FYE Under Review, our Group did not experience any clawback or reduction in the facilities limit granted to our Group by our lenders.

Our Group does not encounter seasonality in the trend of our borrowings and there is no restriction on the use of our committed banking facilities.

12.5.4 Treasury policies and objectives

Our Group's operations have been funded predominantly through shareholder's equity, cash generated from our Group's business operations and external sources of funds including banking facilities from financial institutions as well as credit terms granted by our Group's suppliers. Our Group's banking facilities as at 30 June 2023 is set out in Section 12.5.3 of this Prospectus.

As at the LPD, our Group has utilised RM0.09 million as bank guarantee for landlord and has un-utilised banking facilities of RM12.91 million that may be utilised by our Group to fund our business operations.

As at 30 June 2023, our Group's cash and bank balances were held in the following currencies for working capital purposes:

Currency	**RM'000**
RM	60,343
VND	18
USD	300
Chinese Renminbi	53
Indonesian Rupiah	6
Others	144
TOTAL	**60,864**

The primary objective of capital management of our Group is to ensure that entities within our Group would be able to continue as going concern whilst maximising the return to shareholders through the optimisation of the debt and equity balance.

12.5.5 Financial instruments for hedging purposes

For the FYE Under Review and the subsequent period up to the LPD, our Group does not use any financial instrument for hedging purposes.

12.5.6 Material litigation, contingent liabilities and commitment for capital expenditure

(i) Material litigation

As at the LPD, neither our Company nor our subsidiaries are involved in any material litigation, claim or arbitration, either as plaintiff or defendant, and there is no proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect the position or business of our Company or our subsidiaries.

(ii) Contingent liabilities

As at the LPD, save as disclosed below, there is no other contingent liabilities incurred or known to be incurred by our Group, which upon becoming enforceable, may have a material impact on the financial position of our Group:

	As at the LPD
	RM'000
Corporate guarantee to landlords for tenancy agreements entered into by a subsidiary of our Company	833

(iii) Material commitment for capital expenditures

As at the LPD, our Group does not have any other material capital commitments.

(iv) Capital expenditure and divesture

<u>**Capital expenditure**</u>

Our Group's material capital expenditure for the FYE Under Review and subsequent period up to the LPD are as follows:

	At cost			
	Audited			**Unaudited**
	FYE 2021	**FYE 2022**	**FYE 2023**	**From 1 July 2023 up to the LPD**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Freehold land and freehold building	-	-	17,370	787 *(1)*
Furniture, fittings and counter fixtures	755	2,352	1,535	1,869
TOTAL	**755**	**2,352**	**18,905**	**2,656**

Note:

(1) Due to the stamp duty incurred for the issuance of the strata title of our warehouse at Platinum Cheras in Selangor.

Commentaries:

FYE 2021

For FYE 2021, our Group's material capital expenditure was RM0.76 million for the acquisition of furniture, fittings and counter fixtures arising from the renovation of new boutiques, relocation and refurbishment of our boutiques, which was financed via our Group's internally-generated funds.

FYE 2022

For FYE 2022, our Group's material capital expenditure was RM2.35 million for the acquisition of furniture, fittings and counter fixtures arising from the opening of new boutiques, which was financed via our Group's internally-generated funds.

FYE 2023

For FYE 2023, our Group's material capital expenditure was RM18.91 million, attributed to the following:

(i) acquisition of the Imbi Property amounted to RM17.37 million (inclusive of stamp duty), which was financed via a combination of term loan of RM11.55 million and our Group's internally-generated funds; and

(ii) acquisition of furniture, fittings and counter fixtures amounted to RM1.54 million arising from the relocation and refurbishment of our boutiques, which was financed via our Group's internally-generated funds.

Divestiture

Save as disclosed below, our Group's material divesture for the FYE Under Review and subsequent period up to the LPD are as follows:

	At NBV			
	Audited			Unaudited
	FYE 2021	FYE 2022	FYE 2023	From 1 July 2023 up to the LPD
	RM'000	RM'000	RM'000	RM'000
Leasehold land and building[(1)]	-	-	4,800	-
TOTAL	**-**	-	**4.800**	**-**

Note:

(1) Being the disposal of our investment property located in Desa Tun Razak, Cheras, which was completed on 20 April 2023.

