

12. FINANCIAL INFORMATION (CONT'D)

- increase in retail sales golf balls and accessories by RM1.49 million to RM14.96 million in FYE 2022 (FYE 2021: RM13.47 million) mainly attributed to higher sales at our retail outlets in Singapore; and
- increase in retail sales of golf apparel by RM2.11 million to RM10.79 million in FYE 2022 (FYE 2021: RM8.68 million) mainly attributed to higher sales at our retail outlets in Singapore.

The higher sales of our retail segment from Singapore operations was contributed by higher sales of golf equipment from our existing specialty store at Suntec City as well as sales of golf equipment from the 2 new specialty stores opened at City Square and Scotts Square in FYE 2022. The revenue growth was also partly attributed to the appreciation in value of the SGD relative to the RM as reflected in the increase of 3.83% in the average exchange rate of RM relative to the SGD in FYE 2022 of RM3.1797 as compared to FYE 2021 of RM3.0625.

The same store sales growth for our retail outlets in Singapore was 29.20% in FYE 2022 which was lower compared to 82.07% in FYE 2021. In FYE 2021, the same store sales growth was high mainly because retail sales picked up following the resumption of economic activities in June 2020 after the circuit breaker period where our retail outlets were temporarily closed for 73 days in FYE 2020.

Wholesale segment

The revenue from wholesale segment increased by RM9.90 million or 26.41% to RM47.37 million in FYE 2022 as compared to RM37.48 million in FYE 2021. This was mainly attributed to the increase in sales of golf equipment including golf clubs, golf balls and accessories and golf apparel mainly to retailers in Indonesia arising from higher orders placed by customers.

Golf related services

The revenue from golf related services increased by RM2.97 million or 55.01% to RM8.36 million in FYE 2022 as compared to RM5.39 million in FYE 2021. This was mainly due to the increase of RM1.86 million in revenue from the provision of event management and planning services as well as increase of RM1.21 million in revenue from the provision of golf coaching arising from a higher demand for golf lessons where more lessons were carried out during the FYE 2022 in Malaysia.

Indoor golf centre

In February 2022 and August 2022, we commenced the operation of our first and second indoor golf centres located at The Gardens Mall in Kuala Lumpur and Tropicana Gardens Mall in Selangor respectively. The revenue from the operation of these indoor golf centres was RM3.83 million in FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)**(ii) Cost of sales****(a) Cost of sales by components**

Our cost of sales by components for the Financial Years Under Review are set out below:

	<--FYE 2019-->		<--FYE 2020-->		<--FYE 2021-->		<--FYE 2022-->	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Product costs*	101,926	96.86	98,599	97.92	120,529	98.40	167,699	97.67
• <i>Golf clubs</i> ⁽¹⁾	48,182	45.79	50,939	50.59	67,222	54.88	86,913	50.62
• <i>Golf balls and accessories</i> ⁽²⁾	32,538	30.92	31,110	30.89	32,993	26.94	50,942	29.67
• <i>Golf apparel</i> ⁽³⁾	21,206	20.15	16,550	16.44	20,314	16.58	29,844	17.38
Rebates and discounts ⁽⁴⁾	(1,648)	(1.56)	(996)	(0.99)	(642)	(0.52)	(2,398)	(1.39)
Golf instructors' costs	1,189	1.13	1,691	1.68	1,206	0.98	1,829	1.07
Others ⁽⁵⁾	3,757	3.57	1,401	1.39	1,395	1.14	4,550	2.65
Total cost of sales	105,224	100.00	100,695	100.00	122,488	100.00	171,680	100.00

Notes:

- * Including custom duties, freight and related costs.
- (1) Including individual golf clubs and golf package sets with multiple clubs.
- (2) Including golf footwear, gloves, tees, bags, trolleys, GPS, umbrellas, towels and markers.
- (3) Including shirts, shorts, pants, headwear, belt, outerwear, arm gloves, socks, towels, sunglasses and compression wear.
- (4) Including product discounts or rebates provided arising from achieving of purchase targets or early payment discounts based on the commercial terms agreed with our suppliers.
- (5) Comprise cost incurred for event management services including venue rental, professional fees such as emcee and golf players, purchases of door gifts, management fees paid to golf course operator for the collections of range balls at the driving range we operate, tooling cost incurred for repair services, as well as purchases of food and beverages ingredients for our indoor golf centre which commenced operation in FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)**(b) Cost of sales by business activities**

Our cost of sales by business activities for the Financial Years Under Review are set out below:

	<--FYE 2019-->		<--FYE 2020-->		<--FYE 2021-->		<--FYE 2022-->	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Retail	88,632	84.23	84,326	83.75	92,427	75.46	128,526	74.86
• <i>Golf clubs⁽¹⁾</i>	39,289	37.34	40,898	40.62	45,857	37.44	59,129	34.44
• <i>Golf balls and accessories⁽²⁾</i>	30,056	28.56	28,023	27.83	28,880	23.58	42,988	25.04
• <i>Golf apparel⁽³⁾</i>	19,287	18.33	15,405	15.30	17,690	14.44	26,409	15.38
Wholesale	11,646	11.07	13,277	13.18	27,460	22.42	36,775	21.42
• <i>Golf clubs⁽¹⁾</i>	8,138	7.73	9,757	9.69	21,174	17.29	26,368	15.36
• <i>Golf balls and accessories⁽²⁾</i>	1,984	1.89	2,743	2.72	3,916	3.20	7,390	4.30
• <i>Golf apparel⁽³⁾</i>	1,524	1.45	777	0.77	2,370	1.93	3,017	1.76
Golf related services⁽⁴⁾	4,946	4.70	3,092	3.07	2,601	2.12	5,193	3.03
Indoor golf centre	-	-	-	-	-	-	1,186	0.69
Total cost of sales	105,224	100.00	100,695	100.00	122,488	100.00	171,680	100.00

Notes:

- (1) Including individual golf clubs and golf package sets with multiple clubs.
- (2) Including golf footwear, gloves, tees, bags, trolleys, GPS, umbrellas, towels and markers.
- (3) Including shirts, shorts, pants, headwear, belt, outerwear, arm gloves, socks, towels, sunglasses and compression wear.
- (4) Including golf coaching, rental of golf equipment mainly golf clubs and golf accessories at our pro shops at the golf and country clubs and supply of range balls for use at driving range we operate, event management and planning services mainly for golf tournament-related events and repair services.

Product costs

Product costs represent the largest component of our cost of sales which accounted for 96.86% (RM101.93 million), 97.92% (RM98.60 million), 98.40% (RM120.53 million) and 97.67% (RM167.70 million) of our total cost of sales for FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively. Our product costs comprise the purchases of golf equipment including golf clubs, golf balls and accessories and golf apparel from our suppliers which inclusive of custom duties, freight and related costs for the import of these golf equipment.

12. FINANCIAL INFORMATION (CONT'D)

Our product costs decreased by RM3.33 million or 3.26% from RM101.93 million in FYE 2019 to RM98.60 million in FYE 2020, mainly due to lower purchases of golf equipment following the business closure during the containment measures for COVID-19 pandemic in FYE 2020 in Malaysia and Singapore. This was in line with the decrease in our revenue of 3.30% in FYE 2020, mainly due to decrease in revenue from our retail segment mainly from our Singapore operations where our retail outlets were temporarily closed during the circuit breaker period and despite the resumption of operations, our retail sales for Singapore operations were still lower compared to the previous year.

Our product costs increased by RM21.93 million or 22.24% from RM98.60 million in FYE 2020 to RM120.53 million in FYE 2021, mainly due to increase in purchases of golf equipment including golf clubs, golf balls and accessories and golf apparel. The increase in purchases was in tandem with the increase in our revenue of 21.37% as a result of higher retail sales from our Singapore operations as sales subsequently picked up following the resumption of economic activities in June 2020 after the circuit breaker period, as well as increase in sales to Indonesia as we secured the agreement for the distribution of Supplier A's brand of golf equipment in the Indonesia market.

Our product costs increased by RM47.17 million or 39.14% to RM167.70 million in FYE 2022 as compared to RM120.53 million in FYE 2021, mainly due to higher purchases of golf equipment including golf clubs, golf balls and accessories and golf apparel during the FYE 2022. The increase in purchases was also reflected in the increase in our revenue of 45.69% in FYE 2022 mainly attributed to increase in revenue from our retail and wholesale segments. The increase in product costs was also partly due to the strengthening of foreign exchange mainly USD which resulted in the increase in our purchase price.

Please refer to Sections 12.3.1(i) of this Prospectus for further details of the analysis of our revenue.

Rebates and discounts

We receive rebates and discounts for the purchase of golf equipment including golf clubs, golf balls and accessories and golf apparel from some of our suppliers. Generally, there are 2 types of discounts received including product discounts or rebates provided arising from achieving of purchase targets or early payment discounts based on the commercial terms agreed with our suppliers.

The rebates and discounts received from our suppliers decreased by RM0.65 million or 39.56% from RM1.65 million in FYE 2019 to RM1.00 million in FYE 2020. The decrease was mainly attributed to lower early payment discounts received and lower product discounts/rebates received during the FYE 2020 as we fell short of the purchase targets arising from the cancellation of purchase orders during the containment measures implemented in FYE 2020.

The rebates and discounts received from our suppliers decreased by RM0.35 million or 35.54% from RM1.00 million in FYE 2020 to RM0.64 million in FYE 2021. The decrease was mainly attributed to lower product discounts/rebates received during FYE 2021 as we had yet to receive the rebate claims from our suppliers for the purchase targets met in FYE 2021. As at the LPD, these rebate claims have been collected from our suppliers.

The rebates and discounts received from our suppliers increased by RM1.76 million or 273.52% from RM0.64 million in FYE 2021 to RM2.40 million in FYE 2022. The increase was mainly attributed to higher product discounts/rebates arising from higher purchases of certain brands of golf equipment mainly golf apparels during FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)**Golf instructors' costs**

Golf instructors' costs relate to the remunerations for the instructors hired for the provision of golf coaching for our Malaysia operation. This includes salary of the instructors as well as the commission paid.

The golf instructors' costs incurred increased by RM0.50 million or 42.22% from RM1.19 million in FYE 2019 to RM1.69 million in FYE 2020 due to higher demand for golf lessons which was reflected in the increase in revenue from the provision of golf coaching.

The golf instructors' costs incurred decreased by RM0.49 million or 28.68% from RM1.69 million in FYE 2020 to RM1.21 million in FYE 2021, as the provision of golf coaching was impacted by the temporary closures during the various MCO periods in FYE 2021 resulting in the decrease in revenue from provision of golf coaching.

The golf instructors' costs incurred increased by RM0.62 million or 51.66% to RM1.83 million in FYE 2022 as compared to RM1.21 million in FYE 2021. This was due to higher demand for golf lessons as reflected in the increase in revenue from the provision of golf coaching in FYE 2022.

Other costs

Other costs mainly consist of cost incurred for event management services including venue rental, professional fees such as emcee and golf players for product demonstration during the event, purchases of door gifts, management fees paid to golf course operator for the collections of range balls at the driving range we operate, tooling cost incurred for repair services, as well as purchases of food and beverages ingredients for our indoor golf centre which commenced operations in FYE 2022.

For FYE 2020, our other cost of sales decreased by RM2.36 million or 62.71% from RM3.76 million in FYE 2019 to RM1.40 million in FYE 2020. This was mainly due to the decrease in cost incurred for the provision of event management and planning services which was impacted by the COVID-19 pandemic.

For FYE 2021, our other cost of sales decreased marginally by RM0.01 million or 0.43% from RM1.40 million in FYE 2020 to RM1.39 million in FYE 2021, mainly due to the decrease in cost of sales from the supply of range balls for use at the driving range we operate which were impacted by the temporary closures during the various MCO periods in FYE 2021.

For FYE 2022, our other cost of sales increased by RM3.16 million or 226.16% to RM4.55 million in FYE 2022 as compared to RM1.40 million in FYE 2021. This was mainly contributed by the cost of RM1.19 million incurred for the purchases of food and beverage ingredients for the operation of indoor golf centres which we commenced in FYE 2022, coupled with the increase in cost incurred for provision of event management services.

12. FINANCIAL INFORMATION (CONT'D)

(iii) GP and GP margin

(a) GP and GP margin by business activities and type of products and services

Our GP and GP margin by activities and type of products and services for the Financial Years Under Review are set out below:

Business activities	<-----FYE 2019----->		<-----FYE 2020----->		<-----FYE 2021----->		<-----FYE 2022----->					
	GP		GP		GP		GP		<-----GP----->		GP	
	<-----GP----->	margin	<-----GP----->	margin	<-----GP----->	margin	<-----GP----->	margin	<-----GP----->	margin	<-----GP----->	margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Retail	62,719	88.68	41.44	61,530	88.59	42.19	71,222	84.76	43.52	112,782	87.30	46.74
• <i>Golf clubs⁽¹⁾</i>	25,385	35.89	39.25	28,483	41.01	41.05	33,491	39.86	42.21	48,678	37.68	45.15
• <i>Golf balls and accessories⁽²⁾</i>	20,521	29.02	40.57	19,265	27.74	40.74	21,546	25.64	42.73	32,963	25.52	43.40
• <i>Golf appare⁽³⁾</i>	16,813	23.77	46.57	13,782	19.84	47.22	16,185	19.26	47.78	31,141	24.10	54.11
Wholesale	4,070	5.75	25.90	4,160	5.99	23.86	10,016	11.92	26.73	10,599	8.20	22.37
• <i>Golf clubs⁽¹⁾</i>	2,584	3.65	24.10	3,125	4.50	24.26	7,794	9.27	26.91	7,816	6.05	22.86
• <i>Golf balls and accessories⁽²⁾</i>	807	1.14	28.91	874	1.26	24.16	1,477	1.76	27.39	1,953	1.51	20.90
• <i>Golf appare⁽³⁾</i>	679	0.96	30.82	161	0.23	17.16	745	0.89	23.92	830	0.64	21.58
Golf related services⁽⁴⁾	3,937	5.57	44.32	3,766	5.42	54.91	2,793	3.32	51.78	3,168	2.45	37.89
Indoor golf centre	-	-	-	-	-	-	-	-	-	2,646	2.05	69.05
Total GP/Group GP margin	70,726	100.00	40.20	69,456	100.00	40.82	84,031	100.00	40.69	129,195	100.00	42.94

12. FINANCIAL INFORMATION (CONT'D)

Products and services	<-----FYE 2019----->			<-----FYE 2020----->			<-----FYE 2021----->			<-----FYE 2022----->		
	<-----GP----->		GP	<-----GP----->		GP	<-----GP----->		GP	<-----GP----->		GP
	RM'000	%	margin %	RM'000	%	margin %	RM'000	%	margin %	RM'000	%	margin %
Golf clubs ⁽¹⁾	27,969	39.54	37.10	31,608	45.51	38.42	41,285	49.13	38.12	56,494	43.73	39.79
Golf balls and accessories ⁽²⁾	21,328	30.16	39.96	20,139	29.00	39.56	23,023	27.40	41.25	34,916	27.03	40.94
Golf apparel ⁽³⁾	17,492	24.73	45.67	13,943	20.07	46.28	16,930	20.15	45.77	31,971	24.74	52.07
Golf related services ⁽⁴⁾	3,937	5.57	44.32	3,766	5.42	54.91	2,793	3.32	51.78	3,168	2.45	37.89
Indoor golf centre	-	-	-	-	-	-	-	-	-	2,646	2.05	69.05
Total GP/Group GP margin	70,726	100.00	40.20	69,456	100.00	40.82	84,031	100.00	40.69	129,195	100.00	42.94

Notes:

- (1) Including individual golf clubs and golf package sets with multiple clubs.
- (2) Including golf footwear, gloves, tees, bags, trolleys, GPS, umbrellas, towels and markers.
- (3) Including shirts, shorts, pants, headwear, belt, outerwear, arm gloves, socks, towels, sunglasses and compression wear.
- (4) Including golf coaching, rental of golf equipment mainly golf clubs and golf accessories at our pro shops at the golf and country clubs and supply of range balls for use at driving range we operate, event management and planning services mainly for golf tournament-related events and repair services.

12. FINANCIAL INFORMATION (CONT'D)

(b) GP and GP margin by geographical markets

Our GP and GP margin by geographical markets for the Financial Years Under Review are set out below:

Business operations	<-----FYE 2019----->			<-----FYE 2020----->			<-----FYE 2021----->			<-----FYE 2022----->		
	<-----GP----->		GP	<-----GP----->		GP	<-----GP----->		GP	<-----GP----->		GP
	RM'000	%	margin %	RM'000	%	margin %	RM'000	%	margin %	RM'000	%	margin %
Malaysia operations	50,263	71.06	41.75	54,252	78.10	42.59	53,575	63.75	43.87	88,794	68.73	44.37
• Retail	46,491	65.73	41.98	50,565	72.80	42.61	49,898	59.38	43.84	81,467	63.06	44.67
• Wholesale	934	1.32	41.40	1,031	1.48	32.79	1,563	1.86	39.19	1,607	1.24	28.01
• Golf related services	2,838	4.01	38.37	2,656	3.82	47.57	2,114	2.51	48.98	3,074	2.38	37.55
• Indoor golf centres	-	-	-	-	-	-	-	-	-	2,646	2.05	69.05
Singapore operations	20,463	28.94	36.83	15,204	21.90	35.56	30,456	36.25	36.08	40,401	31.27	40.10
• Retail	16,225	22.95	39.95	10,965	15.79	40.32	21,325	25.38	42.79	31,314	24.24	53.12
• Wholesale	3,136	4.43	23.30	3,129	4.51	21.89	8,453	10.06	25.24	8,993	6.96	21.60
• Golf related services	1,102	1.56	74.11	1,110	1.60	87.06	678	0.81	62.89	94	0.07	54.02
Total GP/Group GP margin	70,726	100.00	40.20	69,456	100.00	40.82	84,031	100.00	40.69	129,195	100.00	42.94

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (CONT'D)

Geographical market	<-----FYE 2019----->		<-----FYE 2020----->		<-----FYE 2021----->		<-----FYE 2022----->					
	GP		GP		GP		GP					
	<-----GP----->	margin	<-----GP----->	margin	<-----GP----->	margin	<-----GP----->	margin				
	RM'000	%	RM'000	%	RM'000	%	RM'000	%				
Malaysia	48,976	69.25	41.05	52,852	76.09	41.78	52,003	61.89	42.99	89,685	69.42	44.96
Singapore	19,467	27.52	42.80	14,514	20.90	44.32	25,216	30.01	45.07	31,913	24.70	46.20
Other foreign countries ⁽¹⁾	2,283	3.23	20.46	2,090	3.01	19.17	6,812	8.10	23.02	7,597	5.88	23.50
Total GP/Group GP margin	70,726	100.00	40.20	69,456	100.00	40.82	84,031	100.00	40.69	129,195	100.00	42.94

Note:

- (1) Including mainly Indonesia, which accounted for 2.35%, 1.90%, 6.95% and 5.60% of our total GP for FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively. The remaining foreign countries include Japan, South Korea, Thailand, Philippines, Myanmar, India, Hong Kong, Cambodia, Italy, Vietnam, USA, UK, Belgium, Brunei, Dubai, United Arab Emirates, Taiwan, China, Austria, Australia, France, Portugal, Switzerland, Spain, New Zealand, Canada, South Africa, Germany, Sri Lanka and Netherlands.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (CONT'D)**FYE 2020 compared to FYE 2019**

Our GP decreased by RM1.27 million or 1.80% from RM70.73 million in FYE 2019 to RM69.46 million in FYE 2020, which was also reflected in the decrease in revenue of 3.30%. This was mainly due to the decrease in revenue and GP from our retail segment, as well as our golf related services. Our GP margin improved slightly from 40.20% in FYE 2019 to 40.82% in FYE 2020 and this was mainly due to improvement in GP margin from the retail segment as well as golf related services.

Retail segment

Our GP from the retail segment declined by RM1.19 million or 1.90% from RM62.72 million in FYE 2019 to RM61.53 million in FYE 2020, which was also reflected in the decrease in revenue by 3.63% from our retail segment in FYE 2020. The decrease in GP from our retail segment was mainly due to the decrease of RM5.26 million in GP from our Singapore operations where the retail sales of golf equipment including golf clubs, golf balls and accessories and golf apparel was impacted by the COVID-19 pandemic. This was reflected in the decrease in GP of the following golf equipment from Singapore retail operations:

- GP from the sales of golf clubs decreased by RM2.43 million to RM6.40 million in FYE 2020 (FYE 2019: RM8.83 million);
- GP from the sales of golf balls and accessories decreased by RM1.29 million to RM3.11 million in FYE 2020 (FYE 2019: RM4.40 million); and
- GP from the sales of golf apparel decreased by RM1.54 million to RM1.46 million in FYE 2020 (FYE 2019: RM3.00 million).

The decrease in GP from the retail segment was partially offset by the increase in GP by RM4.07 million from our Malaysia's retail operations, arising from higher retail sales following the reopening of retail outlets after the MCO in May 2020 and also partly contributed by higher sales through our online platform. This was mainly reflected in the increase in GP of the following golf equipment from Malaysia retail operations:

- GP from the sales of golf clubs increased by RM5.52 million to RM22.08 million in FYE 2020 (FYE 2019: RM16.56 million);
- GP from the sales of golf balls and accessories increased by RM0.04 million to RM16.16 million in FYE 2020 (FYE 2019: RM16.12 million); and
- the increase was partially offset by a decrease in GP from the sales of golf apparel which decreased by RM1.49 million to RM12.33 million in FYE 2020 (FYE 2019: RM13.82 million).

Our GP margin from our retail segment increased from 41.44% in FYE 2019 to 42.19% for FYE 2020. The improvement in GP margin of our retail segment was mainly contributed by the higher GP margin from Malaysia's retail operations arising from the lower sales promotions and discounts provided during the financial year. This was also reflected in the GP margin from the sales of golf clubs from Malaysia's retail operations which increased from 38.84% in FYE 2019 to 40.83% in FYE 2020 contributed by the product mix margin arising from increased sales of higher margin golf clubs.

12. FINANCIAL INFORMATION (CONT'D)

Wholesale segment

The GP from our wholesale segment increased slightly by RM0.09 million or 2.21% from RM4.07 million in FYE 2019 to RM4.16 million in FYE 2020, which was mainly attributed to the higher sales of golf clubs mainly to retailers in other foreign countries, mainly South Korea. This was also reflected in the increase in revenue by 10.95% from the wholesale segment in FYE 2020. Please refer to Section 12.3.1(i) of this Prospectus for further details of the revenue analysis.

The GP margin from our wholesale segment declined from 25.90% in FYE 2019 to 23.86% in FYE 2020. This was mainly due to lower sales of high margin golf apparel which command a higher margin of 30.82% in FYE 2019. The wholesale of golf apparel declined by RM1.27 million from RM2.20 million in FYE 2019 to RM0.94 million in FYE 2020.