Commentaries:

Throughout the FYE Under Review and period under review, our Group's material divesture was the disposal of our investment property located in Desa Tun Razak, Cheras, for cash consideration of RM5.80 million, which was completed on 20 April 2023.

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12.6 KEY FINANCIAL RATIOS

The key financial ratios of our Group for FYE 2021 to FYE 2023 are as follows:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
Trade receivables turnover (days)[(1)]	27	24	18
Trade payables turnover (days)[(2)]	19	13	6
Inventory turnover (days)[(3)]	139	123	127
Current ratio (times)[(4)]	4.01	4.23	5.08
Gearing ratio (times)[(5)]	0.18	0.13	0.20

Notes:

(1) Computed based on average of the opening and closing trade receivables divided by total revenue, for the respective FYE, and multiplied by the number days in the respective FYEs, being 365 days.

(2) Computed based on average of the opening and closing trade payables divided by the total purchase of the respective FYEs, and multiplied by the number of days in the respective FYEs, being 365 days.

(3) Computed based on average of the opening and closing inventories divided by the total purchase of the respective financial years and multiplied by the number of days in the respective FYEs, being 365 days.

(4) Computed based on current assets divided by current liabilities as at the respective FYEs.

(5) Computed based on total interest bearing borrowings (excluding lease liabilities arising in relation to the lease of boutiques and head office of our Group) divided by total equity as at the respective FYEs.

12.6.1 Trade receivables turnover

The breakdown of our Group's trade receivables is as set out below:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**
Opening balances for net trade receivables	4,872	6,227	6,802
Closing balances for net trade receivables	6,227	6,802	3,956
Average balances for trade receivables	5,550	6,515	5,379
Revenue	76,460	101,787	113,534
Trade receivables turnover (days)	27	24	18

The normal credit period granted by our Group ranges from cash on delivery to up to 60 days from the date of our invoice.

Our Group's trade receivables mainly comprise amounts due from financial institutions for credit or debit card transactions for sales to end consumers via our boutiques and our own platform as well as amounts due from the departmental stores and third-party e-commerce platforms in relation to sales generated from these channels.

Our Group's trade receivables turnover periods throughout the FYE Under Review remain within the credit period granted by our Group. The gradual improvement in our Group's trade receivables turnover period throughout the FYE Under Review was attributed to prompt payment by our trade receivables.

Ageing analysis of our Group's trade receivables as at 30 June 2023

Our Group's trade receivables ageing analysis as at 30 June 2023 is as follows:

		Past due (days)					
	Current	**1-30**	**31-60**	**61-90**	**91-120**	**>120**	**Total**
Trade receivables (RM'000)	1,762	1,582	399	162	8	43	3,956
Proportion of total trade receivables (%)	*44.54*	*39.99*	*10.09*	*4.09*	*0.20*	*1.09*	*100.00*
Subsequent collection up to the LPD (RM'000)	1,762	1,582	399	162	3	-	3,908
Balance as at the LPD (RM'000)	-	-	-	-	5	43	48
Proportion of total balance (%)	-	-	-	-	0.12	1.09	1.21

As at the LPD, our Group has collected 98.79% of trade receivables as at 30 June 2023. During the FYE Under Review, our Group has significant exposure to 2 major trade receivables, which has been fully collected as at the LPD.

As part of our Group's credit control process, our accounts and finance team prepares and shares ageing report with operation team to follow up with trade receivables on collection. For any trade receivables which have exceeded the credit period, we will follow up with calls and send reminders. Where appropriate, our accounts and finance team will provide for impairment on those trade receivables where recoverability is uncertain based on our dealings with the trade receivables. Our Group's impairment on trade receivables and bad debts written off for the FYE Under Review are as follows:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**
(Reversal of impairment) / Impairment losses on trade receivables	(146)	33	228
Bad debts written off	-	-	-

The impairment losses on trade receivables for the FYE Under Review consists of specific allowance and lifetime expected credit loss allowance. The reversal of impairment losses on trade receivable was a result of reduction in expected risk of default.