Golf related services

The GP from our golf related services segment decreased by RM0.17 million or 4.34% from RM3.94 million in FYE 2019 to RM3.77 million in FYE 2020. This was mainly due to the decrease in GP contribution by RM0.70 million from the rental of golf equipment mainly golf clubs and golf accessories at our pro shops at the golf and country clubs and supply of range balls for use at the driving range we operate, as well as RM0.51 million the provision of event management and planning services. This was also reflected in the decrease in revenue from the said golf related services which was impacted by the COVID-19 pandemic as mentioned earlier.

The decrease was partially offset by the increase in GP by RM0.63 million mainly from the provision of golf coaching which was in line with the increase in revenue for this said service for FYE 2020.

The GP margin from golf related services increased from 44.32% in FYE 2019 to 54.91% in FYE 2020 mainly contributed by increased GP contribution from provision of golf coaching with improved margin in FYE 2020. The improvement in margin was mainly attributed to the increase in golf lessons carried out coupled with the upward revision of golf lessons package price including individual and group lesson packages during FYE 2020.

FYE 2021 compared to FYE 2020

Our GP increased by RM14.58 million or 20.98% from RM69.46 million in FYE 2020 to RM84.03 million in FYE 2021, which was reflected in the increase in revenue of 21.37% in FYE 2021. This increase in GP was mainly contributed by higher retail sales in Singapore as well as increased sales to Indonesia from the wholesale segment. Our GP margin declined marginally from 40.82% in FYE 2020 to 40.69% in FYE 2021 and this was mainly attributed to a decline in GP margin from our golf related services and partially offset by improvement in GP margin from the retail and wholesale segments.

Retail segment

Our GP from our retail segment increased by RM9.69 million or 15.75% from RM61.53 million in FYE 2020 to RM71.22 million in FYE 2021. This was also reflected in the increase in revenue of 12.20% from our retail segment, contributed by the increase in retail sales of golf equipment including golf clubs, golf balls and accessories and golf apparel from our Singapore retail operations. This was reflected in the increase in GP of RM10.36 million from our Singapore retail operations arising from the following golf equipment:

- GP from the sales of golf clubs increased by RM5.55 million to RM11.95 million in FYE 2021 (FYE 2020: RM6.40 million);

12. FINANCIAL INFORMATION (CONT'D)

- GP from the sales of golf balls and accessories increased by RM2.97 million to RM6.08 million in FYE 2021 (FYE 2020: RM3.11 million); and
- GP from the sales of golf apparel increased by RM1.84 million to RM3.30 million in FYE 2021 (FYE 2020: RM1.46 million).

However, the increase in GP from our retail segment was partially moderated by the decrease of RM0.67 million in GP from our Malaysian operations, due to lower sales of golf equipment mainly golf clubs, golf balls and accessories which was reflected in the decrease in revenue from the Malaysian retail segment. This was reflected in the decrease in GP of RM0.67 million from our Malaysia retail operations arising from the following golf equipment:

- GP from the sales of golf clubs decreased by RM0.53 million to RM21.55 million in FYE 2021 (FYE 2020: RM22.08 million);
- GP from the sales of golf balls and accessories decreased by RM0.69 million to RM15.47 million in FYE 2021 (FYE 2020: RM16.16 million); and
- the decrease was partially moderated by an increase in GP from the sales of golf apparel which increased by RM0.55 million to RM12.88 million in FYE 2021 (FYE 2020: RM12.33 million).

Our GP margin from our retail segment improved from 42.19% in FYE 2020 to 43.52% in FYE 2021, attributed to the higher sales of golf equipment mainly golf clubs from our Singapore's operation with improved GP margin which increased from 41.84% in FYE 2020 to 43.14% in FYE 2021. In addition, the improvement in our GP margin from our retail segment was also attributed to lower sales promotions and discounts provided during the financial year for our Singapore operation.

Wholesale segment

The GP from our wholesale segment increased by RM5.86 million or 140.77% from RM4.16 million in FYE 2020 to RM10.02 million in FYE 2021. This was mainly attributed to the increase in sales of golf clubs to retailers in Indonesia.

The GP margin from our wholesale segment increased from 23.86% in FYE 2020 to 26.73% in FYE 2021. This was mainly attributed to the higher sales of golf equipment mainly golf clubs with improved GP margin to retailers in Indonesia. The GP margin from the wholesale of golf clubs increased from 24.26% in FYE 2020 to 26.91% in FYE 2021 due to the product mix margin arising from high margin of golf equipment.

Golf related services

The GP from our golf related services segment decreased by RM0.97 million or 25.84% from RM3.77 million in FYE 2020 to RM2.79 million in FYE 2021. This was mainly due to the decrease in GP from the repair services of golf equipment, as well as decrease in rental of golf equipment mainly golf clubs and golf accessories at our pro shops at the golf and country clubs and supply of range balls for use at the driving range we operate which were impacted by the temporary closures during the various MCO periods during the FYE 2021.

The GP margin from golf related services declined from 54.91% in FYE 2020 to 51.78% in FYE 2021. This was mainly contributed by the decline in contribution from high margin golf related services such as supply of range balls and repair services as impacted by the temporary closures during the MCO periods during the FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2022 compared to FYE 2021**

Our GP increased by RM45.16 million or 53.75% to RM129.20 million in FYE 2022 as compared to RM84.03 million in FYE 2021, which was reflected in the increase in our revenue by 45.69% in FYE 2022. Our GP margin increased to 42.94% in FYE 2022 as compared to 40.69% in FYE 2021, mainly attributed to the higher GP contribution with improved GP margin from the retail segment.

Retail segment

Our GP from our retail segment increased by RM41.56 million or 58.35% to RM112.78 million in FYE 2022 as compared to RM71.22 million in FYE 2021. This was in line with the increase in revenue of 47.45% from our retail segment, contributed by increase in retail sales of golf equipment including golf clubs, golf balls and accessories and golf apparel from both our Malaysia and Singapore operations.

This was reflected in the increase in GP of RM31.57 million from our Malaysia retail operations which was contributed by the following:

- GP from the sales of golf clubs increased by RM10.00 million to RM31.55 million in FYE 2022 (FYE 2021: RM21.55 million);
- GP from the sales of golf balls and accessories increased by RM10.25 million to RM25.72 million in FYE 2022 (FYE 2021: RM15.47 million); and
- GP from the sales of golf apparel increased by RM11.32 million to RM24.20 million in FYE 2022 (FYE 2021: RM12.88 million).

The increase was also contributed by the increase in GP of RM9.99 million from our Singapore retail operations arising from the following:

- GP from the sales of golf clubs increased by RM5.18 million to RM17.13 million in FYE 2022 (FYE 2021: RM11.95 million);
- GP from the sales of golf balls and accessories increased by RM1.16 million to RM7.24 million in FYE 2022 (FYE 2021: RM6.08 million); and
- GP from the sales of golf apparel increased by RM3.64 million to RM6.94 million in FYE 2022 (FYE 2021: RM3.30 million).

Our GP margin from retail segment improved to 46.74% in FYE 2022 as compared to 43.52% in FYE 2021. This was mainly contributed by the higher GP margin from our Singapore retail operations arising from higher sales of golf equipment mainly golf clubs with improved GP margin which increased from 43.14% in FYE 2021 to 51.59% in FYE 2022. In addition, the improvement in our GP margin from the retail segment was also attributed to lower sales promotions and discounts provided during the financial year for our Singapore operations.

Wholesale segment

The GP from our wholesale segment increased by RM0.58 million or 5.82% to RM10.60 million in FYE 2022 as compared to RM10.02 million in FYE 2021. This was mainly attributed to the increase in sales of golf equipment mainly to retailers in Indonesia.

12. FINANCIAL INFORMATION (CONT'D)

The GP margin from our wholesale segment decreased to 22.37% in FYE 2022 as compared to 26.73% in FYE 2021. This was mainly due to the higher sales of golf clubs as well as golf balls and accessories with lower margin in FYE 2022. The GP margin from the sales of golf clubs decreased to 22.86% in FYE 2022 as compared to 26.91% in FYE 2021, while GP margin from sales of golf balls and accessories decreased to 20.90% in FYE 2022 as compared to 27.39% in FYE 2021. This was mainly attributed to higher product costs affected by the fluctuation of foreign currency for the wholesale of golf balls and accessories where the customer orders had already been confirmed prior to the unfavourable change in foreign currency exchange on the golf balls and accessories that we received from suppliers.

Golf related services

The GP from golf related services increased by RM0.38 million or 13.43% to RM3.17 million in FYE 2022 as compared to RM2.79 million in FYE 2021. This was mainly contributed by the increase in GP from the provision of event management and planning services as well as golf coaching in Malaysia.

The GP margin from golf related services decreased to 37.89% in FYE 2022 as compared to 51.78% in FYE 2021. This was mainly due to the decline in contribution from high margin golf related services such as supply of range balls offset by the increased GP contribution from the lower margin event management and planning services.

Indoor golf centre

The GP from the operation of indoor golf centres was RM2.65 million with a GP margin of 69.05% in FYE 2022.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (CONT'D)**(iv) Other income and finance income**

Our other income and finance income for the Financial Years Under Review are set out below:

	<--FYE 2019-->		<--FYE 2020-->		<--FYE 2021-->		<--FYE 2022-->	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Other income	3,530	100.00	4,591	98.67	5,003	96.92	2,933	99.76
• Wage subsidy allowance ⁽¹⁾	-	-	2,041	43.87	2,896	56.10	1,193 ⁽¹⁴⁾	40.58
• Rental support scheme ⁽²⁾	-	-	-	-	585	11.33	-	-
• Rental income ⁽³⁾	1,950	55.24	1,166	25.06	513	9.94	673	22.89
• Gain on foreign exchange								
- <i>Unrealised gain on foreign exchange</i>	101	2.86	224	4.81	-	-	312	10.61
- <i>Realised gain on foreign exchange</i>	270	7.65	112	2.41	-	-	-	-
• Member subscription fees ⁽⁴⁾	233	6.60	237	5.09	406	7.87	163	5.54
• Courier and transportation ⁽⁵⁾	40	1.13	92	1.98	176	3.41	108	3.67
• Insurance claim ⁽⁶⁾	25	0.71	6	0.13	157	3.04	71	2.42
• Management fees ⁽⁷⁾	567	16.06	558	11.99	-	-	-	-
• Facilitation fees ⁽⁸⁾	98	2.78	104	2.24	-	-	-	-
• Gain on disposal of PPE ⁽⁹⁾	102	2.89	25	0.54	1	0.02	*	*
• Others	144 ⁽¹⁰⁾	4.08	26 ⁽¹¹⁾	0.55	269 ⁽¹²⁾	5.21	413 ⁽¹³⁾	14.05
Finance income⁽¹⁵⁾	-	-	62	1.33	159	3.08	7	0.24
Total	3,530	100.00	4,653	100.00	5,162	100.00	2,940	100.00

Notes:

* Insignificant amount of less than RM500.

(1) Refers to the wage subsidy allowance received for Singapore operations mainly under the Jobs Support Scheme by the Singapore government and Malaysia operations under the Wage Subsidy Programme by the Government.

(2) Refers to the rental subsidy under the rental support scheme by the Singapore government.

(3) Refers to the rental of office premises to Sports Direct Malaysia for the Financial Years Under Review and sub-lease of space at KLGCC to operators of food and beverages in FYE 2019 as well as sub-lease of space at the Bukit Jelutong driving range for footgolf game in FYE 2021 and FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)

- (4) Refers to the *ilovegolf* membership subscription fees which were RM20 for 3 years membership in FYE 2019, FYE 2020 and FYE 2021. Subsequently in February 2022, we started collecting the subscription fees at RM10 for 1 year membership.
- (5) Refers to delivery charges collected from our customers through the sales on our online platform.
- (6) Refers to the insurance claim mainly pertaining to damaged goods at our head office or retail outlets. For FYE 2021, the insurance claim was mainly contributed by the claims on goods damaged due to water pipe burst incident in one of our retail outlets in Singapore. For FYE 2022, the insurance claim was contributed by the claims on goods damaged due to a fire incident in one of our retail outlets in Malaysia. The total loss arising from this fire incident of approximately RM97,000 did not cause a material impact to our Group as RM71,000 was covered by insurance claim and the remaining RM26,000 was borne by our Group.
- (7) Refers to management fees for shared services provided to a related party, namely Sports Direct Malaysia in FYE 2019 and FYE 2020, and MySports Vietnam in FYE 2019.
- (8) Refers to facilitation fees pertaining to brand licensing of golf facility facilitation arising from rebranding of a golf and country club in Kuala Lumpur with the use of an international brand which includes the improvement of golf courses and facilities to meet the standard of the international brand.
- (9) Refers to the gains on disposal of motor vehicles in FYE 2019, disposal of furniture and fittings in FYE 2020 and disposal of audio system in FYE 2021.
- (10) Include government grant received under the wage credit scheme and senior employment credit scheme for our Singapore operations, income from the provision of food and beverage at driving range and compensation from the logistic company pertaining to damaged goods received.
- (11) Refers to income from the provision of food and beverage at driving range.
- (12) Include mainly the reimbursement for refurbishment of merchandise display fixtures by our suppliers in Singapore, gain on disposal of subsidiary, gain on lease modifications arising from revision of rental of non-retail facilities (office and warehouse) in Singapore and income from the provision of food and beverage at driving range.
- (13) Include mainly the reimbursement for refurbishment of merchandise display fixtures by our suppliers in Singapore, income from the provision of food and beverage at driving range and compensations arising mainly from the claim due to water leakage in one of our retail outlets in Malaysia.
- (14) Including incentive received from the SOCSO under the hiring incentive programme.
- (15) Refers to interest income from fixed deposits pledged with licensed banks.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2020 compared to FYE 2019**

Our other income and finance income increased by RM1.12 million or 31.81% from RM3.53 million in FYE 2019 to RM4.65 million in FYE 2020. This was mainly contributed by the following:

- wage subsidy allowance of RM2.04 million received in FYE 2020 due to the COVID-19 pandemic including RM2.00 million for our Singapore operations mainly under the Jobs Support Scheme by the Singapore government and RM0.04 million for our Malaysia operations under the Wage Subsidy Programme by the Government; and
- finance income of RM0.06 million from fixed deposit interest in FYE 2020.

The increase in other income and finance income was partially moderated by the decrease in rental income of RM0.78 million in FYE 2020 mainly due to the decrease in rental income from a related party, namely Sports Direct Malaysia due to rent reduction granted to Sports Direct Malaysia. Please refer to Section 10.1.1 of this Prospectus for further details on the related party transactions in regards to the rental income reduction.

FYE 2021 compared to FYE 2020

Our other income and finance income increased by RM0.51 million or 10.94% from RM4.65 million in FYE 2020 to RM5.16 million in FYE 2021. This was mainly attributed to the following:

- increase of RM0.86 million in wage subsidy allowance mainly contributed by an increase of RM1.26 million of wage subsidy received for our Malaysia operations and partially offset by a decrease of RM0.40 million of wage subsidy received for our Singapore operations; and
- RM0.59 million received in FYE 2021 under the Rental Support Scheme by the Singapore government in light of the COVID-19 pandemic.

The increase in other income and finance income was partially moderated by the decrease in rental income of RM0.65 million in FYE 2021 mainly due to the decrease in rental income from a related party, namely Sports Direct Malaysia due to rent reduction granted as mentioned above, as well as the absence of management fees in FYE 2021. We received management fees of RM0.56 million in both FYE 2019 and FYE 2020 from a related party, namely Sports Direct Malaysia and RM0.01 million in FYE 2019 from a related party, namely MySports Vietnam pertaining to the provision of shared services. Please refer to Section 10.1.1 of this Prospectus for further details of the related party transaction in regards to the management fees and rental income reduction.

FYE 2022 compared to FYE 2021

Our other income and finance income decreased by RM2.22 million or 43.05% to RM2.94 million in FYE 2022 as compared to RM5.16 million in FYE 2021. This was mainly due to the following:

- decrease of RM1.70 million in wage subsidy allowance received including a decrease of RM0.69 million of wage subsidy received for our Malaysia operations and a decrease of RM1.01 million wage subsidy received for our Singapore operations;

12. FINANCIAL INFORMATION (CONT'D)

- decrease in subscription fee of RM0.24 million mainly arising from the classification of the subscription fee to deferred income which will be amortised over 3 years; and
- decrease in finance income of RM0.15 million from fixed deposit interest in FYE 2022.

(v) Administrative and other expenses

Our administrative and other expenses for the Financial Years Under Review are set out below:

	<---FYE 2019-->		<---FYE 2020-->		<---FYE 2021-->		<---FYE 2022-->	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff related costs ⁽¹⁾	25,631	52.54	25,922	55.14	27,161	52.22	37,053	47.34
Directors' remunerations ⁽²⁾	1,775	3.64	1,973	4.20	1,844	3.55	4,472	5.71
Rental expenses for retail operations ⁽³⁾	9,610	19.70	7,506	15.97	10,330	19.86	16,299	20.82
Depreciation of other right-of-use assets ⁽⁴⁾	685	1.40	854	1.82	1,017	1.96	1,030	1.32
Depreciation of property, plant and equipment ⁽⁵⁾	3,131	6.42	3,372	7.17	3,593	6.91	5,934	7.58
Upkeep, repair and maintenance ⁽⁶⁾	1,136	2.33	1,007	2.14	1,303	2.50	2,962	3.79
Utilities and office related expenses ⁽⁷⁾	2,689	5.51	2,234	4.75	2,098	4.03	3,259	4.16
Staff welfare expenses ⁽⁸⁾	823	1.69	371	0.79	217	0.41	1,372	1.75
Loss on foreign exchange								
• <i>Realised loss on foreign exchange</i>	-	-	-	-	310	0.60	970	1.24
• <i>Unrealised loss on foreign exchange</i>	-	-	-	-	237	0.46	-	-
Consultancy fee ⁽⁹⁾	152	0.31	252	0.54	636	1.22	506	0.65
Insurance	343	0.70	347	0.74	304	0.58	394	0.50
Security fee ⁽¹⁰⁾	317	0.65	340	0.72	325	0.62	390	0.50
Licensing fees ⁽¹¹⁾	723	1.48	709	1.51	722	1.39	123	0.16
Transportation expenses	328	0.67	198	0.42	175	0.34	230	0.29
Property, plant and equipment written off ⁽¹²⁾	150	0.31	732	1.56	424	0.82	109	0.14
Other administrative expenses ⁽¹³⁾	1,291	2.65	1,191	2.53	1,314	2.53	3,167	4.05
Total	48,784	100.00	47,008	100.00	52,010	100.00	78,270	100.00

Notes:

- (1) Include salaries, bonuses, statutory contributions and other expenses for all our employees at head office, warehouses and retail outlets.
- (2) Include salaries, bonuses, statutory contributions and other expenses for our Directors.
- (3) Refers to the rental expenses of retail outlets for our retail operations in Malaysia and Singapore including the rental expenses of retail outlets under lease liabilities.

12. FINANCIAL INFORMATION (CONT'D)

- (4) Refers to the rental expenses of non-retail facilities including our Singapore office and warehouse, office for golf academy at KLGCC as well as depreciation of motor vehicles under lease liabilities. Our head office and warehouse in Malaysia are operated at our owned premises.
- (5) Includes land and buildings, motor vehicles, furniture and fittings, renovation and other assets such as IT related hardware and software, equipment and plant and machinery.
- (6) Refers to upkeep, repair and maintenance costs incurred mainly for our retail outlets and upkeep of driving range in Malaysia and Singapore.
- (7) Including utilities expenses for all our operational facilities and office related expenses such as telecommunication expenses, printing and stationary expenses, as well as purchase of office furniture.
- (8) Including travelling and accommodation expenses, as well as other staff welfare expenses including medical expenses, meal allowance, refreshments and insurance.
- (9) Refers to consultancy fees paid to a related party, CX3 Asia Pte Ltd pertaining to consultancy services provided in FYE 2019, FYE 2020 and FYE 2021 in relation to the operation of MST Golf Singapore. Please refer to Section 10.1.1 of this Prospectus for further details of the related party transaction. In addition, it includes the local company in Indonesia for liaison services for sales coordination services with the customers in Indonesia including managing order coordination and delivery schedules in FYE 2021 and FYE 2022, and a consultant in Singapore to assist on warehouse management for a period of 6 months in FYE 2022, as well as a contract accounting service provider in FYE 2020 and FYE 2021.
- (10) Including security fees for all our operational facilities.
- (11) Including mainly the licence fees (fees charged for the use of space) for the operation of our pro shop at the golf and country club and driving range in Singapore for FYE 2019, FYE 2020 and FYE 2021 and we have ceased the use of space as at 31 December 2021. In addition, it also includes business, signboard and advertisement licence fees. The ceasing of the use of space will not have a significant impact on our revenue as the revenue contributed from this pro shop accounted for approximately 2.00% of our total revenue for the FYE 2019 to FYE 2021.
- (12) Including the write-off of PPE including furniture and fittings, renovation cost and IT related hardware and software arising from closures, refurbishment and expansion of our retail outlets in Malaysia and Singapore for the Financial Years Under Review, as well as relocation of our office and warehouse in Singapore in FYE 2021.
- (13) Include bank charges, cleaning expenses, courier and postage, entertainment expenses, professional fees including audit fees and legal fees, quit rent and assessment fees, and tax penalty paid and loss on lease modifications arising from revision of rental for FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2020 compared to FYE 2019**

Our administrative and other expenses decreased by RM1.78 million or 3.64% from RM48.78 million in FYE 2019 to RM47.01 million in FYE 2020. This was mainly attributed to the following:

- decrease of RM2.10 million in rental expenses mainly due to rental rebates received and rent concession related to COVID-19 during FYE 2020;
- decrease of RM0.46 million in utilities and office related expenses mainly utilities cost due to temporary closures of our operational facilities during the MCO periods in Malaysia and circuit breaker period in Singapore; and
- decrease of RM0.45 million in staff welfare expenses mainly due to lower transportation, travelling and accommodation expenses as a result of the COVID-19 pandemic.

The decrease was partially offset by the increase of the following:

- increase of RM0.58 million in property, plant and equipment written off which were mainly the renovation cost arising from the refurbishment to expand our specialty store at Suntec City in Singapore;
- increase of RM0.29 million in staff related cost due to increase in bonus payments for employees from our head office including management, administration, operations and warehouse employees as well as outlet employees for our retail operations; and
- increase of RM0.24 million in depreciation of PPE mainly due to the renovations and purchases of furniture and fittings for our retail outlets in Malaysia and Singapore.

FYE 2021 compared to FYE 2020

Our administrative and other expenses increased by RM5.00 million or 10.64% from RM47.01 million in FYE 2020 to RM52.01 million in FYE 2021. This was mainly attributed to the following:

- increase in rental expenses of RM2.83 million mainly due to the increase in rental expenses for our departmental stores in Singapore;
- increase of RM1.24 million in staff costs which were in line with the increase in the number of employees from 385 employees in FYE 2020 to 448 employees in FYE 2021, including additional employees for our head office mainly operations and warehouse employees as well as outlet employees for our retail operations due to the opening our 2 new retail outlets as well as the preparation for the opening of our indoor golf centre in FYE 2022;
- loss of foreign exchange of RM0.55 million including a realised loss of RM0.31 million arising from purchases of golf equipment transacted in USD and an unrealised loss of RM0.24 million due to translation of our USD account for our Singapore operation as at the end of FYE 2021; and
- increase of RM0.38 million in consultancy fees mainly for a local company in Indonesia for liaison services in FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2022 compared to FYE 2021**

Our administrative and other expenses increased by RM26.26 million or 50.49% from RM52.01 million in FYE 2021 to RM78.27 million in FYE 2022. This was mainly due to the following:

- increase of RM9.89 million in staff costs which were in line with the increase in the number of employees from 448 employees in FYE 2021 to 600 employees in FYE 2022, including outlet employees for our retail operations due to the opening of our 9 new retail outlets comprising 7 retail outlets in Malaysia and 2 retail outlets in Singapore, as well as the 2 indoor golf centres located at The Gardens Mall, Kuala Lumpur and Tropicana Gardens Mall, Selangor in FYE 2022;
- increase of RM6.07 million in rental expenses mainly due to the rental of our 9 new retail outlets in Malaysia and Singapore as well as 2 indoor golf centres located at The Gardens Mall, Kuala Lumpur and Tropicana Gardens Mall, Selangor as mentioned above;
- increase of RM2.63 million in Directors' remunerations mainly due to the adjustments of the remuneration package for our Directors;
- increase of RM2.34 million in depreciation of PPE mainly due to the renovations and purchases of furniture and fittings for our retail outlets in Malaysia and Singapore;
- increase of RM1.66 million in repair and maintenance costs mainly for our retail operations in Malaysia and Singapore;
- increase of RM1.75 million in other administrative expenses mainly arising from the increase in professional fees, cleaning expenses, courier and postage as well as stamp duty.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (CONT'D)**(vi) Selling and distribution expenses**

Our selling and distribution expenses for the Financial Years Under Review are set out below:

	<---FYE 2019--->		<---FYE 2020--->		<---FYE 2021--->		<---FYE 2022--->	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Advertising and promotional expenses	5,571	66.10	4,013	66.12	5,684	70.12	6,953	64.07
Credit card charges	1,277	15.15	1,132	18.65	1,306	16.11	2,075	19.12
Sales commission and related costs ⁽¹⁾	607	7.20	365	6.02	593	7.32	734	6.76
Royalty and related charges ⁽²⁾	636	7.55	405	6.67	316	3.90	463	4.27
Transportation charges ⁽³⁾	169	2.01	106	1.75	175	2.16	514	4.74
Others ⁽⁴⁾	167	1.99	48	0.79	32	0.39	113	1.04
Total	8,427	100.00	6,069	100.00	8,107	100.00	10,852	100.00

Notes:

- (1) Include sales commission and incentives paid to our employees including outlet employees for our retail operations and sales staff for our wholesale operations as well as travelling allowance and expenses.
- (2) Refers to royalty and related charges paid to brand owners for the licenced brands.
- (3) Refers to transportation charges for the delivery of goods from our warehouse to the outlets which are carried out by third party logistic companies.
- (4) Including entertainment, accommodation and travelling expenses.

FYE 2020 compared to FYE 2019

Our selling and distribution expenses decreased by RM2.36 million or 27.98% from RM8.43 million in FYE 2019 to RM6.07 million in FYE 2020 as a result of the COVID-19 pandemic where our retail sales were affected for our Malaysia and Singapore operations. This was reflected in the following:

- decrease of RM1.56 million in advertising and promotional expenses; and
- decrease of RM0.24 million in sales commission and related costs incurred.

In addition, we incurred lower royalty charges which decreased by RM0.23 million due to lower sales of licenced brands products and lower credit card charges incurred which decreased by RM0.15 million respectively, due to lower retail sales.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021 compared to FYE 2020**

Our selling and distribution expenses increased by RM2.04 million or 33.56% from RM6.07 million in FYE 2020 to RM8.11 million in FYE 2021, which was in line with the improvement in our retail sales in FYE 2021 following the resumption of economic activities in Singapore coupled with higher sales from wholesale operation in Singapore in FYE 2021. This was reflected in the following:

- increase of RM1.67 million in advertising and promotional expenses;
- increase of RM0.17 million in credit card charges due to higher retail sales; and
- increase of RM0.23 million in sales commission and related costs incurred.

The increase in selling and distribution expenses was partially moderated by a decrease of RM0.09 million in royalty charges due to lower sales of licenced brands products.

FYE 2022 compared to FYE 2021

Our selling and distribution expenses increased by RM2.75 million or 33.86% from RM8.11 million in FYE 2021 to RM10.85 million in FYE 2022, which was in line with the improvement in our retail sales in Malaysia and Singapore as well as higher sales from wholesale operation in Singapore in FYE 2022. This was reflected in the following:

- increase of RM1.27 million in advertising and promotional expenses; and
- increase of RM0.77 million in credit card charges due to higher retail sales.

The increase was also contributed by the increase of RM0.34 million in transportation charges as we opened 9 new retail outlets in FYE 2022.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (CONT'D)**(vii) Finance cost**

Our finance costs for the Financial Years Under Review are set out below:

	<--FYE 2019-->		<--FYE 2020-->		<--FYE 2021-->		<--FYE 2022-->	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expense on:								
• Lease liabilities ⁽¹⁾	1,315	36.98	1,331	48.81	1,317	46.72	2,095	50.20
• Term loan	845	23.76	705	25.85	1,053	37.35	1,046	25.07
• Bankers' acceptance	902	25.36	334	12.25	185	6.56	562	13.47
• Bank overdrafts	295	8.29	299	10.97	122	4.33	163	3.91
• Invoice financing	46	1.29	12	0.44	5	0.18	34	0.81
• Letter of credit	8	0.22	19	0.70	119	4.22	209	5.01
• Bank guarantee	33	0.93	5	0.18	18	0.64	64	1.53
• Amount due to Directors ⁽²⁾	99	2.78	11	0.40	-	-	-	-
• Amount due to related companies ⁽³⁾	14	0.39	11	0.40	-	-	-	-
Total	3,557	100.00	2,727	100.00	2,819	100.00	4,173	100.00

Notes:

- (1) Including accretion of interest on right-of-use assets including retail outlets and non-retail facilities as well as interest expense on hire purchase contracts.
- (2) The amount due to Directors were advances from Directors extended to our Group for working capital which bear interest at a rate ranging from 7% to 8% per annum.
- (3) The amount due to a related company, MySports Vietnam, our former subsidiary, which were advances extended to our Group for working capital purposes which bear interest at a rate ranging from 1.90% to 3.20% per annum.

FYE 2020 compared to FYE 2019

Our finance cost decreased by RM0.83 million or 23.31% from RM3.56 million in FYE 2019 to RM2.73 million in FYE 2020. This was mainly due to the following:

- decrease of RM0.57 million in interest expense on bankers' acceptance as a result of the lower utilisation of bankers' acceptance facility during FYE 2020; and
- decrease of RM0.14 million in interest expense on term loans due to lower interest rate and we also took up the moratorium on loan payments during FYE 2020.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021 compared to FYE 2020**

Our finance cost increased by RM0.09 million or 3.41% from RM2.73 million in FYE 2020 to RM2.82 million in FYE 2021. The increase was mainly attributed to the increase of RM0.35 million in interest expense on term loans arising from the drawdown of RM12.00 million in June 2020 for working capital purposes.

The increase in finance cost was partially moderated by the decrease of RM0.18 million in interest expense on bank overdrafts and decrease of RM0.15 million in interest expense on bankers' acceptance due to lower utilisation of these banking facilities during FYE 2021.

FYE 2022 compared to FYE 2021

Our finance cost increased by RM1.35 million or 48.03% from RM2.82 million in FYE 2021 to RM4.17 million in FYE 2022. The increase was mainly attributed to the following:

- increase of RM0.78 million in interest expenses on lease liabilities arising from the rental of our newly opened retail outlets in FYE 2022; and
- increase of RM0.38 million in interest expense on bankers' acceptance due to utilisation of the banking facility for working capital purposes.

(viii) PBT and PAT

Our PBT and PBT margin as well as PAT and PAT margin for the Financial Years Under Review are set out below:

	-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
PBT (RM'000)	13,488	18,304	26,259	38,840
PBT margin	7.67%	10.76%	12.72%	12.91%
PAT (RM'000)	10,216	13,689	20,092	29,115
PAT margin	5.81%	8.05%	9.73%	9.68%

FYE 2020 compared to FYE 2019

Our PBT increased by RM4.82 million or 35.71% from RM13.49 million in FYE 2019 to RM18.30 million in FYE 2020, while PBT margin improved from 7.67% in FYE 2019 to 10.76% in FYE 2020. Similarly, our PAT increased by RM3.47 million or 34.00% from RM10.22 million in FYE 2019 to RM13.69 million in FYE 2020, while PAT margin improved from 5.81% in FYE 2019 to 8.05% in FYE 2020. This was mainly due to the increase in other income and finance income coupled with the decrease in administrative and other expenses, selling and distribution expenses as well as finance cost. Please refer to Sections 12.3.1(iv), 12.3.1(v), 12.3.1(vi) and 12.3.1(vii) of this Prospectus for further details of our other income and finance income, administrative and other expenses, selling and distribution expenses and finance cost respectively.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021 compared to FYE 2020**

Our PBT increased by RM7.96 million or 43.46% from RM18.30 million in FYE 2020 to RM26.26 million in FYE 2021, while PBT margin improved from 10.76% in FYE 2020 to 12.72% in FYE 2021. Similarly, our PAT increased by RM6.40 million or 46.77% from RM13.69 million in FYE 2020 to RM20.09 million in FYE 2021, while PAT margin improved from 8.05% in FYE 2020 to 9.73% in FYE 2021. This was mainly due to the improvements in revenue and GP in FYE 2021. Please refer to Sections 12.3.1(i) and 12.3.1(iii) of this Prospectus for further details of our revenue and GP analysis respectively.

FYE 2022 compared to FYE 2021

Our PBT increased by RM12.58 million or 47.91% to RM38.84 million in FYE 2022 compared to RM26.26 million in FYE 2021, while PBT margin improved to 12.91% in FYE 2022 compared to 12.72% in FYE 2021. Similarly, our PAT increased by RM9.02 million or 44.91% to RM29.12 million in FYE 2022 compared to RM20.09 million in FYE 2021. This was mainly due to the improvements in revenue and GP in FYE 2022. while Our PAT margin decreased to 9.68% in FYE 2022 compared to 9.73% in FYE 2021, mainly due to higher tax expenses in FYE 2022. Please refer to Sections 12.3.1(i), 12.3.1(iii) and 12.3.1(ix) of this Prospectus for further details of our revenue, GP analysis and tax expense respectively.

(ix) Effective tax rate

Our effective tax rate for the Financial Years Under Review are set out below:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
PBT	13,488	18,304	26,259	38,840
• <i>Malaysia operations</i>	9,134	15,022	16,483	28,092
• <i>Singapore operations</i>	4,354	3,282	9,776	10,748
Total taxation	3,272	4,615	6,167	9,725
• <i>Malaysia operations</i>	2,626	4,129	4,791	8,181
• <i>Singapore operations</i>	646	486	1,376	1,544
Effective tax rate				
• <i>Group</i>	24.26%	25.21%	23.49%	25.04%
• <i>Malaysia operations</i>	28.75%	27.49%	29.06%	29.12%
• <i>Singapore operations</i>	14.84%	14.81%	14.08%	14.37%
Statutory tax rate				
• <i>Malaysia</i>	24.00%	24.00%	24.00%	24.00%
• <i>Singapore</i>	17.00%	17.00%	17.00%	17.00%

Malaysia operations

For the FYE 2019, our effective tax rate for our Malaysia operations was 28.75% which was higher than the statutory tax rate of 24.00%. This was mainly due to non-deductible expenses incurred mainly for the depreciation of property, plant and equipment.

For the FYE 2020, our effective tax rate for our Malaysia operations was 27.49% which was higher than the statutory tax rate of 24.00%. This was mainly due to non-deductible expenses incurred mainly for the depreciation of property, plant and equipment.

For the FYE 2021, our effective tax rate for our Malaysia operations was 29.06% which was higher than the statutory tax rate of 24.00%. This was mainly due to non-deductible expenses incurred mainly for the depreciation of property, plant and equipment.

12. FINANCIAL INFORMATION (CONT'D)

For the FYE 2022, our effective tax rate for our Malaysia operations was 29.12% which was higher than the statutory tax rate of 24.00%. This was mainly due to non-deductible expenses incurred mainly for the depreciation of plant, property and equipment.

Singapore operations

For the FYE 2019, our effective tax rate for our Singapore operations was 14.84% which was lower than the statutory tax rate of 17.00%. This was mainly due to capital allowance for fixed assets and corporate tax exemption under the partial tax exemption scheme for companies in Singapore, which is a tax incentive programme provided to support the growth of companies that have been in operation for more than 3 years.

For the FYE 2020, our effective tax rate for our Singapore operations was 14.81% which was lower than the statutory tax rate of 17.00%. This was mainly due to the capital allowance for fixed assets and corporate tax exemption in FYE 2020 under the partial tax exemption scheme for companies in Singapore, which is a tax incentive programme provided to support the growth of companies that have been in operation for more than 3 years.

For the FYE 2021, our effective tax rate for our Singapore operations was 14.08% which was lower than the statutory tax rate of 17.00%. This was mainly due to the capital allowance for fixed assets and corporate tax exemption under the partial tax exemption scheme for companies in Singapore, which is a tax incentive programme provided to support the growth of companies that have been in operation for more than 3 years.

For the FYE 2022, our effective tax rate for our Singapore operations was 14.37% which was lower than the statutory tax rate of 17.00%. This was mainly due to the capital allowance for fixed assets.

12.3.2 Significant factors materially affecting our operations and financial results

The significant factors affecting our operations and financial results are set out below:

(i) Number of retail outlets and rental expenses

As we are principally a specialty retailer of golf equipment, our retail sales are mainly generated from our retail outlets. As such, our ability to generate and increase our revenue from our retail sales is mainly dependent on our ability to improve our retail sales within each outlet or increase the number of outlets to expand on our geographical coverage and provide ease of accessibility to a wider group of potential customers.

The breakdown of retail outlets for the Financial Years Under Review are as follows:

	<-----As at 31 December----->			
	2019	2020	2021	2022
Malaysia				
Golf specialty stores	15	15	14	18
Pro shops	13	14	15	17
Singapore				
Golf specialty stores	3	3	3	4
Pro shops	2	2	3	2
Departmental counters	2	2	2	2
Total	35	36	37	43

12. FINANCIAL INFORMATION (CONT'D)

Please refer to Section 12.3.1(i) of this Prospectus for further details of the revenue analysis of our retail operations.

As at the LPD, we operate 44 retail outlets including 36 in Malaysia and 8 in Singapore. Save for 2 retail outlets in Subang Jaya and Kelana Parkview in Selangor which are located in our own properties, the other retail outlets operate on tenanted properties. As such, we incur rental expenses and this constitutes one of the major operating expenses.

We generally enter into tenancy agreements for an initial term ranging from 1 to 5 years with options to renew. Please refer to Section 7.23.3(b) of this Prospectus for further details of our rented properties. Our tenancy agreements may be subject to review and revision by the landlords and these include increases in rental rates or non-renewal of rental agreements. In the event of any changes in the terms and conditions of the rental agreement or non-renewal, this will have an adverse effect on our financial results.

During the Financial Years Under Review, our rental expenses for our retail outlets accounted for 5.46%, 4.41%, 5.00% and 5.45% of our total revenue for the FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively.

(ii) Staff costs

As we are principally involved in the operation of retail outlets, staff costs constitute the largest component of our operating expenses. Staff costs include salaries, bonuses, statutory contributions and other expenses for all our employees at retail outlets, head office and warehouse. Our staff costs may increase as we increase the number of retail outlets to expand our business.

For the Financial Years Under Review, our staff costs accounted for 14.57 %, 15.23%, 13.15% and 12.32% of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively. We pay our employees in accordance with the applicable statutory minimum wage and any increase in the statutory minimum wage will result in the increase in our overall staff costs. The Minimum Wages Order 2022 was gazetted on 27 April 2022 and the implementation of the monthly minimum wage of RM1,500 took effect on 1 May 2022. As at the LPD, we have complied with the minimum wage rates since 1 May 2022. The additional cost incurred was approximately RM3,000 per month and this impacted approximately 3.00% of our total number of employees as at 31 December 2022.

(iii) Consumer spending patterns and behaviours as well as general economic conditions

As a specialty golf retailer and wholesaler, our products are focused on golf equipment including golf clubs, golf balls and accessories and golf apparel. As these golf equipment are not deemed essential products, our sales are affected by changes in consumer spending patterns and behaviour including, among others, changes in consumer preferences, trends and style, changes in the level of disposable income, spending alternatives, product substitution, and product differentiation including branding, quality and pricing.

Consumer spending and behaviour are also influenced by general economic factors such as inflation and unemployment rates which would in turn affect disposable income. As such, any changes in the economic conditions, consumer spending and behaviour would have an impact on our business operations and financial performance.

Please refer to Section 5.2.2 of this Prospectus for further details.

12. FINANCIAL INFORMATION (CONT'D)

(iv) Prolonged or resurgence of COVID-19 pandemic or emergence of other epidemics or pandemics

The prolonged epidemics or pandemics may result in temporary closure of our business operations and drop in the patronage of our retail outlets, inability to operate at full capacity for our other operations, and delays in receiving shipments as well as delivering goods which may negatively affect our business and financial performance.

Malaysia operations

The outbreak of COVID-19 had affected our business operations. Between March 2020 and 2021, there were several MCO measures implemented including full and partial lockdown containment measures and restrictions imposed. Generally, our business was impacted due to the containment measures during the MCO period between 18 March 2020 and 3 May 2020 as well as various phases of the NRP which commenced on 1 June 2021, where our business operations including retail and wholesale operations in Malaysia were either suspended or were operating below full capacity. The interruptions in business operations adversely affected our business operations and financial performance in Malaysia where our revenue from our Malaysia operations declined by 33.43% in the 2nd quarter of FYE 2020, as revenue declined from RM25.69 million in the 1st quarter of FYE 2020 to RM17.10 million in the 2nd quarter of FYE 2020 during the MCO period. Please refer to Section 7.14 of this Prospectus for further details of the impact of COVID-19 on our financial performance.

Singapore operations

The Singapore government implemented the Circuit Breaker Measures from 7 April 2020 to 1 June 2020 where only “essential services” were allowed to operate. Subsequently, the country embarked on a 3-phased approach to gradually resume economic activities commencing 2 June 2020. During the circuit breaker period, we were required to temporarily close all our operational facilities including our office and warehouse, as well as our retail outlets. Subsequently, we resumed operations and reopened our retail outlets on 19 June 2020 under phase 2 of the reopening where retail businesses were allowed to resume operations. The interruptions in business operations adversely affected our business operations and financial performance in Singapore where our revenue from our Singapore operations declined by 80.92% in the 2nd quarter of FYE 2020, as revenue declined from RM11.29 million in the 1st quarter of FYE 2020 to RM2.16 million in the 2nd quarter of FYE 2020 during the circuit breaker period. Please refer to Section 7.14 of this Prospectus for further details of the impact of COVID-19 on our financial performance.

(v) Impact of foreign exchange

Our business is exposed to the risk of foreign exchange fluctuations where 32.11%, 25.42%, 41.15% and 33.61% of our revenue for FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively were transacted in foreign currencies, while 62.30%, 62.82%, 74.87% and 67.41% of our purchases for FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively were transacted in foreign currencies. In addition, the functional currency translated in MST Golf Singapore’s accounting system and financial statements are denominated in SGD. Any unfavourable movement in exchange rates between RM and other foreign currencies would have a negative impact on our financial performance.

12. FINANCIAL INFORMATION (CONT'D)

We regularly review the price of our products which takes into consideration fluctuations in foreign exchange rates that may affect our purchase price. We commonly pass on to customers the increased purchase cost arising from any negative impact of foreign exchange rate movements. For the Financial Years Under Review, the selling price of our products have been increasing annually due to increased purchase cost partly arising from the strengthening of foreign exchange mainly USD. Nevertheless, there can be no assurance that we are able to pass all increases in costs to customers in a timely manner which may have an impact on our financial performance. For the FYE 2022, our GP margin from wholesale of golf balls and accessories decreased to 20.90% as compared to 27.39% in FYE 2021 attributed to higher product costs affected by the fluctuation of foreign currency where the customer orders had already been confirmed prior to the unfavourable change in foreign currency exchange on the golf balls and accessories that we received from suppliers. The GP contribution from the wholesale of golf balls and accessories accounted for 1.51% of our total GP for FYE 2022.

The breakdown of our revenue and purchases transacted in RM and other currencies for the Financial Years Under Review are set out below:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Revenue	175,950	170,152	206,519	300,875
• RM	119,444	126,902	121,539	199,761
• SGD	51,854	38,444	81,355	95,281
• USD	4,652	4,806	3,625	5,833
Purchases	105,685	79,930	138,238	176,043
• RM	39,848	29,720	34,746	57,378
• SGD	8,128	6,900	13,764	22,318
• USD	47,086	37,316	77,711	82,810
• JPY	10,590	5,950	11,981	13,509
• EUR	33	44	36	28

We also hold cash and bank balances denominated in foreign currencies for working capital purposes. The currency profile of our cash and bank balances is set out below:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
RM	873	7,333	22,363	15,353
SGD	1,913	10,822	6,868	11,234
USD	873	1,204	5,977	228
JPY	59	28	48	10
Total	3,718	19,387	35,256	26,825

We have some form of natural hedging with respect to the USD as we generate revenue and make purchases that are denominated in USD. In addition to SGD, we also maintain bank accounts in USD and JPY for our business operations.

12. FINANCIAL INFORMATION (CONT'D)

Our Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period is set out below:

	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
USD	(98)	(6,331)	(5,437)	(8,592)
SGD	4,542	12,632	10,917	12,671
JPY	(86)	106	805	(217)

Please refer to Note 37.2(c) of the Accountants' Report set out in Section 13 of this Prospectus for further details on the net exposure to foreign currency risk of financial assets and financial liabilities denominated in USD, SGD and JPY.

The following table demonstrates the sensitivity analysis of our net profit to a reasonably possible change in the foreign currency within our Group, with all other variables held constant:

Effects on PAT	FYE 2019 RM	FYE 2020 RM	FYE 2021 RM	FYE 2022 RM
USD/RM				
Strengthen 0.09%/0.17%/0.29%/0.41% ⁽¹⁾	(70) ⁽²⁾	(8,046)	(12,134)	(26,727)
Weakened 0.09%/0.17%/0.29%/0.41% ⁽¹⁾	70 ⁽²⁾	8,046	12,134	26,727
SGD/RM				
Strengthen 0.01%/0.01%/0.12%/0.48% ⁽¹⁾	458 ⁽²⁾	644	10,080	46,475
Weakened 0.01%/0.01%/0.12%/0.48% ⁽¹⁾	(458) ⁽²⁾	(644)	(10,080)	(46,475)
JPY/RM				
Strengthen 0.01%/0.26%/0.63%/0.73 ⁽¹⁾	(4)	211	3,854	(1,209)
Weakened 0.01%/0.26%/0.63%/0.73% ⁽¹⁾	4	(211)	(3,854)	1,209

Notes:

- (1) The percentages refers to the 12 months average percentage of the fluctuations in the foreign exchange rate throughout the financial year.
- (2) For illustrative purposes, in FYE 2019, the net exposure of net liabilities which are denominated in USD equivalent to RM98,000 will result in a negative impact of RM70 if the USD strengthens against the RM by 0.09% (i.e. RM98,000 x 0.09% x 76% (net of 24% of tax)). If the USD weakens against the RM by 0.09%, there will be a positive impact of RM70 on the PAT.