12.6.2 Trade payables turnover

The breakdown of our Group's trade payables is as set out below:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**
Opening balances for trade payables	1,303	1,292	830
Closing balances for trade payables	1,292	830	260
Average balances for trade payables	1,298	1,061	545
Total purchase	25,285	30,943	37,079
Trade payables turnover period (days)	19	13	6

The normal credit period extended by our suppliers to our Group ranges from cash on delivery to 60 days. Our Group's trade payables turnover period for the FYE Under Review were within the credit period granted by our suppliers. Our Group's trade payables turnover period improved from 19 days in FYE 2021 to 13 days in FYE 2022 and subsequently to 6 days in FYE 2023, mainly due to our Group has lower purchases at the end of the respective FYEs.

Ageing analysis of our Group's trade payables as at 30 June 2023

Our Group's trade payables ageing analysis as at 30 June 2023 is as follows:

		Past due (days)					
	Current	1-30	31-60	61-90	91-120	>120	Total
Trade payables (RM'000)	81	179	-	-	-	-	260
Proportion of total trade payables (%)	*31.15*	*68.85*	-	-	-	-	*100.00*
Subsequent payment up to the LPD (RM'000)	81	179	-	-	-	-	260
Balance as at the LPD (RM'000)	-	-	-	-	-	-	-
Proportion of total balance (%)	-	-	-	-	-	-	-

As at the LPD, our Group has fully settled the trade payables as at 30 June 2023.

As at the LPD, there was no dispute in respect of our Group's total outstanding trade payables and no legal action has been initiated by our suppliers to demand for payment from our Group.

12.6.3 Inventory turnover

The breakdown of our Group's inventory is as set out below:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Opening balances for inventories	9,624	9,589	11,120
Closing balances for inventories	9,589	11,120	14,520
Average balances for inventories	9,607	10,355	12,820
Total purchase	25,285	30,943	37,079
Inventory turnover period (days)	139	123	127

Our inventory comprises raw materials and finished goods such as women's handbag, footwear and accessories. These inventories are stored in our warehouse and boutiques as well as departmental stores.

Our Group's inventory turnover period improved from 139 days in FYE 2021 to 123 days in FYE 2022 due to higher sales recorded towards the end of FYE 2022 which resulted in higher turnover of inventories at the end of FYE 2022. Our Group's inventory turnover period for FYE 2023 of 127 days is fairly consistent with FYE 2022.

There was no impairment losses on inventory for FYE 2021 to FYE 2023.

12.6.4 Current ratio

The table below sets out a summary of our Group's current ratio:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
Current assets (RM'000)	65,857	84,201	87,275
Current liabilities (RM'000)	16,404	19,916	17,182
Current ratio (times)	4.01	4.23	5.08

Our Group's current ratio has improved from from 4.01 times as at 30 June 2021 to 5.08 times as at 30 June 2023, attributed to higher inventories and cash and bank balances throughout each FYEs which was in line with improved sales performance.

Overall, our Group's current ratio has remained healthy throughout the FYE Under Review.

12.6.5 Gearing ratio

The table below sets out a summary of our Group's gearing ratio:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
Total borrowings (RM'000)*(1)*	13,286	11,781	19,788
Total equity (RM'000)	72,112	90,320	100,180
Gearing ratio (times)	0.18	0.13	0.20

Note:
(1) Includes terms loans and lease liabilities owing to a financial institution (hire purchase).

Our Group's gearing ratio improved from 0.18 times as at 30 June 2021 to 0.13 times as at 30 June 2022, mainly due to the repayment of term loans amounting to RM1.44 million, coupled with increase in total equity as a result of improved sales and profitability performance.