Conversely, the net exposure of net assets which are denominated in SGD equivalent to RM4,542,000 will result in a positive impact of RM458 if the SGD strengthens against the RM by 0.01% (i.e. RM4,542,000 x 0.01% x 76% (net of 24% of tax)). If the SGD weakens against the RM by 0.01%, there will be a negative impact of RM458 on the PAT.

12. FINANCIAL INFORMATION (CONT'D)

For FYE 2019 and FYE 2020, we had net gains on foreign currency exchange while we recorded a net loss in FYE 2021 and FYE 2022. Details of our foreign currency exchange gains and losses are set out below:

	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Unrealised gain/(loss) on foreign exchange	101	224	(237)	312
Realised gain/(loss) on foreign exchange	270	112	(310)	(970)
Net gain/(loss) on foreign exchange	371	336	(547)	(658)

Our business is subject to risks related to any unfavorable foreign currency exchange rate fluctuations which may materially affect our financial performance. As at the LPD, we do not have any foreign currency forward hedging contracts.

(vi) Impact of interest rate

All our borrowings are interest-bearing obligations. Any hikes in interest rates would affect our financial performance. Our finance cost mainly comprises interest charges on term loans, bankers' acceptance, trust receipt, invoice financing and bank overdrafts that are granted by banks and financial institutions. As at 31 December 2022, our total bank borrowings were RM61.19 million, all of which were interest bearing based on floating interest rates. We incurred finance cost of RM3.56 million, RM2.73 million, RM2.82 million and RM4.17 million for FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively. Our interest coverage ratio for the Financial Years Under Review was 7.28 times, 11.18 times, 13.79 times and 13.85 times for FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively.

In this respect, any increase in draw down of borrowings and/or interest rates may impact our financial performance. If we fail or encounter difficulties in meeting our financial obligations when they fall due, this will result in a financial distress condition which will affect our operations and financial performance. For the Financial Years Under Review and up to the LPD, we have not defaulted on any payments of either the principal or interests in relation to our borrowings.

(vii) Impact of inflation

The business, financial condition or results of our operations for the Financial Years Under Review were not materially affected by the impact of inflation. Nevertheless, there can be no assurance that future inflation would not have an impact on our business operations and financial performance.

(viii) Government/economic/fiscal/monetary policies

Our business is subject to risk relating to government, economic, fiscal or monetary policies in Malaysia and Singapore. Any unfavourable changes in such government policies, economic conditions, or fiscal or monetary policies may materially affect our operations in Malaysia and Singapore. Please refer to Section 5.2.4 of this Prospectus for further details.

12. FINANCIAL INFORMATION (CONT'D)

12.3.3 Liquidity and capital resources

(i) Working capital

Our business has been financed by a combination of internal and external sources of funds. Internal sources include shareholders' equity and cash generated from our operations, while external sources of funds mainly include banking facilities from financial institutions. These funds were used for our business operations and growth.

As at 31 December 2022, our Group has cash and cash equivalents of RM17.59 million and our total interest-bearing bank borrowings was RM61.19 million. As at 31 December 2022, our gearing ratio was 0.64 times and current ratio was 1.54 times. As at the LPD, our Group has available banking facilities amounted to RM61.28 million, of which RM13.94 million has yet to be utilised.

After taking into consideration the funding requirements for our committed capital expenditures, our strategies and plans as set out in Section 7.19 of this Prospectus, our existing level of cash and bank balances and deposits with licensed banks, credit facilities available for utilisation, potential dividend distribution, expected cash flows to be generated from our operations and the estimated net proceeds from the Public Issue, our Board is of the view that we have sufficient working capital for 12 months from the date of this Prospectus.

(ii) Cash flows

Our cash flow for the Financial Years Under Review based on our audited consolidated financial statements which should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus is set out below:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	8,886	51,456	7,116	8,953
Net cash used in investing activities	(6,755)	(2,043)	(3,277)	(24,846)
Net cash used in financing activities	(7,561)	(9,034)	(7,949)	(4,565)
Net increase/ decrease in cash and cash equivalents	(5,430)	40,379	(4,110)	(20,458)
Cash and cash equivalents at the beginning of the financial year	4,691	(644)	39,716	35,967
Effect of foreign exchange rate changes	95	(19)	361	2,076
Cash and cash equivalents at the end of the financial year⁽¹⁾	(644)	39,716	35,967	17,585

Note:

(1) The components of our cash and cash equivalents are set out below:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	3,718	19,387	35,256	26,825
Fixed deposits placed with licensed banks	-	20,429	1,361	2,059
Bank overdraft	(4,362)	-	-	(9,645)
	(644)	39,816	36,617	19,239
Less: Fixed deposit pledged to licensed banks	-	(100)	(650)	(1,654)
Total	(644)	39,716	35,967	17,585

12. FINANCIAL INFORMATION (CONT'D)

All of our cash and cash equivalents are held in RM, SGD and other foreign currencies. Save for any applicable financial covenants and the Act, and subject to the availability of distributable profits and reserves, there are no legal, financial or economic restrictions on our subsidiary's ability to transfer funds to our Company in the form of cash dividends, loans or advances.

(a) Net cash from operating activities

FYE 2019

For FYE 2019, our net cash from operating activities was RM8.89 million after taking into account the following:

- increase of RM10.09 million in inventories mainly due to higher purchases of golf equipment comprising golf clubs, golf balls and accessories and apparel during FYE 2019;
- decrease of RM5.41 million in trade and other payables mainly due to higher payments to suppliers in the last quarter of FYE 2019;
- increase of RM0.44 million in contract liabilities primarily relating to the unredeemed golf lessons where customers purchased our golf lesson vouchers but have yet to redeem the golf lesson. Our golf lesson vouchers have a validity period of 6 months;
- decrease of RM0.33 million in trade and other receivables mainly attributed to other receivables arising from lower payments made to suppliers before shipments of purchases; and
- increase of RM0.26 million in amount due to a related company, namely MySports Vietnam pertaining to the purchase of golf equipment from MySports Vietnam in FYE 2019. As at the LPD, the payments have been settled.

FYE 2020

For FYE 2020, our net cash from operating activities was RM51.46 million after taking into account the following:

- decrease of RM14.42 million in inventories mainly due to lower purchases where our total purchases declined by RM25.76 million to RM79.93 million in FYE 2020 compared to RM105.69 million in FYE 2019. This was also partly contributed by higher sales in the second half of FYE 2020 as sales picked up following the resumption of retail operations in Malaysia and Singapore;
- increase of RM10.44 million in trade and other payables mainly due to the increase in the purchases of golf clubs, golf balls and accessories and golf apparel in the last quarter of FYE 2020;
- decrease of RM0.26 million in amount due to a related company following the payment to the said company as mentioned above; and
- increase of RM0.23 million in contract liabilities primarily relating to the unredeemed golf lessons where customers purchased our golf lesson vouchers but have yet to redeem the golf lesson. Our golf lesson vouchers have a validity period of 6 months.

12. FINANCIAL INFORMATION (CONT'D)

For FYE 2020, we recorded a high net cash of RM51.46 million from operating activities as we took the following steps to manage the cash outflows and reserve the cash due to the uncertainties arising from the impact of the COVID-19 pandemic condition:

- we engaged with the suppliers to manage the purchases of products including the cancellation of purchase orders and deferment of delivery arising from the business closure during the containment measures implemented in FYE 2020. This was reflected in the lower purchases where our total purchases declined by RM25.76 million to RM79.93 million in FYE 2020 compared to RM105.69 million in FYE 2019.
- we also took up the moratorium of loan payments to manage the cash outflows during the FYE 2020.
- there were also lower expenses incurred during the FYE 2020 impacted by the COVID-19 condition such as lower selling and distribution expenses due to lower advertising and promotional activities and rental expenses arising from the rental rebates. This was reflected in administrative and other expenses which declined by RM1.78 million and its selling and distribution expenses which declined by RM2.36 million in FYE 2020 respectively.

This was also partially contributed by the improvement in revenue of the Group's operations in Malaysia following the reopening of their retail outlets in May 2020 when the CMCO was implemented. This was reflected in an increase in revenue derived from the Malaysia operations which improved to RM84.60 million in the 2nd half of FYE 2020 compared to RM42.79 million in the 1st half of FYE 2020.

FYE 2021

For FYE 2021, our net cash from operating activities was RM7.12 million after taking into account the following:

- increase of RM25.09 million in inventories mainly due to higher purchases of golf equipment comprising golf clubs, golf balls and accessories and golf apparel during FYE 2021. Our purchases increased from RM79.93 million in FYE 2020 to RM138.24 million in FYE 2021;
- increase of RM5.13 million in trade and other receivables mainly attributed to other receivables where there were increase in deposits paid for renovations and purchase of equipment for our first indoor golf centre at The Gardens Malls in Kuala Lumpur. This was also partly contributed by an increase in trade receivables due to higher wholesale of golf equipment in the last quarter of FYE 2021;
- increase of RM4.32 million in trade and other payables mainly due to additional time taken for payment to our suppliers; and
- decrease of RM0.35 million in contract liabilities primarily due to lower sales of golf lesson voucher in FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2022**

For FYE 2022, our net cash from operating activities was RM8.95 million after taking into account the following:

- increase of RM41.34 million in inventories mainly due to higher purchases of golf equipment comprising golf clubs, golf balls and accessories and golf apparel during the FYE 2022. Our purchases increased from RM138.24 million in FYE 2021 to RM176.04 million in FYE 2022;
- increase of RM8.96 million in trade and other receivables mainly attributed other receivables arising from higher accrued marketing rebates and higher payments made to suppliers before shipments of purchases;
- increase of RM6.12 million in trade and other payables mainly attributed to other payables arising from the increase in purchases of furniture and fittings for our new retail outlets, IT related hardware and software including golf simulators as well as equipment mainly kitchen equipment for our indoor golf centres; and
- increase of RM4.10 million in contract liabilities primarily relating to the higher unredeemed points arising from higher retail sales during the FYE 2022.

(b) Net cash used in investing activities**FYE 2019**

For FYE 2019, our net cash used in investing activities was RM6.75 million. This was mainly attributed to the following:

- RM3.63 million used for the acquisition of additional 25.00% equity interest in MST Golf Singapore from an existing shareholder and director; and
- RM2.91 million was mainly used for renovations and purchases of furniture and fittings, IT related software and hardware, equipment and plant and machinery for our retail outlets including the specialty stores at IOI City Mall in Putrajaya and Mid Valley Southkey in Johor which were opened in FYE 2019.

FYE 2020

For FYE 2020, our net cash used in investing activities was RM2.04 million. This was mainly attributed to RM2.12 million mainly used for the renovations and purchases of furniture and fittings, IT related software and hardware, equipment and plant and machinery mainly for our retail outlets including the upgrade and expansion of our specialty store at Suntec City in Singapore.

FYE 2021

For FYE 2021, our net cash used in investing activities was RM3.28 million. This was mainly attributed to RM4.75 million which was used for the renovations and purchases of furniture and fittings, IT related software and hardware, equipment and plant and machinery mainly for our new indoor golf centre at The Gardens Malls in Kuala Lumpur, upgrade of our specialty stores at Hatten Square in Melaka, as well as our head office and warehouse.

12. FINANCIAL INFORMATION (CONT'D)

The net cash used in investing activities was partially offset by RM1.32 million of proceeds from the disposal of subsidiaries, namely My EGames, MySports Vietnam, My Sports (Thailand) and Heritage Links Asia to All Sportz.

FYE 2022

For FYE 2022, our net cash used in investing activities was RM24.85 million. This was mainly attributed to RM23.87 million which was used for the renovations, purchases of furniture and fittings as well as equipment mainly for our second new indoor golf centre located at Tropicana Gardens Malls in Selangor and opening of new retail outlets as well as the spill over of capital expenditure from FYE 2021 for the opening of the indoor golf centre at The Gardens Mall, Kuala Lumpur in February 2022.

(c) Net cash used in financing activities**FYE 2019**

For FYE 2019, our net cash used in financing activities was RM7.56 million. This was mainly attributed to the following:

- RM5.27 million used for the payment of lease liabilities including rental payments and also hire purchase payments;
- RM3.56 million used for interest payment including interest expense on lease liabilities, bank borrowings mainly term loan, bankers' acceptance and bank overdrafts, as well as interest expense on amount due to Directors and related companies; and
- RM2.60 million of net cash used for the repayment of bankers' acceptance for working capital purposes.

The net cash used in financing activities was partially offset by RM2.80 million of advances from Directors to our Group for working capital purposes.

FYE 2020

For FYE 2020, our net cash used in financing activities was RM9.03 million. This was mainly attributed to the following:

- RM9.56 million of net cash used for the repayment of bankers' acceptance for working capital purposes;
- RM4.31 million used for the payment of lease liabilities including rental payments and also hire purchase payments;
- RM2.80 million used for the repayment to Directors for advances extended to our Group in FYE 2019; and
- RM2.73 million used for interest payment including interest expense on lease liabilities, bank borrowings mainly term loan, bankers' acceptance and bank overdrafts, as well as interest expense on amount due to Directors and related companies.

The net cash used in financing activities was partially offset by the net drawdown of term loans amounting to RM8.57 million for working capital and RM2.50 million of net drawdown of invoice financing for working capital purposes.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021**

For FYE 2021, our net cash used in financing activities was RM7.96 million. This was mainly attributed to the following:

- RM5.00 million used for the payment of lease liabilities including rental payments and also hire purchase payments;
- RM4.88 million used for the repayment of term loans which was used for working capital purposes, and for the purchase of MST Golf Plaza at Subang Jaya, Selangor as well as the retail outlet at Kelana Parkview, Selangor and renovations of retail outlets;
- RM3.16 million of net cash used for the repayment of invoice financing for working capital purposes;
- RM2.82 million used for interest payment including interest expense on lease liabilities, bank borrowings mainly term loan, bankers' acceptance and bank overdrafts;
- RM2.00 million of dividend payment to the Group's holding company, All Sportz in relation to the dividend declared during FYE 2021; and
- RM1.06 million used for the repayment to our holding company for advances extended to our Group.

The net cash used in financing activities was partially offset by net cash of RM9.11 million from the drawdown of bankers' acceptance for working capital purposes and RM2.84 million from the drawdown of trust receipts for working capital purposes.

FYE 2022

For FYE 2022, our net cash used in financing activities was RM4.57 million. This was mainly attributed to the following:

- RM11.50 million of dividend payment to the Group's holding company, All Sportz in relation to the dividend declared during FYE 2021;
- RM8.00 million used for the payment of lease liabilities including rental payments and also hire purchase payments;
- RM4.17 million used for interest payment including interest expense on lease liabilities, bank borrowings mainly term loan and bankers' acceptance; and
- RM1.32 million of net cash used for the repayment of term loan which was used for working capital purposes, and for the purchase of MST Golf Plaza at Subang Jaya, Selangor as well as the retail outlet at Kelana Parkview, Selangor and renovations of retail outlets.

The net cash used in financing activities was partially offset by the following:

- net cash of RM7.41 million from the drawdown of bankers' acceptance for working capital purposes;
- RM3.92 million of advances from our holding company, All Sportz to our Group for working capital purposes. The advances has been fully settled prior to 31 December 2022;

12. FINANCIAL INFORMATION (CONT'D)

- RM3.27 million from the drawdown of revolving loan for working capital purposes;
- RM2.94 million from the drawdown of trust receipts for working capital purposes;
- RM2.24 million from the drawdown of invoice financing for working capital purposes; and
- RM0.65 million of lease incentive received.

(iii) Bank borrowings

As at 31 December 2022, our Group's total interest-bearing bank borrowings was RM61.19 million, all of which were interest bearing based on floating interest rates. Details of our bank borrowings are set out below:

	<-----As at 31 December 2022----->		
	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Term loans ⁽¹⁾	2,916	15,478	18,394
Bankers' acceptance ⁽²⁾	21,853	-	21,853
Bank overdraft ⁽³⁾	9,645	-	9,645
Trust receipts ⁽³⁾	5,786	-	5,786
Invoice financing ⁽⁵⁾	2,240	-	2,240
Revolving loan ⁽⁶⁾	3,274	-	3,274
Total	45,714	15,478	61,192
Gearing ratio⁽⁷⁾			0.64

Notes:

- (1) Term loans were used for purchase of MST Golf Plaza at Subang Jaya, our retail outlet at Kelana Parkview in Selangor, renovations of our retail outlets as well as for working capital purposes.
- (2) Bankers' acceptance were mainly used for working capital purposes.
- (3) Bank overdraft were mainly used for working capital purposes.
- (4) Trust receipts were mainly used for working capital purposes.
- (5) Invoice financing were mainly used for working capital purposes.
- (6) Revolving loan were mainly used for working capital purposes.
- (7) Based on total interest-bearing bank borrowings over total equity.

12. FINANCIAL INFORMATION (CONT'D)

The currency profile of our bank borrowings are set out below:

	<-----As at 31 December 2022----->		
	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
RM	34,414	15,478	49,892
SGD	11,300	-	11,300
Total	45,714	15,478	61,192

The maturity profile and average effective interest rates of our bank borrowings as at 31 December 2022 are set out below:

	<-----As at 31 December 2022----->				
	Average interest rates	Less than 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Term loans	4.70% - 8.10%	2,916	9,588	5,890	18,394
Bankers' acceptance	4.09% - 5.08%	21,853	-	-	21,853
Bank overdraft	7.10% - 8.24%	9,645	-	-	9,645
Trust receipts	2.64% - 6.46%	5,786	-	-	5,786
Invoice financing	3.25% - 6.15%	2,240	-	-	2,240
Revolving loan	6.90%	3,274	-	-	3,274
Total		45,714	9,588	5,890	61,192

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

We do not encounter any seasonality in our borrowings trend and there is no restriction on our committed facilities.

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 or investments by holders of securities in our Group.

(iv) Treasury policies and objectives

Our Group's operations have been funded by shareholders' equity and cash generated from our operations as well as external sources of funds. The external sources of funds mainly include banking facilities from financial institutions. The normal credit terms granted by our suppliers range from 0 up to 60 days.

As at the LPD, our Group's banking facilities from financial institutions mainly consist of the following:

- term loans used for the purchase of MST Golf Plaza at Subang Jaya, our retail outlet at Kelana Parkview in Selangor, renovations of our retail outlets as well as for working capital purposes; and
- credit facilities including bankers' acceptance, bank overdrafts, trust receipts, invoice financing and revolving loan for working capital purposes.

12. FINANCIAL INFORMATION (CONT'D)

The interest rates for our bank borrowings are typically based on the prevailing market rates at the dates of the respective transactions. As at the LPD, our Group has available banking facilities which amounted to RM61.28 million, of which RM13.94 million has yet to be utilised.

The main objective of our capital management is to ensure sustainable shareholders' equity to ensure our ability to support and grow our business in order to maximise on shareholders' value. We review and manage our capital structure to maintain our debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

(v) Financial instruments for hedging purposes

In the ordinary course of business, we deal with customers and suppliers from domestic markets including Malaysia and Singapore as well as other foreign markets, where transactions are denominated in either RM or SGD as well as foreign currencies mainly USD. We also maintain bank accounts in RM, SGD as well as USD and JPY such that collections can be used to settle payments of the same currency where possible. To a certain extent, this provides a natural hedge against fluctuations in the foreign exchange and mitigates our exposure to foreign exchange risks. We currently do not use any financial instrument to hedge our exposure against transactions in foreign currency.

(vi) Material capital commitment for capital expenditure

As at the LPD, our Group's material capital commitments are summarised as follows:

	Capital commitment RM'000	<-----Source of funds----->	
		Internally generated funds/ bank borrowings RM'000	IPO proceeds RM'000
Approved and/or contracted for⁽¹⁾:			
Ongoing expansion in Malaysia and Singapore	7,900	-	7,900
Approved but not contracted for:			
Expansion in Malaysia and Singapore	52,855	-	52,855
• <i>New retail outlets</i>	28,660	-	28,660
• <i>New retail outlet with indoor golf centres</i>	21,195	-	21,195
• <i>Upgrade and refurbish existing retail outlets</i>	3,000	-	3,000
Expansion in new geographical markets ⁽²⁾	53,550	-	53,550
• <i>Indonesia</i>	19,934	-	19,934
• <i>Thailand</i>	18,624	-	18,624
• <i>Vietnam</i>	14,992	-	14,992
Upgrading of digital technology facilities	5,000	2,000	3,000
Total	119,305	2,000	117,305

12. FINANCIAL INFORMATION (CONT'D)**Notes:**

- (1) As at the LPD, we have also entered into letters of offer and/or tenancy agreements to open 3 retail outlets in Malaysia and are undergoing renovations as at the LPD. The total estimated cost for the setting up of these retail outlets are RM9.90 million, of which RM2.00 million has been paid through internally generated funds while the remaining RM7.90 million will be funded through the IPO proceeds. Please refer to Section 7.7 of this Prospectus for further details of the ongoing expansion of our retail outlets in Malaysia.
- (2) The total estimated cost for the expansion in new geographical markets is estimated at RM100.00 million, of which RM53.55 million will be funded through IPO proceeds and the remaining will be funded by the local partners in the respective countries. Please refer to Section 7.19.2 of this Prospectus for further details of our expansion in new geographical markets.

(vii) Contingent liabilities

As at the LPD, we do not have any contingent liabilities, which upon becoming enforceable, may have substantial impact on the financial position of our Group.

(viii) Material litigation, claims or arbitration

Our Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and does not know of any proceedings pending or threatened or any fact likely to give rise to any proceedings which might materially or adversely affect our position or profitability, in the 12 months immediately preceding the date of this Prospectus.

(ix) Capital expenditure and divestitures**Capital expenditure**

Our capital expenditures for the Financial Years Under Review and up to the LPD are set out below:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022	1 January 2023 up to the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Renovations	1,150	943	2,207	9,016	995
IT related software and hardware	281	110	919	4,358	1,587
Furniture and fittings	1,148	679	649	5,887	1,020
Equipment	223	176	477	3,676	188
Plant and machinery	57	142	454	626	41
Others ⁽¹⁾	55	66	43	303	94
Total	2,914	2,116	4,749	23,866	3,925

Note:

- (1) Include mainly air conditioners and signboards.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2019**

For FYE 2019, our capital expenditure of RM2.91 million mainly comprised RM2.30 million for renovations and purchases of furniture and fittings, RM0.28 million for the purchase of IT related software and hardware and RM0.22 million for the purchase of equipment such as televisions and closed circuit television (CCTV) mainly for our retail outlets including the specialty stores at IOI City Mall in Putrajaya and Mid Valley Southkey in Johor which were opened in FYE 2019.