Our Group's gearing ratio increased from 0.13 times as at 30 June 2022 to 0.20 times as at 30 June 2023, mainly due to the drawdown of term loan during FYE 2023 of RM11.55 million to fund the acquisition of Imbi Property, which was completed on 15 March 2023.

12.7 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Save for policies in relation to COVID-19 and various aids and reliefs from the Government during the COVID-19 outbreak, there were no government, economic, fiscal or monetary policies or factors which have materially affected our Group's financial performance during the FYE Under Review. There is no assurance that our Group's financial performance will not be adversely affected by the impact of changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and material affect our Group's business operations are set out in Section 9 of this Prospectus.

12.8 IMPACT OF INFLATION

During the FYE Under Review, our Group's financial performance was not materially affected by inflation. However, there is no assurance that our Group's financial performance will not be adversely affected by inflation moving forward. Any significant increase in our cost of sales in the future may adversely affect our Group's operations and performance if we are unable to pass on the higher costs to our customers through an increase in the selling prices of our Group's products.

12.9 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR GROUP'S OPERATIONS

12.9.1 Impact of foreign exchange rate

Our Group is not exposed to any material foreign currency risk on sales and purchases that are denominated in a currency other than RM.

Our Group does not enter into any currency hedging transactions to manage our exposure to foreign currency exchange risk. We monitor and manage our foreign currency exchange exposure through natural hedge by maintaining foreign currency denominated cash and bank balances for receipts and payments in foreign currencies.

Please refer to note 35(iv) of the Accountants' Report in Section 14 of this Prospectus for the sensitivity analysis on our Group's PAT to a 3% strengthening and weakening of various foreign currencies against RM, with other variables held constant.

12.9.2 Impact of interest rate

Our Group is exposed to interest rate risk through rate changes for fixed deposits with licensed banks, lease liabilities and interest-bearing borrowings. Our Group does not enter into interest rate hedging transaction.

A sensitivity analysis performed on our Group's interest rate risk is set out in note 35(iii) of the Accountants' Report as set out in Section 14 of this Prospectus.

Our Group's financial results for FYE 2021 to FYE 2023 were not materially affected by fluctuations in interest rate.

12.9.3 Impact of commodity price

Our Group is not directly affected by fluctuations in commodity prices for the FYE Under Review.

12.10 TREND ANALYSIS

As at the LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our Group's operations and financial performance have not been and are not expected to be affected by any of the following:

(i) known trends, demands, commitments, events or uncertainties that have had or that our Group reasonably expects to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations, save as disclosed in this Sections 7, 8, 9 and 12 of this Prospectus;

(ii) material commitment for capital expenditure, as set out in Section 12.5.6(iii) of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our Group's financial performance, position and operations, save as disclosed in Sections 7, 9 and 12 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group's revenue and/or profits as well as our Group's liquidity and capital resources, save as disclosed in Sections 7, 8, 9 and 12 of this Prospectus; and

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in Sections 7, 9 and 12 of this Prospectus.

Our Board is optimistic about the future prospects of our Group, after taking into account the outlook of the fashion industry in Malaysia as set out in Section 8 of this Prospectus, our Group's competitive advantages and key strengths as set out in Section 7.17 of this Prospectus and our business strategies as set out in Section 7.18 of this Prospectus.

12.11 ORDER BOOK

Due to the nature of our Group's business, our Group does not enter into long-term contracts with our customers. Sales through our boutiques, departmental stores and e-commerce platforms are sold to customers on ad-hoc basis. In this regard, our Group does not maintain an order book.

While our Group does not maintain an order book, our business is sustainable based on the following factors:

(i) our Carlo Rino brand has been in the fashion industry in Malaysia for more than 35 years and our Group has an established track record of 18 years, which have enabled our Group to garner trust amongst our customers and suppliers. Our Group is led our Group Managing Director who has approximately 20 years of experience in the fashion industry and is supported by a team of key senior management who has over 10 years of experience in their respective fields;

(ii) the positive outlook and prospects of the fashion industry in Malaysia, Indonesia and Thailand as set out in the IMR Report, which allows our Group to leverage on strengths as set in item (i) above to ride on the growth of the fashion industry in these countries; and

(iii) our Management's continuous efforts to strengthen our market presence and brand visibility as detailed in Section 7.18 of this Prospectus.

12.12 DIVIDEND POLICY

For FYE 2021 and FYE 2022, our Company does not have a formal dividend policy. Subsequently on 29 August 2022, our Company adopted a dividend policy to distribute not less than 30% of our Company's net profit attributed to shareholders available in each financial year in the form of dividends to our shareholders annually, commenced from the FYE 2023.

The dividends declared and paid to our shareholders during the FYE Under Review and the subsequent period up to the LPD, which were funded entirely by our internally generated funds, are as follows:

	FYE 2021 (RM'000)	**FYE 2022 (RM'000)**	**FYE 2023 (RM'000)**	**1 July 2023 up to the LPD (RM'000)**
Dividend declared and paid **(A)**	4,028	4,028	14,099	4,028
PAT attributable to owners of our Company **(B)**	3,984	22,230	23,853	8,060*(1)*
Dividend payout ratio (%) **(A/B)**	101.10	18.12	59.11	49.98

Note:

(1) Being unaudited PAT attributable to owners of our Company for 6-month FPE 31 December 2023, being latest announced financial results of our Group as at the LPD.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modifications (including reduction or non-declaration thereof) at our Board's discretion.

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- level of available cash and cash equivalents, accumulated reserves and earnings stability of our Group;
- expected financial performance and debt to equity ratio of our Group;
- future working capital requirements of our Group for organic/inorganic growth, expansion and/or investment plans;
- contractual restrictions involving our Group;
- current and future leverage of our Group and, under exception circumstances, the amount of contingent liabilities of our Company and our Group;
- business cycles and economic environment;
- cost of external financing and inflation rate;
- industry outlook and prospects;
- changes in Government's policies, industry specific rulings and regulatory provisions; and
- our ability to remain solvent and to pay our debts as and when become due within the period of 12 months immediately following the date of dividend distributions, and the assets of our Company shall be greater than the value of our liabilities at the date of the dividend distribution as prescribed under the Act or other applicable laws and regulations.

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries may require its financiers' consent to pay dividends to our Company in our future facility agreements.

As such, we cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. Refer to Section 9 of this Prospectus for risk relating to investment in our Shares.

In adherence to the dividend policy adopted by our Company on 29 August 2022 for the FYE 2023 and onwards, our Group intends to declare a total dividend of not less than 30.0% of our Group's PAT for FYE 2024 (including the dividend paid as stated above) to be paid prior to our Transfer of Listing, using our Group's internally-generated funds. The declaration of such dividends would not affect the execution and implementation of our Group's future plans or strategies moving forward. As at the LPD, there is RM4.03 million interim dividend which has been declared and paid by our Company for FYE 2024. Further, our Company had on 28 February 2024 declared an interim single tier dividend of 0.5 per Share with entitlement date and payment date of 8 March 2024 and 20 March 2024, respectively.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

12.13 SIGNIFICANT CHANGES

Save as disclosed in this Prospectus, there is no significant changes that have occurred which may have a material effect on our Group's financial position and results of operations subsequent to FYE 2023 up to the LPD.

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12.14 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

(i) our Group's revenue will remain sustainable with a growth trend, in line with the positive outlook of the fashion industry in Malaysia, Indonesia and Thailand as set out in the IMR Report;

(ii) our Group's liquidity will strengthen further subsequent to the Public Issue given the funds to be raised by us to carry out business strategies as sets out in Sections 4.9 and 7.18 of this Prospectus; and

(iii) our Group's capital resources will strengthen, taking into account the amount to be raised from the Public Issue as well as internally generated funds. We may consider debt or equity funding for our Group's capital expansion should the need arises.

Save as disclosed in this Prospectus, our Board confirms that there are no known circumstances or factors that are likely to have a material impact on Group's liquidity, revenue or profitability.

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