FYE 2020

For FYE 2020, our capital expenditure of RM2.12 million mainly comprised RM1.62 million for renovations and purchases of furniture and fittings, RM0.18 million for the purchase of equipment such as television, RM0.14 million for the purchase of plant and machinery mainly golf simulators and RM0.11 million for the purchase of IT related software and hardware mainly for our retail outlets including the upgrade and expansion of our specialty store at Suntec City in Singapore.

FYE 2021

For FYE 2021, our capital expenditure of RM4.75 million mainly comprised RM2.86 million for renovations and purchases of furniture and fittings, RM0.92 million for the purchase of IT related hardware and software, RM0.48 million for the purchase of equipment such as audio systems and television and RM0.45 million the purchase of plant and machinery including golf simulators mainly for the new indoor golf centre at The Gardens Mall in Kuala Lumpur, upgrade of our specialty stores at Hatten Square in Melaka, as well as our head office and warehouse.

FYE 2022

For FYE 2022, our capital expenditure of RM23.87 million mainly comprised RM14.90 million for renovations and purchases of furniture and fittings, RM4.36 million for the purchase of IT related hardware and software including the golf simulators for our indoor golf centres and RM3.67 million for the purchase of equipment mainly kitchen equipment for our indoor golf centres at The Gardens Mall in Kuala Lumpur and Tropicana Gardens Mall in Selangor as well as the opening of new retail outlets.

1 January 2023 up to the LPD

Between 1 January 2023 and up to the LPD, our capital expenditure of RM3.93 million mainly comprised RM2.02 million for purchases of furniture, fittings and renovations and RM1.59 million for the purchase of IT related software and hardware mainly for the opening of our retail outlet at The Starhill Mall in Kuala Lumpur.

Capital divestitures

Our capital divestitures for the Financial Years Under Review and up to the LPD are set out below:

	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	1 January 2023 up to the LPD RM'000
Motor vehicles	356	-	-	-	-
Renovations	-	262	-	-	70
Furniture and fittings	-	161	-	-	104
IT related hardware and software	-	20	-	3	75
Plant and machinery	3	-	35	-	1

12. FINANCIAL INFORMATION (CONT'D)

	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	1 January 2023 up to the LPD RM'000
Equipment	49	-	15	-	18
Others ⁽¹⁾	-	361	-	-	14
Total	408	804	50	3	282

Note:

(1) Include kitchen equipment and air conditioners.

FYE 2019

For FYE 2019, our capital divestitures of RM0.41 million mainly comprised the disposal of 1 unit of passenger car.

FYE 2020

For FYE 2020, our capital divestitures of RM0.80 million mainly attributed to the disposal of food and beverages related facilities at KLGCC to a third party operator.

FYE 2021

For FYE 2021, our capital divestitures of RM0.05 million mainly comprised the disposal of gator utility and audio system.

FYE 2022

For FYE 2022, our capital divestitures of approximately RM3,000 was in relation to the disposals of computers.

1 January 2023 up to the LPD

Between 1 January 2023 and up to the LPD, our capital divestitures of approximately RM0.28 million was mainly in relation to the disposal of furniture and fittings and other related equipment pursuant to the closure of a pro shop.

12.3.4 Key financial ratios

The key financial ratios based on our audited consolidated financial statements for the Financial Years Under Review is set out below:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
Average trade receivables turnover period (days) ⁽¹⁾	13	13	12	10
Average trade payables turnover period (days) ⁽²⁾	29	37	50	38
Average inventory turnover period (days) ⁽³⁾	203	203	182	199
Current ratio (times) ⁽⁴⁾	1.07	1.28	1.26	1.54
Gearing ratio (times) ⁽⁵⁾	1.49	0.87	0.82	0.64

12. FINANCIAL INFORMATION (CONT'D)**Notes:**

- (1) Based on average trade receivables over revenue for the respective financial years multiplied by 365 days.
- (2) Based on average trade payables over cost of sales for the respective financial years multiplied by 365 days.
- (3) Based on average inventory over cost of sales for the respective financial years multiplied by 365 days.
- (4) Based on current assets over current liabilities.
- (5) Based on total interest-bearing bank borrowings (including finance lease liabilities under hire purchase contracts owing to financial institutions) over total equity.

(i) Trade receivables

A summary of our trade receivables for the Financial Years Under Review is set out below:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Average trade receivables ⁽¹⁾	6,366	5,973	6,664	8,153
Revenue	175,950	170,152	206,519	300,875
Average trade receivables turnover period (days) ⁽²⁾	13	13	12	10

Notes:

- (1) Computed as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Opening trade receivables	6,315	6,417	5,528	7,799
Closing trade receivables	6,417	5,528	7,799	8,506
Average trade receivables	6,366	5,973	6,664	8,153

- (2) Based on average trade receivables over revenue for the respective financial years multiplied by 365 days.

For our retail segment as well as golf related services including golf coaching lessons, rental of golf equipment at our pro shops at the golf and country clubs and supply range balls for use driving range we operate, as well as indoor golf centre, the transactions with our customers are settled by cash, credit services through financial institutions such as credit or debit cards, or through third party online payment channels including e-wallet. The trade receivables from financial institutions that provide our customers with retail credit services typically release payment to us within 1 to 3 days following the transaction date.

For our corporate customers, we generally deal with our customers on credit terms between 30 days to 60 days which are granted to our customers are assessed and approved by the management on a case-by-case basis.

12. FINANCIAL INFORMATION (CONT'D)

For the wholesale segment, we generally deal with our customers on cash terms or credit terms of up to 60 days. The credit terms granted to our customers are assessed and approved by the management on a case-by-case basis.

Our average trade receivables turnover periods were 13 days for FYE 2019 and FYE 2020. The outstanding trade receivables were mainly amount due from our wholesale customers who are retailers as well as amount due from financial institutions for credit and debit card transactions.

The Group's average trade receivables turnover period declined from 13 days for FYE 2020 to 12 days for FYE 2021, mainly attributed to better collections from our wholesale customers who are retailers.

The Group's average trade receivables turnover period declined from 12 days for FYE 2021 to 10 days for FYE 2022, mainly attributable to timely collections from our wholesale customers who are retailers.

The ageing analysis of our trade receivables as at 31 December 2022 is set out below:

	Not past due RM'000	←-----Past due-----→				Total RM'000
		1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	More than 90 days RM'000	
Trade receivables	6,191	2,005	95	75	140	8,506
<i>% of trade receivables</i>	<i>72.78</i>	<i>23.57</i>	<i>1.12</i>	<i>0.88</i>	<i>1.65</i>	<i>100.00</i>
Subsequent collections as at the LPD	6,155	2,005	90	41	93	8,384
Outstanding trade receivables as at the LPD	36	-	5	34	47	122
<i>% of trade receivables net of subsequent collections</i>	<i>29.51</i>	<i>-</i>	<i>4.10</i>	<i>27.87</i>	<i>38.52</i>	<i>100.00</i>

As at the LPD, RM8.38 million or 98.57% of our trade receivables as at 31 December 2022 has been subsequently collected. The remaining outstanding amount of RM0.12 million that falls within the credit period accounted for 29.51% (RM0.04 million) of the remaining outstanding amount while 70.49% (RM0.09 million) has exceeded credit period, mainly past due amount from corporate customers. The past due amount from corporate customers were mainly due to slow payments. We have taken constant effort to collect the overdue outstanding amount through follow-up calls.

Notwithstanding the above, for those corporate and wholesale customers, the Group will conduct evaluation of credit risk assessments such as payment track record and financial background, size of transactions, and length of business relationship to ensure such delays are mitigated thoroughly and does not increase unnecessarily and without diligent monitoring. In addition, our Board is of the view that the trade receivables turnover period is still manageable and will continuously monitor and constantly review our credit policies.

As at the LPD, we have not experienced any instances of significant bad debts for the Financial Years Under Review. We will assess the impairment of trade receivable on individual customer basis and impair trade receivable balances which have been outstanding for more than 12 months.

12. FINANCIAL INFORMATION (CONT'D)**(ii) Trade payables**

A summary of our trade payables for the Financial Years Under Review is set out below:

	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Average trade payables ⁽¹⁾	8,397	10,118	16,656	18,086
Cost of sales	105,224	100,695	122,488	171,680
Average trade payables turnover period (days) ⁽²⁾	29	37	50	38

Notes:

(1) Computed as follows:

	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Opening trade payables	10,938	5,856	14,379	18,932
Closing trade payables	5,856	14,379	18,932	17,240
Average trade payables	8,397	10,118	16,656	18,086

(2) Based on average trade payables over cost of sales for the respective financial years multiplied by 365 days.

Generally, the normal credit terms granted by our suppliers range from 0 up to 60 days credit.

Our average trade payable turnover period increased from 29 days in FYE 2019 to 37 days in FYE 2020 and this was mainly due to the increase in the purchases of golf clubs, golf balls and accessories and golf apparel in the last quarter of FYE 2020. This was mainly to replenish our inventory as there were higher sales recorded in the 2nd half of FYE 2020 when sales picked up following the resumption of our retail operations in Malaysia and Singapore.

Our average trade payable turnover period further increased to 50 days in FYE 2021 and this was mainly due to additional time taken for payments to suppliers as agreed by the suppliers arising from the impact of the COVID-19 conditions. As at the LPD, the outstanding payments to these suppliers have been settled.

Our average trade payable turnover period improved from 50 days in FYE 2021 to 38 days in FYE 2022 and this was mainly attributed to lower outstanding payables to 2 of our major suppliers, namely Supplier A and Supplier B on the back of higher purchases in FYE 2022 due to timely payments to our suppliers.

12. FINANCIAL INFORMATION (CONT'D)

The ageing analysis of our trade payables as at 31 December 2022 is set out below:

	←-----Past due----->					Total RM'000
	Not past due RM'000	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	More than 90 days RM'000	
Trade payables	5,511	3,877	2,073	2,259	3,520	17,240
<i>% of trade payables</i>	<i>31.97</i>	<i>22.49</i>	<i>12.02</i>	<i>13.10</i>	<i>20.42</i>	<i>100.00</i>
Subsequent payments as at the LPD	5,511	3,877	2,073	2,259	3,520	17,240
Outstanding trade payables as at the LPD	-	-	-	-	-	-
<i>% of trade payables net of subsequent payments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

As at the LPD, all trade payables outstanding as at 31 December 2022 has been subsequently paid.

Notwithstanding the above, there was no significant matter in dispute with respect to trade payables for the Financial Years Under Review, neither was there any legal action initiated by any of our Group's suppliers to demand for payment for the Financial Years Under Review and up to the LPD.

(iii) Inventory

A summary of our inventories for the Financial Years Under Review is set out below:

	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Average inventories ⁽¹⁾	58,393	56,079	61,234	93,606
Closing inventories	63,335	48,822	73,645	113,567
• <i>Golf clubs</i>	28,945	23,636	36,749	62,160
• <i>Golf balls and accessories</i>	19,107	14,402	26,383	31,719
• <i>Golf apparel</i>	15,283	10,784	10,513	19,495
• <i>F&B for our indoor golf centre</i>	-	-	-	193
Cost of sales	105,224	100,695	122,488	171,680
Average inventory turnover period (days) ⁽²⁾	203	203	182	199

Notes:

(1) Computed as follows:

	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Opening inventories	53,451	63,335	48,822	73,645
Closing inventories	63,335	48,822	73,645	113,567
Average inventories	58,393	56,079	61,234	93,606

12. FINANCIAL INFORMATION (CONT'D)

- (2) Based on average inventories over cost of sales for the respective financial years multiplied by 365 days.

Our inventories for the Financial Years Under Review by operations and product category are set out below:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Malaysia operation	48,990	35,668	51,151	70,838
• <i>Golf clubs</i>	20,887	15,382	23,656	36,478
• <i>Golf balls and accessories</i>	15,726	11,410	19,337	20,841
• <i>Golf apparel</i>	12,377	8,876	8,158	13,326
• <i>F&B for our indoor golf centre</i>	-	-	-	193
Singapore operation	14,345	13,154	22,494	42,729
• <i>Golf clubs</i>	8,058	8,254	13,093	25,681
• <i>Golf balls and accessories</i>	3,381	2,992	7,046	10,878
• <i>Golf apparel</i>	2,906	1,908	2,355	6,170
Total inventories	63,335	48,822	73,645	113,567

Our inventory consists of finished goods including golf clubs, golf balls and accessories and golf apparel. In general, we maintain a certain level of inventory generally about 30 weeks as part of our inventory management to ensure stock availability at the warehouse which enables us to replenish the stocks for display at our retail outlets on a weekly basis. For the procurement of pre-seasonal buy for golf equipment including golf clubs, golf balls and accessories and golf apparel, the brand owners commonly launch new products 2 times a year and we commonly place orders 6 to 10 months ahead. In addition, there is a minimum order quantity required when we place orders with the brand owners. Please refer to Section 7.10 of this Prospectus for further details of our procurement of golf equipment. As at the LPD, we sell an extensive range of products of approximately 12,000 SKU and 97 brands of golf equipment comprising golf clubs, golf balls and accessories and golf apparel.

Our average inventory turnover period was 203 days in FYE 2019 and FYE 2020. The inventory turnover period of 203 days in FYE 2019 was mainly due to purchases of golf equipment during FYE 2019, including purchase of stocks for 2 new specialty stores which opened in FYE 2019.

The inventory turnover period of 203 days in FYE 2020 was mainly due to higher purchases of golf equipment in the last quarter of FYE 2020 to replenish our inventory as there were higher sales recorded in the 2nd half of FYE 2020 when sales picked up following the resumption of our retail operations in Malaysia and Singapore. Despite the higher purchases of golf equipment in the last quarter of FYE 2020, the decrease in average inventories in FYE 2020 was due to lower annual purchases of RM79.93 million in FYE 2020 compared to RM105.69 million in FYE 2019. In addition, our cost of sales decreased to RM100.70 million in FYE 2020 compared to RM105.22 million in FYE 2019.

Our average inventory turnover period subsequently decreased to 182 days in FYE 2021. The decrease in turnover period in FYE 2021 was mainly due to an increase in sales in FYE 2021 resulting from faster pace of products sold during the said period which is mainly attributable to higher retail sales of 83.29% in our Singapore operations in FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)

Our average inventory turnover period increased to 199 days in FYE 2022 compared to 182 days in FYE 2021. This was mainly due to higher purchases of golf clubs, golf balls and accessories and golf apparel during the FYE 2022 in line with our planned sales and marketing campaign as well as the purchase of stocks for 7 new specialty stores and 2 new pro shops which we opened in FYE 2022.

Generally, our inventory will be categorised into 2 categories namely, the current ongoing season and the end season inventory. The current ongoing season is the inventory which the sales are still ongoing while for the end season inventory, our Group will provide additional promotions as compared to the current season stock. For end season inventory where no sales have been recorded for 6 months, these will be deemed as non-sellable inventories and we will provide for the allowance for slow moving inventories. The provision for allowance for slow moving inventories will be made at 100% of the inventory cost amount.

Our Group conducts physical stock counts at our warehouse once a year, while the physical stock counts for all our retail outlets will be carried out 3 times a year. For the Financial Years Under Review, the allowance for slow moving inventories accounted for 0.33% (RM0.21 million), 0.19% (RM0.09 million), 0.37% (RM0.27 million) and 1.25% (RM1.42 million) of our total inventories for FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively. There was no inventory written off for the Financial Years Under Review.

The ageing analysis of our inventories as at 31 December 2022 is set out below:

	Less than 6 months RM'000	6 months to 1 year RM'000	1 to 2 years RM'000	More than 2 years RM'000	Total RM'000
Closing inventories	89,240	18,495	1,833	3,999	113,567
• <i>Golf clubs</i>	46,426	11,581	1,355	2,798	62,160
• <i>Golf balls and accessories</i>	25,749	4,583	370	1,017	31,719
• <i>Golf apparel</i>	16,872	2,331	108	184	19,495
• <i>Food and beverage for our indoor golf centre</i>	193	-	-	-	193

(iv) Current ratio

A summary of our current ratio for the Financial Years Under Review is set out below:

	<-----Audited----->			
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Current assets	78,460	99,910	125,905	166,943
Current liabilities	73,190	78,119	99,600	108,104
Current ratio (times) ⁽¹⁾	1.07	1.28	1.26	1.54

Note:

(1) Based on current assets over current liabilities.

Our current ratio improved from 1.07 times as at 31 December 2019 to 1.28 times as at 31 December 2020. This was mainly due to higher cash and bank balances and fixed deposit with licensed banks.

12. FINANCIAL INFORMATION (CONT'D)

Our current ratio decreased to 1.26 times as at 31 December 2021 mainly due to increase in amount owing to holding company, All Sportz arising from RM11.50 million of dividend declared and yet to paid during the FYE 2021. The total dividend declared in FYE 2021 was RM13.50 million where RM2.00 million was paid in the same year while the remaining RM11.50 million was subsequently paid in FYE 2022. The decrease in current ratio was also partly due to increase in borrowings mainly from the drawdown of bankers' acceptance for working capital purposes.

Our current ratio increased to 1.54 times as at 31 December 2022 mainly due to the increase in inventories from RM73.64 million as at 31 December 2021 to RM113.57 million as at 31 December 2022 arising from higher purchases of golf equipment comprising golf clubs, golf balls and accessories and golf apparel during the FYE 2022.

(v) Gearing ratio

A summary of our gearing ratio for FYE 2019, FYE 2020, FYE 2021 and FYE 2022 is as follows:

	←-----Audited-----→			
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Total bank borrowings ⁽¹⁾	36,774	33,389	37,107	61,192
Total equity	24,647	38,194	45,079	95,971
Gearing ratio (times) ⁽²⁾	1.49	0.87	0.82	0.64

Notes:

- (1) Refers to total interest-bearing bank borrowings (including finance lease liabilities under hire purchase contracts owing to financial institutions).
- (2) Based on total bank borrowings over total equity.

Our gearing ratio improved from 1.49 times as at 31 December 2019 to 0.87 times as at 31 December 2020, mainly due to the increase in our retained earnings by RM12.88 million or 69.54% from RM18.52 million as at 31 December 2019 to RM31.39 million as at 31 December 2020. In addition, the outstanding bank borrowings was reduced to RM33.39 million as at 31 December 2020 compared to RM36.77 million as at 31 December 2019.

Our gearing ratio improved from 0.87 times as at 31 December 2020 to 0.82 times as at 31 December 2021. This was attributable to the increase of RM4.51 million or 14.38% in retained earnings from RM31.39 million as at 31 December 2020 to RM35.91 million as at 31 December 2021, which was partially offset by the increase in the outstanding bank borrowings to RM37.11 million as at 31 December 2021 compared to RM33.39 million as at 31 December 2020.

Our gearing ratio improved from 0.82 times as at 31 December 2021 to 0.64 times as at 31 December 2022. This was attributable to the increase of share capital to RM32.10 million as at 31 December 2022 arising from the capitalisation of the amount owing of RM32.00 million to our Group's holding company, All Sportz by issuance of new Shares. Please refer to Note 18(i) of the Accountants' Report set out in Section 13 of this Prospectus for further details on the Capitalisation. The improvement was partially offset by the increase in outstanding bank borrowings to RM61.19 million as at 31 December 2022 compared to RM37.11 million as at 31 December 2021.

12. FINANCIAL INFORMATION (CONT'D)

12.4 TREND ANALYSIS

Save as disclosed in this Prospectus, our operations have not been or are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, save as set out in Sections 5 and 7 of this Prospectus;
- (ii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations;
- (iii) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for the interruption to business and operations due to COVID-19 pandemic as set out in Section 7.14 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical consolidated financial statements not indicative of the future financial performance and position; and
- (v) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources.

12.5 ORDER BOOK

We do not maintain any order book as we are mainly involved in the retail and wholesale of golf clubs, golf balls and accessories and golf apparel.

12.6 SIGNIFICANT CHANGES/EVENTS

There are no significant changes that has occurred which may have a material effect on our financial position and results of operation since 31 December 2022 up to the LPD.

12.7 DIVIDEND POLICY

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

We target a payout ratio of 30.00% of our PAT attributable to owners of our Company for each financial year on a consolidated basis after taking into account our Group's working capital requirements, subject to any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our cash requirements or any plans approved by our Board.

Our Group's ability to distribute dividends to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for the working capital of our business. Our ability to declare and pay dividends is subject to the discretion of our Board. Our Directors will take into consideration, among others, the following factors when recommending or declaring any dividends:

- (i) the availability of adequate reserves and cash flows;
- (ii) our operating cash flow requirements and financing commitments;

12. FINANCIAL INFORMATION (CONT'D)

- (iii) our anticipated future operating conditions and expansion taking into consideration projected capital expenditure and investment plans;
- (iv) our working capital requirements;
- (v) any contractual restrictions and/or commitments; and
- (vi) prior written consent from financial institutions, where required.

As at the LPD, save for any applicable financial covenants (in particular, the financial institutions' consent for declaration of dividends from our subsidiary in Malaysia to us) and the Act, and subject to the availability of distributable profits and reserves, there are no dividend restrictions imposed on us or our Subsidiaries. The existing financial covenants would not affect the future dividend payments of our Company.

Nevertheless, our Company is a holding company and we conduct substantially all of our operations through our Subsidiaries. Accordingly, an important source of our income and subsequently an important factor in our ability to pay dividends is the amount of dividends and distributions that our Company receives from our Subsidiaries. As such, the ability of our Subsidiaries to pay dividends or make other distributions to our Company in the future will depend on their operating results, earnings, capital requirements, general financial condition and any applicable laws.

The dividends declared and paid by our Group for the Financial Years Under Review are set out below:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Dividends declared	-	-	13,500	12,500
Dividends paid	-	-	2,000	11,500
PAT	10,216	13,689	20,092	29,115
Dividend payout ratio ⁽¹⁾	-	-	9.95%	39.50%

Note:

- (1) Computed as dividends paid divided by PAT.

The dividends declared and paid for the FYE 2021 and FYE 2022 were funded via internally generated funds.

The dividends declared in FYE 2021 totalling RM13.50 million were paid in 2 tranches, i.e. RM2.00 million was paid in FYE 2021 and the remaining RM11.50 million was paid in FYE 2022.

Prior to our Listing, we declared an interim dividend amounting to RM12.50 million for the FYE 2022. The said dividend was paid in February 2023 and was funded via our internally generated funds.

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 modification (including non-declaration) thereof at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that further dividends declared by our Board, if any, will not differ materially from historical dividend levels.

Our Company has no intention to declare any further dividends up to the completion of Listing.

12. FINANCIAL INFORMATION (CONT'D)

12.8 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

MST GOLF GROUP BERHAD
(formerly known as M S T Golf (Asia) Sdn. Bhd.)
Registration No.: 199301009307 (264044 - W)
(Incorporated in Malaysia)

**PRO FORMA CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

GRANT THORNTON MALAYSIA PLT
CHARTERED ACCOUNTANTS
Member Firm of Grant Thornton International Ltd.

12. FINANCIAL INFORMATION (CONT'D)



**REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION
OF PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION**

Date: 7 June 2023

The Board of Directors
MST Golf Group Berhad
MST Golf Plaza
No 8, Jalan SS13/5
47500 Subang Jaya
Selangor Darul Ehsan

Dear Sir/Madam,

**MST GOLF GROUP BERHAD (FORMERLY KNOWN AS M S T GOLF (ASIA) SDN. BHD.)
("MST GOLF" OR THE "COMPANY") AND ITS SUBSIDIARIES (THE "GROUP")**

**REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION INCLUDED IN A PROSPECTUS**

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position of the Group as at 31 December 2022 (the "Pro Forma Consolidated Statements of Financial Position"). The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes thereon, for which we have stamped for the purpose of identification, have been prepared by the Board of Directors of the Company ("Board") for inclusion in the prospectus of the Company ("the Prospectus") in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

The applicable criteria on the basis of which the Board have compiled the Pro Forma Consolidated Statements of Financial Position are described in the notes thereon to the Pro Forma Consolidated Statements of Financial Position. The Pro Forma Consolidated Statements of Financial Position is prepared in accordance with the requirements of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines-Equity issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board to illustrate the impact of the events or transactions as set out in the notes thereon to the Pro Forma Consolidated Statements of Financial as if the events or the transactions had taken place as at 31 December 2022. As part of this process, information about the Group's consolidated statements of financial position has been extracted by the Board from the Group's audited consolidated financial statements for the financial year ended 31 December 2022, on which an auditors' report dated 7 June 2023 has been issued.

1

Audit | Tax | Advisory

Chartered Accountants
Grant Thornton Malaysia PLT [201906003682 [LLP0022494-LCA] & AF 0737] is a Limited Liability Partnership and is a member firm of Grant Thornton International Ltd [GTIL], a private company limited by guarantee, incorporated in England and Wales.
Grant Thornton Malaysia PLT was registered on 1 January 2020 and with effect from that date, Grant Thornton Malaysia [AF 0737], a conventional partnership was converted to a Limited Liability Partnership.

grantthornton.com.my

12. FINANCIAL INFORMATION (CONT'D)**Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position**

The Board is responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis described in the notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Our Independence and Quality Control

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

Our firm applies International Standard on Quality Management ("ISQM") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance and Related Services Engagements* and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Board on the basis described in notes thereon to the Pro Forma Consolidated Statements of Financial Position.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3420), *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance about whether the Board have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis described in the notes thereon to the Pro Forma Consolidated Statements of Financial Position.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of the Pro Forma Consolidated Statements of Financial Position included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if such events had occurred or such transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of such events or transactions at 31 December 2022 would have been as presented.

12. FINANCIAL INFORMATION (CONT'D)**Reporting Accountants' Responsibility (Cont'd)**

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis described in the notes involves performing procedures to assess whether the applicable criteria used by the Board in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Consolidated Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Other Matter

This report has been prepared solely for the purpose of inclusion in the Prospectus of MST Golf in connection with the Listing. As such, this report should not be used or relied upon for any other purpose without the prior written consent from us. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

LIAN TIAN KWEE
(NO: 02943/05/2025 J)
CHARTERED ACCOUNTANT

Kuala Lumpur

12. FINANCIAL INFORMATION (CONT'D)

MST Golf Group Berhad (formerly known as M S T Golf (Asia) Sdn. Bhd.) ("MST Golf" or the "Company") and its subsidiaries (the "Group")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

Pro Forma Consolidated Statements of Financial Position

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2022 as set below has been prepared for illustrative purposes only to show the effects of the transactions referred to Note 2 had these events or transaction been effected on 31 December 2022, and should be read in conjunction with the notes accompanying to the Pro Forma Consolidated Statements of Financial Position.

Notes	Consolidated	Significant	Adjustments	Pro forma I	Adjustments	Pro forma II		
	Statements of Financial Position as at 31 December 2022						subsequent transaction Dividend paid	for Public Issue
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
ASSETS								
Non-current assets								
	Property, plant and equipment	5(a)	44,024	-	-	44,024	58,435	102,459
	Right-of-use assets		48,111	-	-	48,111	-	48,111
	Intangible assets		1,771	-	-	1,771	-	1,771
	Other investment		17	-	-	17	-	17
	Deferred tax assets		219	-	-	219	-	219
	Total non-current assets		92,142	-	-	92,142	58,435	150,577
Current assets								
	Inventories	5(b)	113,567	-	-	113,567	64,130	177,697
	Trade receivables		8,506	-	-	8,506	-	8,506
	Other receivables	5(c)	15,979	-	-	15,979	(2,752)	13,227
	Tax recoverable		7	-	-	7	-	7
	Fixed deposits with licensed banks		2,059	-	-	2,059	-	2,059
	Cash and bank balances	5(d)	26,825	(12,500)	129,600	143,925	(126,849)	17,076
	Total current assets		166,943	(12,500)	129,600	284,043	(65,471)	218,572
	Total ASSETS		259,085	(12,500)	129,600	376,185	(7,036)	369,149
EQUITY AND LIABILITIES								
EQUITY								
Equity attributable to owners of the Company:-								
	Share capital	5(e)	39,836	-	129,600	169,436	(3,493)	165,943
	Foreign exchange reserve		3,163	-	-	3,163	-	3,163
	Retained earnings	5(f)	52,972	-	-	52,972	(3,543)	49,429
	Total equity		95,971	-	129,600	225,571	(7,036)	218,535
LIABILITIES								
Non-current liabilities								
	Lease liabilities		38,728	-	-	38,728	-	38,728
	Borrowings		15,478	-	-	15,478	-	15,478
	Deferred tax liabilities		805	-	-	805	-	805
	Total non-current liabilities		55,011	-	-	55,011	-	55,011
Current liabilities								
	Trade payables		17,240	-	-	17,240	-	17,240
	Other payables		13,983	-	-	13,983	-	13,983
	Dividend payable	5(g)	12,500	(12,500)	-	-	-	-
	Contract liabilities		4,417	-	-	4,417	-	4,417
	Borrowings		45,713	-	-	45,713	-	45,713
	Lease liabilities		10,682	-	-	10,682	-	10,682
	Tax payable		3,568	-	-	3,568	-	3,568
	Total current liabilities		108,103	(12,500)	-	95,603	-	95,603
	Total liabilities		163,114	(12,500)	-	150,614	-	150,614
	TOTAL EQUITY AND LIABILITIES		259,085	(12,500)	129,600	376,185	(7,036)	369,149
	Number of ordinary shares in Issue ('000)		660,869		160,000	820,869		820,869
	Net assets per share (RM)		0.15			0.27		0.27
	Total interest-bearing bank borrowing (RM'000)		61,192			61,192		61,192
	Gearing (Times)		0.64			0.27		0.28
	Current ratio (times)		1.54			2.97		2.29

Stamped for the purpose of identification on:
07 JUN 2023
GRANT THORNTON MALAYSIA PLT

12. FINANCIAL INFORMATION (CONT'D)

MST Golf Group Berhad (formerly known as M S T Golf (Asia) Sdn. Bhd.) ("MST Golf" or the "Company") and its subsidiaries (the "Group")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

Notes to the Pro Forma Consolidated Statements of Financial Position

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2022 have been prepared for illustration purposes only, by the Board of Directors of the Company (the "Board") and the notes thereon of the Company for inclusion in the prospectus of the Company to be issued in connection with the initial public offering of 160,000,000 ordinary shares in the Company in conjunction with the listing and quotation of the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing") ("IPO").

1 Basis of Preparation

The applicable criteria in the preparation of the Pro Forma Consolidated Statements of Financial Position are in accordance with Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

The Pro Forma Consolidated Statements of Financial Position have been prepared based on the Group audited consolidated financial statements for the financial year ended 31 December 2022, which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and in a manner consistent with both the format of financial statements and the accounting policies adopted by the Group, and adjusted for the events and transactions detailed in Note 2 to the Pro Forma Consolidated Statements of Financial Position.

The auditors' report dated 7 June 2023 on the Group's audited consolidated financial statements for the financial year ended 31 December 2022 was not subject to any audit qualification, modification or disclaimer of opinion.

The Pro Forma Consolidated Statements of Financial Position, because of its nature, may not reflect the actual financial position of the Group. Further, such information does not predict the future financial position of the Group.

2 Significant subsequent transactionDividend paid

On 22 December 2022, the Company declared an interim dividend of RM12,500,000 in respect of the financial year ended 31 December 2022 and was paid on 20 February 2023. The effect of this dividend paid is illustrated in the pro forma consolidated statements of financial position to show the effect of this transaction had it occurred on 31 December 2022.

Stamped for the purpose of identification on:
07 JUN 2023
GRANT THORNTON MALAYSIA PLT

12. FINANCIAL INFORMATION (CONT'D)

MST Golf Group Berhad (formerly known as M S T Golf (Asia) Sdn. Bhd.) ("MST Golf" or the "Company") and its subsidiaries (the "Group")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

Notes to the Pro Forma Consolidated Statements of Financial Position (cont'd)**3 Listing Scheme**

In conjunction with the Listing, the Company undertake the following:-

3.1 Public Issue

The public issue of 160,000,000 new ordinary shares in the Company ("Issue Shares") at an issue price of RM0.81 per Issue Share, representing approximately 19.49% of the enlarged number of issued shares of the Company. The Issue Shares shall be allocated in the following manner:

- (i) 41,500,000 Issue Shares, representing 5.06% of the enlarged number of issued shares, will be made available for application by the Malaysian Public through a balloting process;
- (ii) 76,000,000 Issue Shares, representing approximately 9.26% of the enlarged number of issued shares, will be made available for application via private placement to identified institutional and selected investors.
- (iii) 7,900,000 Issue Shares, representing 0.96% of the enlarged number of issued shares, will be made available for application by the Company's eligible Directors, eligible employees and persons who have contributed to the success of the Group; and
- (iv) 34,600,000 Issue Shares, representing approximately 4.22% of the enlarged number of issued shares, will be allocated for application via private placement to identified Bumiputera investors approved by the Ministry of Investment, Trade and Industry Malaysia (formerly known as Ministry of International Trade and Industry of Malaysia) ("MITI").

3.2 Utilisation of Proceeds

The estimated gross proceeds from the Public Issue of RM129,600,000 are intended to be utilised in the following manner:

Details of utilisation	Estimated timeframe for utilisation from the date of Listing	RM'000	%
Expansion in Malaysia and Singapore ⁽¹⁾	Within 36 months	62,755	48.42
Expansion into new geographical markets ⁽²⁾	Within 36 months	53,550	41.32
Upgrade of digital technology facilities	Within 36 months	3,000	2.32
Working capital requirements	Within 24 months	3,259	2.51
Estimated listing expenses ⁽³⁾	Within 1 month	7,036	5.43
Total estimated proceeds		129,600	100.00

Stamped for the purpose of identification on:
07 JUN 2023
GRANT THORNTON MALAYSIA PLT

12. FINANCIAL INFORMATION (CONT'D)

MST Golf Group Berhad (formerly known as M S T Golf (Asia) Sdn. Bhd.) ("MST Golf" or the "Company") and its subsidiaries (the "Group")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

Notes to the Pro Forma Consolidated Statements of Financial Position (Cont'd)**3 Listing Scheme (Cont'd)****3.2 Utilisation of Proceeds (Cont'd)**Notes:

(1) The breakdown of expansion in Malaysia and Singapore are as tabulated below:

	RM'000	RM'000
Retail outlets		
- Malaysia	24,960	
- Singapore	3,700	28,660
Retail outlet with indoor golf centre		
- Malaysia	25,545	
- Singapore	5,550	31,095
Upgrade and refurbish existing retail outlets in Malaysia		3,000
Total		62,755

(2) The breakdown of expansion into new geographical markets as tabulated below:

	RM'000	RM'000
Indonesia		
- Retail outlets	6,860	
- Retail outlets with indoor golf centre	12,570	
- Branch office	500	19,930
Thailand		
- Retail outlets	9,180	
- Retail outlets with indoor golf centre	8,940	
- Branch office	500	18,620
Vietnam		
- Retail outlets	5,550	
- Retail outlets with indoor golf centre	8,950	
- Branch office	500	15,000
Total		53,550

Stamped for the purpose of identification on:
07 JUN 2023
GRANT THORNTON MALAYSIA PLT

12. FINANCIAL INFORMATION (CONT'D)

MST Golf Group Berhad (formerly known as M S T Golf (Asia) Sdn. Bhd.) ("MST Golf" or the "Company") and its subsidiaries (the "Group")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

Notes to the Pro Forma Consolidated Statements of Financial Position (Cont'd)**3 Listing Scheme (Cont'd)****3.3 Utilisation of Proceeds (Cont'd)**

(3) The breakdown of the estimated listing expenses comprises the following:

	RM'000
Professional fees	3,275
Underwriting commission, placement fees and brokerage fees	2,800
Regulatory fees	539
Miscellaneous expenses and contingencies	422
Total	7,036

Upon completion of the IPO, the estimated listing expenses of RM3.49 million, which is directly attributable to the issuance of new shares will be debited against the share capital of the Company and the remaining estimated listing expenses of RM3.55 million will be expensed off to statements of profit or loss and other comprehensive income.

As at the latest practicable date of 31 May 2023, the Group has paid RM2.75 million of listing expenses and is recognised in the prepayment. The said prepayment will be subsequently debited against share capital and/or expensed off to the statements of profit or loss and other comprehensive income upon completion of the IPO.

4 Pro Forma Adjustments

The Pro Forma Consolidated Statements of Financial Position have been prepared to illustrate the effects of the following:

- (i) Pro Forma I : After the Public Issue as described in Note 3.1; and
- (ii) Pro Forma II : After Pro Forma I and Utilisation of Proceeds as described in Note 3.2.

5 Effects on the Pro Forma Consolidated Statements of Financial Position**(a) Property, plant and equipment**

	RM'000
Balance as at 31 December 2022/As per Pro Forma I	44,024
Pursuant to the Utilisation of Proceeds	
- Capital expenditure	55,435
- Upgrading digital technology facilities	3,000
	<hr/>
As per Pro Forma II	102,459

Stamped for the purpose of identification on:
07 JUN 2023
GRANT THORNTON MALAYSIA P.L.T.

12. FINANCIAL INFORMATION (CONT'D)

MST Golf Group Berhad (formerly known as M S T Golf (Asia) Sdn. Bhd.) ("MST Golf" or the "Company") and its subsidiaries (the "Group")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

Stamped for the purpose of identification on:
 07 JUN 2023
 GRANT THORNTON MALAYSIA P.L.C.

Notes to the Pro Forma Consolidated Statements of Financial Position (Cont'd)**5 Effects on the Pro Forma Consolidated Statements of Financial Position (Cont'd)****(b) Inventories**

	RM'000
Balance as at 31 December 2022/As per Pro Forma I	113,567
Pursuant to the Utilisation of Proceeds	
- Purchase inventory	<u>64,130</u>
As per Pro Forma II	<u>177,697</u>

(c) Other receivables

	RM'000
Balance as at 31 December 2022/As per Pro Forma I	15,979
Pursuant to the Utilisation of Proceeds	
- Listing expenses charged to profit or loss	<u>(2,752)</u>
As per Pro Forma II	<u>13,227</u>

(d) Cash and Bank balances

	RM'000
Balance as at 31 December 2022	26,825
Dividend paid	(12,500)
Pursuant to Public Issue	<u>129,600</u>
As per Pro Forma I	143,925
Pursuant to Utilisation of Proceeds	
- Capital expenditure	(55,435)
- Purchase inventory	(64,130)
- Estimated listing expenses	(4,284)
- Upgrading digital technology facilities	<u>(3,000)</u>
As per Pro Forma II	<u>17,076</u>

(e) Share Capital

	Unit '000	RM'000
As per 31 December 2022	660,869	39,836
Pursuant to Public Issue	<u>160,000</u>	<u>129,600</u>
As per Pro Forma I	820,869	169,436
Pursuant to Utilisation of Proceeds	<u>-</u>	<u>(3,493)</u>
As per Pro Forma II	<u>820,869</u>	<u>165,943</u>

12. FINANCIAL INFORMATION (CONT'D)

MST Golf Group Berhad (formerly known as M S T Golf (Asia) Sdn. Bhd.) ("MST Golf" or the "Company") and its subsidiaries (the "Group")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

Notes to the Pro Forma Consolidated Statements of Financial Position (Cont'd)**5 Effects on the Pro Forma Consolidated Statements of Financial Position (Cont'd)****(f) Retained Earnings**

	RM'000
Balance as at 31 December 2022/As per Pro Forma I	52,972
Pursuant to Utilisation of Proceeds	
- Estimated listing expenses	<u>(3,543)</u>
As per Pro Forma II	<u>49,429</u>

(g) Dividend payable

	RM'000
Balance as at 31 December 2022	12,500
Dividend paid	<u>(12,500)</u>
As per Pro Forma I/ Pro Forma II	<u>-</u>

Stamped for the purpose of identification on:
07 JUN 2023
 GRANT THORNTON MALAYSIA PLT

12. FINANCIAL INFORMATION (CONT'D)

MST Golf Group Berhad (formerly known as M S T Golf (Asia) Sdn. Bhd.) ("MST Golf" or the "Company") and its subsidiaries (the "Group")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

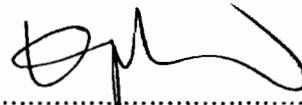
Approval by the Board of Directors

Approved and adopted by the Board of Directors in accordance with a resolution dated 7 June 2023.

For and on behalf of the Board of Directors,



NG YAP SIO
Director



LOW KOK FOH
Director

Stamped for the purpose of identification on:
07 JUN 2023
GRANT THORNTON MALAYSIA PLT

13. ACCOUNTANTS' REPORT

MST GOLF GROUP BERHAD
(formerly known as M S T Golf (Asia) Sdn. Bhd.)
Registration No.: 199301009307 (264044-M)
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT
FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2019, 31 DECEMBER 2020,
31 DECEMBER 2021 AND 31 DECEMBER 2022

GRANT THORNTON MALAYSIA PLT
CHARTERED ACCOUNTANTS
Member of Grant Thornton International Ltd

13. ACCOUNTANTS' REPORT (CONT'D)



Date: 7 June 2023

The Board of Directors
MST Golf Group Berhad
 (formerly known as M S T Golf (Asia) Sdn. Bhd.)
 MST Golf Plaza
 No. 8, Jalan SS13/5
 47500 Subang Jaya
 Selangor Darul Ehsan

Grant Thornton Malaysia PLT
 Level 11, Sheraton Imperial Court
 Jalan Sultan Ismail
 50250 Kuala Lumpur
 Malaysia

T +603 2692 4022
 F +603 2691 5229

Dear Sir/Madam,

Reporting Accountants' Opinion On The Financial Information Contained In The Accountants' Report Of MST Golf Group Berhad ("the Company" or "MST Golf")

Opinion

We have audited the accompanying consolidated financial statements ("Financial Information") of MST Golf Group Berhad and its subsidiaries (collectively known as "the Group" or "MST Golf Group") which comprises the consolidated statements of financial position of the Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 111.

In our opinion, the accompanying Financial Information give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 and of their consolidated financial performance and consolidated cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

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

Independence and Other Ethical Responsibilities

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

13. ACCOUNTANTS' REPORT (CONT'D)*Responsibilities of the Directors for the Financial Information*

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

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

Reporting Accountants' Responsibilities for the Audit of Financial Information

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

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

- Identify and assess the risks of material misstatement of the Financial Information of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the Financial Information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

13. ACCOUNTANTS' REPORT (CONT'D)*Reporting Accountants' Responsibilities for the Audit of Financial Information (cont'd)*

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

- Evaluate the overall presentation, structure and content of the Financial Information of the Group, including the disclosures, and whether the Financial Information of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the Financial Information of the entities or business activities within the Group to express and opinion on the Financial Information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other matter

This report has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of MST Golf in connection with the listing and quotation of the entire enlarged issued share capital of MST Golf on the Main Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

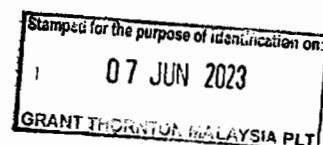
GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

LIAN TIAN KWEE
(NO.: 02943/05/2025 J)
CHARTERED ACCOUNTANT

Kuala Lumpur

13. ACCOUNTANTS' REPORT (CONT'D)

MST GOLF GROUP BERHAD
(formerly known as M S T Golf (Asia) Sdn. Bhd.)
(Incorporated in Malaysia)

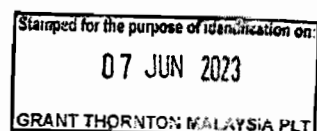


**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019,
31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022**

	Note	← Audited →			
		2022 RM	2021 RM	2020 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	44,024,367	25,886,606	24,803,006	26,796,133
Right-of-use assets	6	46,110,926	24,132,590	20,707,200	21,385,536
Intangible assets	7	1,770,924	1,770,924	1,904,607	1,904,607
Investment in subsidiaries	8	-	-	1,040,689	1,120,689
Investment in an associate	9	-	-	-	-
Other investment	10	17,000	17,000	17,000	17,000
Deferred tax assets	11	219,000	76,000	159,000	102,000
Total non-current assets		92,142,217	51,883,120	48,631,502	51,325,965
Current assets					
Inventories	12	113,567,486	73,644,747	48,821,589	63,334,508
Trade receivables	13	8,505,574	7,799,355	5,528,222	6,416,690
Other receivables	14	15,978,786	7,753,528	4,903,500	4,152,091
Amount owing by subsidiaries	15	-	-	355,351	358,372
Amount owing by an associate	16	-	-	485,560	480,354
Tax recoverable		6,880	90,486	-	-
Fixed deposits with licensed banks	17	2,058,908	1,360,487	20,429,153	-
Cash and bank balances		26,825,060	35,256,475	19,386,666	3,717,605
Total current assets		166,942,694	125,905,078	99,910,041	78,459,620
TOTAL ASSETS		259,084,911	177,788,198	148,541,543	129,785,585
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to equity shareholders of the Company:-					
Share capital	18	39,836,126	100,000	100,000	100,000
Foreign exchange reserve	19	3,162,565	1,335,765	1,047,430	1,067,009
Retained earnings		52,971,968	35,907,186	31,394,176	18,517,018
		95,970,659	37,342,951	32,541,606	19,684,027
Non-controlling interests	8	-	7,736,093	5,652,019	4,962,489
Total equity		95,970,659	45,079,044	38,193,625	24,646,516
LIABILITIES					
Non-current liabilities					
Lease liabilities	6	38,727,567	19,226,366	16,428,357	16,403,759
Borrowings	20	15,478,182	12,871,649	14,672,481	14,462,184
Deferred tax liabilities	11	804,850	1,010,672	1,128,114	1,083,000
Total non-current liabilities		55,010,599	33,108,687	32,228,952	31,948,943

13. ACCOUNTANTS' REPORT (CONT'D)

MST GOLF GROUP BERHAD
(formerly known as M S T Golf (Asia) Sdn. Bhd.)
(Incorporated in Malaysia)



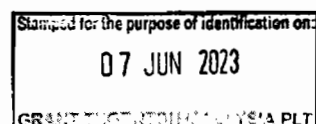
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019,
31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022 (CONT'D)**

	Note	← Audited →			
		2022 RM	2021 RM	2020 RM	2019 RM
EQUITY AND LIABILITIES (CONT'D)					
LIABILITIES (CONT'D)					
Current liabilities					
Trade payables	21	17,239,964	18,932,316	14,378,854	5,856,285
Other payables	22	13,983,649	6,507,175	6,697,170	5,194,170
Contract liabilities	23	4,417,177	320,850	670,724	443,637
Amount owing to holding company	24	-	39,577,091	29,142,058	29,227,058
Amount owing to subsidiaries	15	-	-	766,000	863,000
Amount owing to Directors	25	-	-	32,223	2,837,048
Borrowings	20	45,713,411	24,126,834	18,406,861	21,473,075
Lease liabilities	6	10,681,726	6,582,539	5,128,025	5,573,864
Dividend payable		12,500,000	-	-	-
Tax payable		3,567,726	3,553,662	2,897,051	1,721,989
Total current liabilities		108,103,653	99,600,467	78,118,966	73,190,126
Total liabilities		163,114,252	132,709,154	110,347,918	105,139,069
TOTAL EQUITY AND LIABILITIES		259,084,911	177,788,198	148,541,543	129,785,585

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

13. ACCOUNTANTS' REPORT (CONT'D)

MST GOLF GROUP BERHAD
(formerly known as M S T Golf (Asia) Sdn. Bhd.)
(Incorporated in Malaysia)



**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2019, 31 DECEMBER 2020, 31 DECEMBER 2021
AND 31 DECEMBER 2022**

	Note	← Audited →			
		2022 RM	2021 RM	2020 RM	2019 RM
Revenue	26	300,875,156	206,519,363	170,151,556	175,949,664
Cost of sales		<u>(171,680,193)</u>	<u>(122,487,974)</u>	<u>(100,695,112)</u>	<u>(105,223,932)</u>
Gross profit		129,194,963	84,031,389	69,456,444	70,725,732
Other income	27	2,933,008	5,002,709	4,591,035	3,530,345
Net allowance of expected credit loss on receivables		-	1,500	(1,500)	-
Administrative and other expenses		(78,269,633)	(52,009,602)	(47,007,768)	(48,784,028)
Selling and distribution expenses		<u>(10,851,529)</u>	<u>(8,106,202)</u>	<u>(6,069,196)</u>	<u>(8,427,192)</u>
Profit from operation		43,006,809	28,919,794	20,969,015	17,044,857
Finance income	28	6,727	159,264	61,691	-
Finance costs	28	<u>(4,173,089)</u>	<u>(2,819,562)</u>	<u>(2,726,642)</u>	<u>(3,556,371)</u>
Profit before tax	29	38,840,447	26,259,496	18,304,064	13,488,486
Tax expense	30	<u>(9,725,643)</u>	<u>(6,167,852)</u>	<u>(4,614,738)</u>	<u>(3,272,122)</u>
Profit for the financial year		29,114,804	20,091,644	13,689,326	10,216,364
Other comprehensive income/(loss):- <i>Items that will be reclassified subsequently to profit or loss</i>					
Foreign currency translation		2,276,811	383,775	(22,217)	98,837
Other comprehensive income/(loss) for the financial years, net of tax		<u>2,276,811</u>	<u>383,775</u>	<u>(22,217)</u>	<u>98,837</u>
Total comprehensive income for the financial years		<u>31,391,615</u>	<u>20,475,419</u>	<u>13,667,109</u>	<u>10,315,201</u>
Profit for the financial years attributable to:-					
Owner of the Company		26,651,615	18,013,010	12,877,158	9,350,201
Non-controlling interests		<u>2,463,189</u>	<u>2,078,634</u>	<u>812,168</u>	<u>866,163</u>
		<u>29,114,804</u>	<u>20,091,644</u>	<u>13,689,326</u>	<u>10,216,364</u>
Total comprehensive income attributable to:-					
Owner of the Company		28,478,415	18,301,345	12,857,579	9,427,765
Non-controlling interests		<u>2,913,200</u>	<u>2,174,074</u>	<u>809,530</u>	<u>887,436</u>
		<u>31,391,615</u>	<u>20,475,419</u>	<u>13,667,109</u>	<u>10,315,201</u>
Earnings per share					
- Basic (RM)	31	<u>0.21</u>	<u>180</u>	<u>129</u>	<u>94</u>
- Diluted (RM)	31	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>

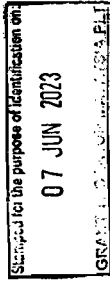
* There are no dilute potential equity instruments that would give a diluted effect to the basic earnings per share.

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

13. ACCOUNTANTS' REPORT (CONT'D)

MST GOLF GROUP BERHAD
(formerly known as M. S. T. Golf (Asia) Sdn. Bhd.)
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2019, 31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022**



	Note	Share capital RM	Foreign exchange reserve RM	Non-distributable Retained earnings RM	Sub-total RM	Distributable Non-controlling interests RM	Total RM
Audited							
Balance at 1 January 2019		100,000	989,445	8,778,950	9,868,395	8,187,029	18,055,424
Profit for the financial year		-	-	9,350,201	9,350,201	866,163	10,216,364
Other comprehensive income for the financial year		-	77,564	-	77,564	21,273	98,837
Total comprehensive income for the financial year		-	77,564	9,350,201	9,427,765	887,436	10,315,201
Transactions with owners of the Company:-							
Acquisition of additional equity interest of an existing subsidiary		-	-	387,867	387,867	(4,021,976)	(3,634,109)
Dividend of a subsidiary paid to non-controlling interest		-	-	387,867	387,867	(4,111,976)	(3,724,109)
Balance at 31 December 2019		100,000	1,067,009	18,517,018	19,684,027	4,962,489	24,646,516
Profit for the financial year		-	-	12,877,158	12,877,158	812,168	13,689,326
Other comprehensive loss for the financial year		-	(19,579)	-	(19,579)	(2,638)	(22,217)
Total comprehensive income for the financial year		-	(19,579)	12,877,158	12,857,579	809,530	13,667,109
Transactions with owners of the Company:-							
Dividend of a subsidiary paid to non-controlling interest		-	-	-	-	(120,000)	(120,000)
Balance at 31 December 2020		100,000	1,047,430	31,394,176	32,541,606	5,652,019	38,193,625
Profit for the financial year		-	-	18,013,010	18,013,010	2,078,634	20,091,644
Other comprehensive income for the financial year		-	288,335	-	288,335	95,440	383,775
Total comprehensive income for the financial year		-	288,335	18,013,010	18,301,345	2,174,074	20,475,419
Transactions with owners of the Company:-							
Dividend paid		-	-	(13,500,000)	(13,500,000)	-	(13,500,000)
Dividend of a subsidiary paid to non-controlling interest	32	-	-	-	-	(90,000)	(90,000)
Balance at 31 December 2021		100,000	1,335,765	35,907,186	37,342,951	7,736,093	45,079,044

13. ACCOUNTANTS' REPORT (CONT'D)

MST GOLF GROUP BERHAD
(formerly known as M S T Golf (Asia) Sdn. Bhd.)
(Incorporated in Malaysia)

Stamp for the purpose of certification on:
07 JUN 2023
GRANT RICHARDSON & CO. SIA PLT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2019, 31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022 (CONT'D)

	Note	Share capital RM	Non-distributable		Retained earnings RM	Sub-total RM	Distributable		Total RM
			Foreign exchange reserve RM	Foreign exchange reserve RM			Non-controlling interests RM	Non-controlling interests RM	
Balance as at 31 December 2021		100,000	1,335,765	35,907,186	37,342,951	7,736,093	45,079,044		
Profit for the financial year		-	-	26,651,615	26,651,615	2,463,189	29,114,804		
Other comprehensive income for the financial year		-	1,826,800	-	1,826,800	450,011	2,276,811		
Total comprehensive income for the financial year		-	1,826,800	26,651,615	28,478,415	2,913,200	31,391,615		
Transactions with owners of the Company:-									
Acquisition of additional equity interest of existing subsidiaries		-	-	2,913,167	2,913,167	(10,649,293)	(7,736,126)		
Issuance of ordinary shares	32	39,736,126	-	-	39,736,126	-	39,736,126		
Dividend paid		-	-	(12,500,000)	(12,500,000)	-	(12,500,000)		
		39,736,126	-	(9,586,833)	30,149,293	(10,649,293)	19,500,000		
Balance at 31 December 2022		39,836,126	3,162,565	52,971,968	95,970,659	-	95,970,659		

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

13. ACCOUNTANTS' REPORT (CONT'D)

MST GOLF GROUP BERHAD
(formerly known as M S T Golf (Asia) Sdn. Bhd.)
(Incorporated in Malaysia)

Stamp used for the purpose of identification on:
07 JUN 2023
GRANT TIAN SENG MALAYSIA PLT

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS
ENDED 31 DECEMBER 2019, 31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022**

Note	Audited			
	2022 RM	2021 RM	2020 RM	2019 RM
OPERATING ACTIVITIES				
Profit before tax	38,840,447	26,259,496	18,304,064	13,488,486
Adjustments for:-				
Depreciation on property, plant and equipment	5,934,406	3,592,859	3,371,539	3,131,405
Depreciation on right-of-use assets	8,835,486	6,391,732	6,150,855	5,711,772
Property, plant and equipment written off	108,835	423,974	732,320	150,184
Trademark written off	-	138,713	-	-
Gain on derecognition right-of-use assets and lease liabilities	-	(6,787)	-	-
Loss/(Gain) on lease modification	104,414	(57,921)	-	-
Gain on disposal of property, plant and equipment	(44)	(919)	(25,260)	(102,053)
Gain on disposal of subsidiaries	-	(69,113)	-	-
Rent concession related to COVID-19	(70,191)	(824,718)	(1,579,207)	-
Interest expenses	4,173,089	2,819,562	2,726,642	3,556,371
Interest income	(6,727)	(159,264)	(61,691)	-
Bad debts written off	-	-	-	2,197
Reversal of allowance for expected credit loss on:-				
- Trade receivables	-	(1,500)	-	-
Allowance of expected credit loss on:-				
- Trade receivables	-	-	1,500	-
Allowance for slow moving inventories	1,417,444	269,168	94,921	211,016
Unrealised (gain)/loss on foreign exchange	(312,204)	236,861	(224,100)	(101,086)
Operating profit before working capital changes	59,024,955	39,012,143	29,491,583	26,048,292
Inventories	(41,340,183)	(25,092,326)	14,417,998	(10,094,571)
Receivables	(8,958,530)	(5,133,400)	66,244	331,240
Related party	-	-	11,646	(11,646)
Related companies	-	-	256,923	(256,923)
Payables	6,122,981	4,318,458	10,438,680	(5,413,506)
Contract liabilities	4,096,327	(349,874)	227,087	443,637
Cash generated from operations	18,945,550	12,755,001	54,910,161	11,046,523
Tax paid	(9,992,676)	(5,638,727)	(3,454,108)	(2,160,107)
Net cash from operating activities	8,952,874	7,116,274	51,456,053	8,886,416
INVESTING ACTIVITIES				
Placement of fixed deposits pledged with licensed banks	(1,004,454)	(550,000)	(100,000)	-
Interest received	6,727	159,264	61,691	-
Proceeds from disposal of subsidiaries	-	1,319,802	80,000	-
Acquisition of additional equity interest of existing subsidiaries	-	(210,000)	-	(3,634,109)
Purchase of property, plant and equipment	(23,866,138)	(4,749,255)	(2,116,368)	(2,914,140)
Purchase of right-of-use assets	-	-	-	(304,362)
Purchase of trademark	-	(5,030)	-	-
Repayment from/(Advances to) a related party	15,416	160	20,929	(4,154)
Repayment from/(Advances to) subsidiaries	-	281,548	(3,774)	(28,104)
Repayment from/(Advances to) an associate	-	474,936	(15,818)	6,096
Proceeds from disposal of property, plant and equipment	2,379	919	30,153	123,965
Net cash used in investing activities	(24,846,070)	(3,277,656)	(2,043,187)	(6,754,808)

13. ACCOUNTANTS' REPORT (CONT'D)

MST GOLF GROUP BERHAD
(formerly known as M S T Golf (Asia) Sdn. Bhd.)
(Incorporated in Malaysia)

Stamped for the purpose of identification on:
07 JUN 2023
CPA MALAYSIA PLT

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2019, 31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022 (CONT'D)**

Note	Audited			
	2022 RM	2021 RM	2020 RM	2019 RM
FINANCING ACTIVITIES				
Interest paid	(4,173,089)	(2,819,562)	(2,726,642)	(3,556,371)
Dividend paid to non-controlling interest	-	(90,000)	(120,000)	(90,000)
Dividend paid to holding company	(11,500,000)	(2,000,000)	-	-
Lease incentive	653,758	-	-	-
Advances from/(Repayment to) holding company	3,922,909	(1,064,967)	(85,000)	(15,000)
(Repayment to)/Advances from Directors	-	(32,223)	(2,804,825)	2,804,825
(Repayment to)/Advances from subsidiaries	-	(766,000)	(97,000)	79,574
(Repayment to)/Advances from a related party	(15,018)	(16,846)	8,262	14,804
(Repayment to)/Advances from related companies	-	(77,000)	(400,049)	127,049
Drawdown of term loans	4,974,570	-	12,000,000	1,500,000
Repayment of term loans	(6,292,217)	(4,877,123)	(3,431,147)	(1,215,502)
Drawdown of trust receipts	18,654,059	2,842,138	-	-
Repayment of trust receipts	(15,710,322)	-	-	-
Payment of principal portion of lease liabilities	(8,001,773)	(5,001,325)	(4,314,571)	(5,267,558)
Repayment of bankers' acceptance	(45,863,101)	(8,501,638)	(25,013,140)	(64,874,803)
Drawdown on bankers' acceptance	53,271,101	17,613,638	15,453,140	62,270,803
Repayment of invoice financing	-	(11,919,204)	(1,201,536)	-
Drawdown of invoice financing	2,240,025	8,761,330	3,698,822	660,588
Drawdown of revolving loan	3,274,000	-	-	-
Net cash used in financing activities	(4,565,098)	(7,948,782)	(9,033,686)	(7,561,591)
CASH AND CASH EQUIVALENTS				
Net changes	(20,458,294)	(4,110,164)	40,379,180	(5,429,983)
Effect of foreign exchange rate changes	2,075,851	361,307	(18,910)	94,394
Brought forward	35,966,962	39,715,819	(644,451)	4,691,138
Carried forward	B 17,584,519	35,966,962	39,715,819	(644,451)

NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS**A. PURCHASE OF RIGHT-OF-USE ASSETS**

	Audited			
	2022 RM	2021 RM	2020 RM	2019 RM
Total purchase consideration	30,148,619	9,945,688	5,475,025	6,712,165
Less: Purchase through lease liabilities arrangements	(30,148,619)	(9,945,688)	(5,475,025)	(6,407,803)
Total cash consideration	-	-	-	304,362

13. ACCOUNTANTS' REPORT (CONT'D)

MST GOLF GROUP BERHAD
(formerly known as M S T Golf (Asia) Sdn. Bhd.)
(Incorporated in Malaysia)

Stamped for the purpose of identification on:
07 JUN 2023
GRANT THORNTON MALAYSIA PLT

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2019, 31 DECEMBER 2020, 31 DECEMBER 2021 AND 31 DECEMBER 2022 (CONT'D)**

NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

B. CASH AND CASH EQUIVALENTS

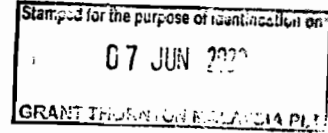
Cash and cash equivalents included in the consolidated statements of cash flows comprise the followings:-

	← Audited →			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Cash and bank balances	26,825,060	35,256,475	19,386,666	3,717,605
Fixed deposits with licensed banks	2,058,908	1,360,487	20,429,153	-
Bank overdraft	(9,644,995)	-	-	(4,362,056)
	19,238,973	36,616,962	39,815,819	(644,451)
Less: Fixed deposits pledged to licensed banks (Note 17)	(1,654,454)	(650,000)	(100,000)	-
	<u>17,584,519</u>	<u>35,966,962</u>	<u>39,715,819</u>	<u>(644,451)</u>

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

13. ACCOUNTANTS' REPORT (CONT'D)**MST GOLF GROUP BERHAD**

(formerly known as M S T Golf (Asia) Sdn. Bhd.)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL INFORMATION****1. GENERAL INFORMATION****1.1 Introduction**

This report has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of MST Golf Group Berhad (formerly known as M S T Golf (Asia) Sdn. Bhd.) (“the Company” or “MST Golf”) in connection with the listing and quotation of the entire enlarged issued share capital of MST Golf on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (hereinafter defined as “the Listing”), and should not be relied upon for any other purposes.

1.2 Background

The Company was a private limited liability company, incorporated and domiciled in Malaysia. Subsequently, the Company has converted to a public limited liability company on 23 November 2022 and assumed its present name of MST Golf Group Berhad.

The registered office is located at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, Petaling Jaya, 46200 Selangor Darul Ehsan.

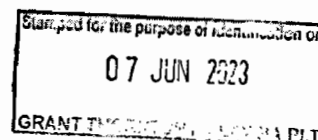
The principal place of business of the Company is located at MST Golf Plaza, No. 8, Jalan SS 13/5, Subang Jaya, 47500 Selangor Darul Ehsan.

1.3 Principal activities

The principal activity of the Company is to carry on the business as investment holding company.

Details of the subsidiaries of MST Golf as of 31 December 2022 are as follows:-

Name of company	Effective ownership	Principal activities	Date of incorporation	Country of incorporation and principal place of business
MST Golf Sdn. Bhd.	100%	Specialty retailer and wholesaler of golf equipment comprising golf clubs, golf balls and accessories and golf apparel	13 November 1989	Malaysia

13. ACCOUNTANTS' REPORT (CONT'D)**1. GENERAL INFORMATION (CONT'D)****1.3 Principal activities (cont'd)**

Details of the subsidiaries of MST Golf as of 31 December 2022 are as follows (cont'd):-

Name of company	Effective ownership	Principal activities	Date of incorporation	Country of incorporation and principal place of business
MST Golf Management Sdn. Bhd.	100%	Provision of golf related services	1 June 2001	Malaysia
MST Golf Arena Sdn. Bhd.	100%	Operation of indoor golf centres	6 November 1998	Malaysia
MST Golf (Singapore) Pte. Ltd.	100%	Specialty retailer and wholesaler of golf equipment comprising golf clubs, golf balls and accessories and golf apparel	14 March 2000	Singapore

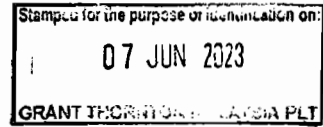
There was no significant change in the nature of the principal activities of MST Golf and its subsidiaries since the day of incorporation except for MST Golf Arena Sdn. Bhd.. On 22 September 2021, MST Golf Arena Sdn. Bhd. has changed its principal activities to business on indoor golf events, golf academy operator and food and beverages related activities.

1.4 Pre-IPO Reorganisation**(i) Capitalisation of Amount Owing to Holding Company**

On 21 October 2022, the Company has capitalised the outstanding balance of RM32,000,000 owing to holding company, All Sportz Sdn. Bhd. by issuance of 32,000,000 new shares of RM1 each and the remaining outstanding balances was fully settled by cash to the holding company on 22 December 2022. The issued share after capitalisation was 32,100,000 ordinary shares. Accordingly, the share capital of the Company increased to RM32,100,000.

(ii) Subdivision of Shares

On 21 October 2022, the Company has sub-divided its shares capital on the basis of 1 existing share into 20 sub-division shares. Accordingly, the shares capital of the Company would be RM32,100,000 comprising 642,000,000 ordinary shares.

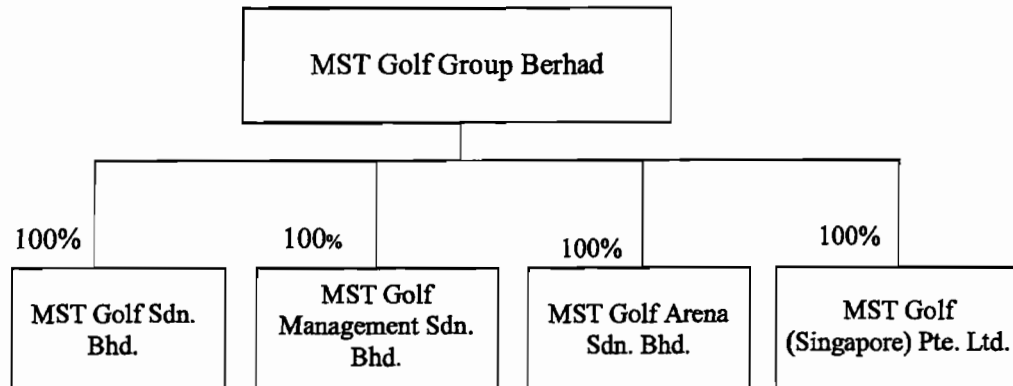
13. ACCOUNTANTS' REPORT (CONT'D)**1. GENERAL INFORMATION (CONT'D)****1.4 Pre-IPO Reorganisation (cont'd)****(iii) Acquisition of Subsidiaries' Remaining Equity Interest from Minority Interest Shareholders**

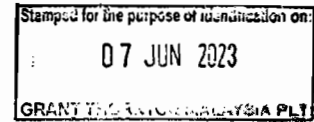
On 4 November 2022, the Company entered into a share sale agreement to acquire an additional 30% equity interest in MST Golf Management Sdn. Bhd. for RM277,201 satisfied by the issuance of 676,100 new ordinary shares of the Company, increasing its ownership from 70% to 100%.

On the same day, the Company entered into a share sale agreement to acquire an additional 24% equity interest in MST Golf (Singapore) Pte. Ltd. for RM7,458,925 by the issuance of 18,192,500 new ordinary shares of the Company, increasing its ownership from 76% to 100%.

The Group recognised a decrease in non-controlling interests of RM10,649,293 and an increase in retained earnings of RM2,913,167. The acquisitions were completed on 30 November 2022.

Following the completion of Pre-IPO reorganisation exercise, the group structure is as follows:-



13. ACCOUNTANTS' REPORT (CONT'D)**2. RELEVANT FINANCIAL YEARS**

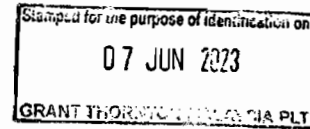
The relevant financial years of the audited financial statements presented for the purpose of this report ("Relevant Financial Years") and the Auditors of the respective companies within the Group are as follows:-

Company	Relevant Financial Years Financial Year Ended ("FYE")	Auditors
MST Golf Group Berhad	FYE 31 December 2019*	Y K Tan, Lee & Associates
	FYE 31 December 2020*	Y K Tan, Lee & Associates
	FYE 31 December 2021	Grant Thornton Malaysia PLT
	FYE 31 December 2022	Grant Thornton Malaysia PLT
MST Golf Sdn. Bhd.	FYE 31 December 2019*	Y K Tan, Lee & Associates
	FYE 31 December 2020*	Y K Tan, Lee & Associates
	FYE 31 December 2021	Grant Thornton Malaysia PLT
	FYE 31 December 2022	Grant Thornton Malaysia PLT
MST Golf Management Sdn. Bhd.	FYE 31 December 2019*	Y K Tan, Lee & Associates
	FYE 31 December 2020*	Y K Tan, Lee & Associates
	FYE 31 December 2021	Grant Thornton Malaysia PLT
	FYE 31 December 2022	Grant Thornton Malaysia PLT
MST Golf Arena Sdn. Bhd.	FYE 31 December 2019*	Y K Tan, Lee & Associates
	FYE 31 December 2020*	Y K Tan, Lee & Associates
	FYE 31 December 2021	Grant Thornton Malaysia PLT
	FYE 31 December 2022	Grant Thornton Malaysia PLT
MST Golf (Singapore) Pte. Ltd.	FYE 31 December 2019#	Stone Ray & Associates
	FYE 31 December 2020#	Stone Ray & Associates
	FYE 31 December 2021	Foo Kon Tan LLP
	FYE 31 December 2022	Foo Kon Tan LLP

*Reaudited by Grant Thornton Malaysia PLT for the purpose of inclusion into the consolidated financial statements of the Group.

#Reaudited by Foo Kon Tan LLP for the purpose of inclusion into the consolidated financial statements of the Group.

The audited financial statements of all the companies within the Group on the Relevant Financial Years reported above were not subject to any qualification or modification.

13. ACCOUNTANTS' REPORT (CONT'D)**3. BASIS OF PREPARATION****3.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards (“IFRSs”) and in compliance with Chapter 10, Part II Division I: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

3.2 Basis of measurement

The consolidated financial statements of the Group are prepared under historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and its measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured on the assumptions that market participants would act in their economic best interest when pricing the asset or liability assuming that market participants act in their economic best interest.

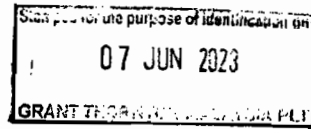
A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

13. ACCOUNTANTS' REPORT (CONT'D)**3. BASIS OF PREPARATION (CONT'D)****3.2 Basis of measurement (cont'd)**

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

3.3 Functional and presentation currency

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency and all values are rounded to the nearest RM except when otherwise stated.

3.4 Adoption of new standards/amendments/improvements to MFRSs

The Group has consistently applied the accounting policies set out in Note 4 to all periods presented in these consolidated financial statements.

On 1 January 2022, the Group adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2022:-

- Amendments to MFRS 3 Business Combinations - Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use – Amendments to MFRS 16 Leases
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contract-Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018-2020

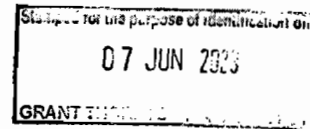
Initial application of the new standards/amendments/improvements to MFRSs did not have material impact on the consolidated financial statements of the Group.

3.5 Standards issued but not yet effective

The new and amended standards that are issued, but now yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards, if applicable, when they become effective.

Effective for financial period beginning on or after 1 January 2023

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

13. ACCOUNTANTS' REPORT (CONT'D)**3. BASIS OF PREPARATION (CONT'D)****3.5 Standards issued but not yet effective (cont'd)**

The new and amended standards that are issued, but now yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective (cont'd).

Effective for financial period beginning on or after 1 January 2024

- Amendments to MFRS 16 Leases – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101 Presentation of Financial Statements – Non-current Liability with Covenants

Deferred to a date to be determined by the Malaysian Accounting Standard Board ("MASB")

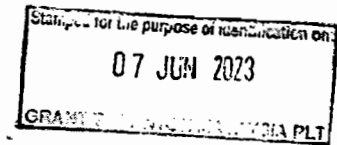
- Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

*Not applicable to the Group's operation

The initial application of the accounting standards, interpretations and amendments are not expected to have any financial impacts to the consolidated financial statements of the Group upon its first adoption.

3.6 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from judgements, estimates and assumptions made by the management, and will seldom equal the estimated results.

13. ACCOUNTANTS' REPORT (CONT'D)**3. BASIS OF PREPARATION (CONT'D)****3.6 Significant accounting estimates and judgements (cont'd)****3.6.1 Estimation uncertainty**

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:-

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment and right-of-use assets to be within 2 to 50 years and reviews the useful lives of depreciable assets at end of each reporting period. At end of the reporting period, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to the Group's assets.

The carrying amount of the Group's property, plant and equipment and right-of-use assets at the end of the reporting date are disclosed in Notes 5 and 6 to the consolidated financial statements.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to economical factor which may cause selling prices to change rapidly, and the Group's profit to change.

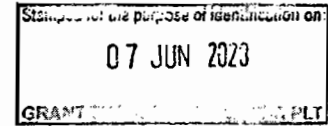
The carrying amount of the Group's inventories at the end of the reporting date is disclosed in Note 12 to the consolidated financial statements.

Provision for expected credit losses ("ECLs") of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., customer type, rating and payment patterns).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the trading sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 37 to the consolidated financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)**3. BASIS OF PREPARATION (CONT'D)****3.6 Significant accounting estimates and judgements (cont'd)****3.6.1 Estimation uncertainty (cont'd)**

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below (cont'd):-

Impairment of non-financial assets

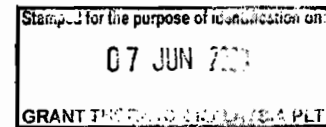
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flows ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the cash generating unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimation are most relevant to goodwill with indefinite useful lives recognised by the Group.

Income taxes and deferred tax liabilities

Significant estimation is involved in determining the Group's provision for income taxes and deferred tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the financial year in which such determination is made.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

13. ACCOUNTANTS' REPORT (CONT'D)**3. BASIS OF PREPARATION (CONT'D)****3.6 Significant accounting estimates and judgements (cont'd)****3.6.1 Estimation uncertainty (cont'd)**

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below (cont'd):-

Revenue recognition - Estimating stand-alone selling price – Points loyalty programme

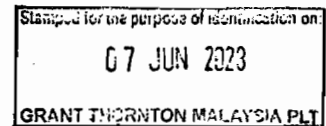
The Group estimates the stand-alone selling price of the loyalty points awarded under the points programme. The stand-alone selling price of the loyalty points issued is calculated by multiplying to the estimated redemption rate and to the monetary value assigned to the loyalty points. In estimating the redemption rate, the Group considers breakage which represents the portion of the points issued that will never be redeemed. The Group applies statistical projection methods in its estimation using customers' historical redemption patterns as the main input. The redemption rate is updated annually and the liability for the unredeemed points is adjusted accordingly. In estimating the value of the points issued, the Group considers the mix of products that will be available in the future in exchange for loyalty points and customers' preferences. The Group ensures that the value assigned to the loyalty points is commensurate to the stand-alone selling price of the products eligible for redemption (i.e., the value of each point is equivalent to the stand-alone selling price of any products eligible for redemption divided by number of points required).

As points issued under the programme do not expire, estimates of the stand-alone selling price are subject to significant uncertainty. Any significant changes in customers' redemption patterns will impact the estimated redemption rate. As at 31 December 2022, the estimated liability for unredeemed points was RM3,461,528 (2021: RMNil; 2020: RMNil; 2019: RMNil). If the estimated redemption rate used had been higher by 1% than management's estimate, the carrying amount of the estimated liability for unredeemed points as at 31 December 2022 would have been higher by RM66,454 (2021: RMNil; 2020: RMNil; 2019: RMNil).

Deferred tax assets

Deferred tax assets are recognised for the temporary differences between carrying amounts of assets and liabilities in the consolidated statements of financial position to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the consolidated statements of financial position and the amount of contract liabilities.

13. ACCOUNTANTS' REPORT (CONT'D)**3. BASIS OF PREPARATION (CONT'D)****3.6 Significant accounting estimates and judgements (cont'd)****3.6.2 Significant management judgement**

There are no significant judgments applied by the management in the accounting policies of the Group that have a significant effect on the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Group applies the significant accounting policies, as summarised below, consistently throughout all years presented in the consolidated financial statements.

4.1 Consolidation**4.1.1 Subsidiaries**

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

Investment in subsidiaries is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution.

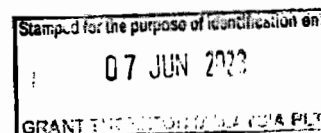
Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

4.1.2 Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.1 Consolidation (cont'd)****4.1.2 Basis of consolidation (cont'd)**

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

4.1.3 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.1 Consolidation (cont'd)****4.1.3 Business combination and goodwill (cont'd)**

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

4.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

4.1.5 Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Group, are presented in the consolidated statements of financial position and statements of changes in equity within equity, separately from equity attributable to the owners of the Group. Non-controlling interest in the results of the Group is presented in the consolidated statements of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owner of the Group.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

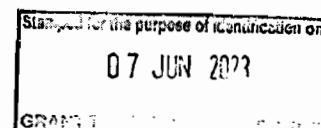
4.1.6 Eliminations on consolidation

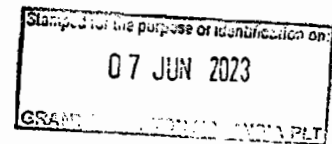
All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated on consolidation.

4.1.7 Associates

Associates are entities in which the Group has significant influence, but no control, over their financial and operating policies.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, investment in an associate is carried in the statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.



13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.1 Consolidation (cont'd)****4.1.7 Associates (cont'd)**

The share of the results of an associate is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where there has been a change recognised directly in the equity of an associate, the Group recognised its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate is eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statements of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

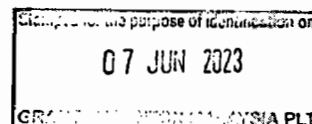
When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each end of the reporting period whether there is any objective evidence that the investments in the associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decrease but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.2 Foreign currency transaction and balances**

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

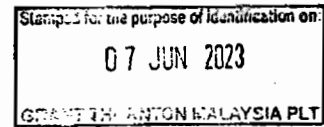
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

4.3 Foreign operations

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combination before 1 January 2011 which are treated as assets and liabilities of the Group. The income and expenses of foreign operations are translated to RM at exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.3 Foreign operations (cont'd)**

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in foreign currency translation reserve in equity.

The principal closing rate used in translation of foreign operations is as follow:-

	2022	2021	2020	2019
	RM	RM	RM	RM
Singapore Dollar	3.2740	3.0853	3.0396	3.0412

4.4 Property, plant and equipment

All property, plant and equipment, are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

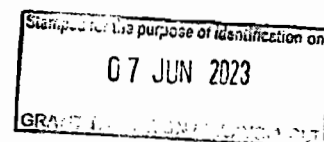
Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning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

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life are not depreciated.

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

Freehold buildings	2%
Furniture and fittings	10%-20%
Motor vehicles	20%
Renovation	10%-20%
Other assets	10%-50%

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.4 Property, plant and equipment (cont'd)**

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

4.5 Financial instruments

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

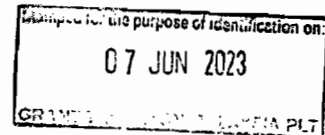
4.5.1 Financial assets**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.5 Financial instruments (cont'd)****4.5.1 Financial assets (cont'd)**Initial recognition and measurement (cont'd)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:-

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

As at the reporting date, the Group carries financial assets at amortised cost and at fair value through profit or loss on the consolidated statements of financial position.

Financial assets at amortised cost

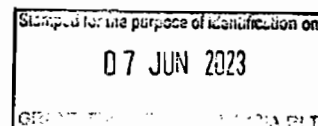
Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and most of other receivables, amount owing by subsidiaries, amount owing by an associate, fixed deposits with licensed banks and cash and bank balances.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognised in the consolidated statements of profit or loss.

This category includes other investment.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.5 Financial instruments (cont'd)****4.5.1 Financial assets (cont'd)**Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:-

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred their rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

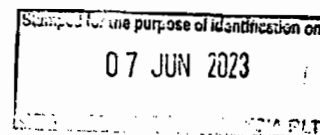
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost. Expected credit losses are a probability weighted estimate of credit losses.

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

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

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.5 Financial instruments (cont'd)****4.5.1 Financial assets (cont'd)**Impairment (cont'd)

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

The Group estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

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

At each reporting date, the Group assesses whether the financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

4.5.2 Financial liabilitiesInitial recognition and measurement

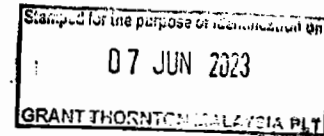
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:-

- Financial liabilities at amortised cost
- Financial liabilities at fair value through profit or loss

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.5 Financial instruments (cont'd)****4.5.2 Financial liabilities (cont'd)**Subsequent measurement (cont'd)*Financial liabilities at amortised cost*

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of profit or loss. This category generally applies to interest-bearing loans and borrowings. The Group's financial liabilities include borrowings, trade and most of other payables, amount owing to subsidiaries, dividend payable, amount owing to holding company and amount owing to Directors.

Derecognition

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

4.5.3 Offsetting of financial instruments

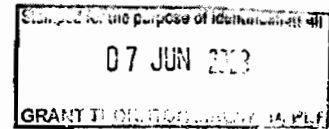
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets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

4.5.4 Fair value of financial instrument

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market process or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair value of financial instruments and further details as how they are measured are provided in Note 37 to the consolidated financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.6 Impairment of assets****4.6.1 Non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

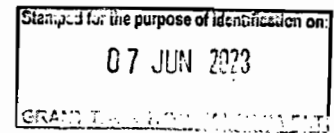
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the end of each reporting period, and when circumstances indicate that the carrying value may be impaired.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.6 Impairment of assets (cont'd)****4.6.1 Non-financial assets (cont'd)**

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

4.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss in the period in which it incurred.

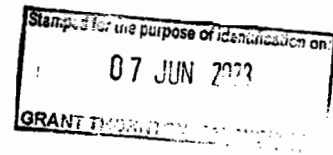
The useful life of intangible assets assessed to be either finite or indefinite. Intangible assets with finite life are amortised on straight line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by charging the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful life are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

4.7.1 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.7 Intangible assets (cont'd)****4.7.1 Goodwill (cont'd)**

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

4.7.2 Trademark

Trademark is stated at cost less accumulated impairment losses, if any.

4.8 Inventories

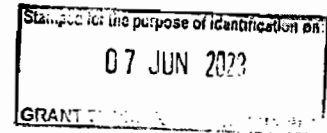
Inventories are stated at the lower of cost and net realisable value after adequate allowance has been made for all obsolete, damaged or slow-moving inventories. Cost is determined on weighted average basis.

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

4.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, short term demand deposits, bank overdraft and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statements of cash flows, cash and cash equivalents are presented net of pledged fixed deposits.

Bank overdrafts are shown in current liabilities in the consolidated statements of financial position.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.10 Equity, reserves and distribution to owners**

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

Share capital represents the nominal value of shares that have been issued.

Foreign currency translation differences arising on the translation of the Group's foreign entities are included in the foreign exchange reserve.

Retained earnings include all current year profit and prior years' retained earnings.

Dividends are accounted for in shareholders' equity as an appropriation of retained earnings and recognised as a liability in the period in which they are declared.

All transactions with owner of the Group are recorded separately within equity.

4.11 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

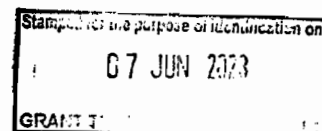
Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material,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

4.12 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

4.12.1 Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.12 Leases (cont'd)****4.12.1 Group as a lessee (cont'd)****4.12.1.1 Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:-

- | | |
|------------------|--------------|
| • Premises | 3 - 6 years |
| • Retail outlets | 3 - 15 years |
| • Motor vehicles | 2 - 5 years |

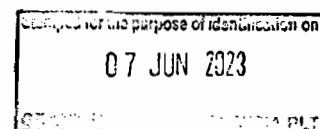
If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 4.6.1 to the consolidated financial statements.

4.12.1.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.12 Leases (cont'd)****4.12.2 Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to lease of that are considered to be low-value. Lease payments on short-term lease and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.12.3 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.13 Revenue from contracts with customers

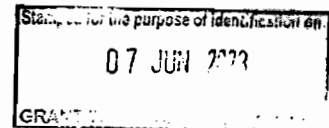
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the golf lesson income, because it typically controls the goods or services before transferring them to the customer.

4.13.1 Sale of goods

Revenue from sale of goods is recognised at a point in time once control of the asset is transferred to the customers generally on delivery of products and customers' acceptance.

4.13.2 Rendering of service

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when the Group satisfies a performance obligation by transferring a promised service. A performance obligation may be satisfied at a point in time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.13 Revenue from contracts with customers (cont'd)****4.13.3 Customer loyalty awards**

The Group operates the customer loyalty programme, which allows customers to accumulate points for future redemption when they purchase products at the Group's stores.

The consideration received from the sale of goods is allocated to the goods sold and the points issued that are expected to be redeemed. The consideration allocated to the points issued is measured at fair value of the points. It is recognised as a liability (contract liabilities) in the statements of financial position and recognised as revenue when the points are redeemed, have expired or are longer expected to be redeemed. The amount of revenue recognised is based on the number of points that have been redeemed, relative to the total number of points expected to be redeemed.

4.13.4 Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

4.13.5 Contract balances**4.13.5.1 Contract liabilities**

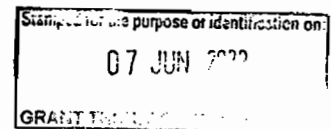
A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

4.13.6 Revenue from other sources**4.13.6.1 Interest income**

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

4.14 Employee benefits**4.14.1 Short-term employee benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial years, in which the associated services are rendered by the employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences are incurred.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.14 Employee benefits (cont'd)****4.14.2 Defined contribution plan**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current period and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employee Provident Fund ("EPF"). The Group's foreign subsidiary also make contributions to their respective countries' statutory pension schemes.

4.15 Tax expense

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

4.15.1 Current tax

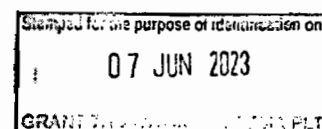
Current tax expected tax payable or receivable on the taxable profit or loss for the financial years, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax is recognised in the consolidated statements of financial position as a liability (or an asset) to the extent that is unpaid (no refundable).

4.15.2 Deferred tax

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.15 Tax expense (cont'd)****4.15.2 Deferred tax (cont'd)**

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

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

4.15.3 Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:-

- Where the GST incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

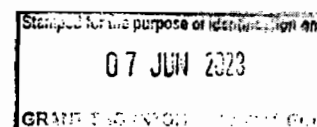
The GST is solely derived from MST Golf (Singapore) Pte. Ltd.'s operations.

4.15.4 Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:-

- When the sales tax incurred in a purchase of assets or services is not recoverable from the tax authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expenses item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax payable to the tax authority is included as part of payables in the consolidated statements of financial position.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.16 Borrowing costs**

All the borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

4.17 Contingencies

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

4.18 Related parties

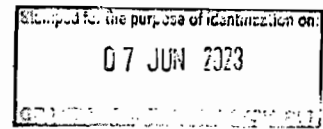
A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:-

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the holding company of the Group, or the Group.

(b) An entity is related to the Group if any of the following conditions applies:-

- (i) the entity and the Group are members of the same Group.
- (ii) one entity is an associate or joint venture of the other entity.
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) a person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the Group (or of the parent of the Group); or
- (viii) the entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

13. ACCOUNTANTS' REPORT (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.19 Operating Segments**

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

4.20 Earnings per share**(i) Basic**

Basic earnings per share for the years are calculated by dividing profit for the financial years attributable to ordinary equity holders of the Group based on the weighted average number of ordinary shares in issue during the period.

(ii) Diluted

Diluted earnings per share is calculated by dividing the profit for the financial years attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue, adjusted for the dilutive effects of all potential ordinary shares to be issued. Diluted earnings per share is not applicable as the Group does not have potential dilutive equity instruments that would give diluted effect to the basic earnings per share.

13. ACCOUNTANTS' REPORT (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

Audited Cost	Freehold land and buildings RM	Motor vehicles RM	Furniture and fittings RM	Renovation RM	Other assets RM	Total RM
At 1 January 2019	18,002,101	907,260	7,044,912	7,942,947	8,459,384	42,356,604
Additions	-	-	1,147,844	1,150,475	615,821	2,914,140
Disposals	-	(355,881)	-	-	(52,587)	(408,468)
Written off	-	-	(264,684)	(189,118)	(34,127)	(487,929)
Exchange differences	-	-	593	3,507	1,508	5,608
At 31 December 2019	18,002,101	551,379	7,928,665	8,907,811	8,989,999	44,379,955
Additions	-	-	679,130	942,746	494,492	2,116,368
Disposals	-	-	(160,599)	(261,955)	(381,170)	(803,724)
Written off	-	-	(95,587)	(956,440)	(32,679)	(1,084,706)
Exchange differences	-	-	(190)	(983)	(465)	(1,638)
At 31 December 2020	18,002,101	551,379	8,351,419	8,631,179	9,070,177	44,606,255
Additions	-	-	649,471	2,207,029	1,892,755	4,749,255
Transfer from right-of-use assets	-	1,090,592	-	-	-	1,090,592
Disposals	-	-	-	-	(50,377)	(50,377)
Written off	-	-	(423,263)	(774,802)	(334,120)	(1,532,185)
Exchange differences	-	-	7,394	30,709	14,447	52,550
At 31 December 2021	18,002,101	1,641,971	8,585,021	10,094,115	10,592,882	48,916,090
Additions	-	-	5,887,591	9,015,559	8,962,988	23,866,138
Transfer from right-of-use assets	-	229,798	-	-	-	229,798
Reclassification	-	-	-	2,635	(2,635)	-
Disposals	-	-	-	-	(2,690)	(2,690)
Written off	-	-	(183,198)	(360,679)	(74,638)	(618,515)
Exchange differences	-	-	69,481	244,083	92,507	406,071
At 31 December 2022	18,002,101	1,871,769	14,358,895	18,995,713	19,568,414	72,796,892

Statutory audit purpose on identification only
07 JUN 2023

13. ACCOUNTANTS' REPORT (CONT'D)

Stamp for use purpose of identification only
07 JUN 2023

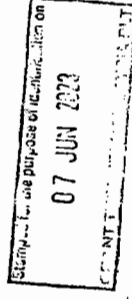
5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Audited	Freehold land and buildings RM	Motor vehicles RM	Furniture and fittings RM	Renovation RM	Other assets RM	Total RM
Accumulated depreciation						
At 1 January 2019	1,454,810	870,157	3,500,944	3,442,867	5,905,273	15,174,051
Charge for the financial year	147,236	24,948	1,046,442	1,073,468	839,311	3,131,405
Disposals	-	(355,881)	-	-	(30,675)	(386,556)
Written off	-	-	(191,200)	(121,706)	(24,839)	(337,745)
Exchange differences	-	-	236	1,296	1,135	2,667
At 31 December 2019	1,602,046	539,224	4,356,422	4,395,925	6,690,205	17,583,822
Charge for the financial year	147,236	4,849	1,150,147	1,291,964	777,343	3,371,539
Disposals	-	-	(157,110)	(261,955)	(379,766)	(798,831)
Written off	-	-	(33,961)	(288,847)	(29,578)	(352,386)
Exchange differences	-	-	(82)	(455)	(358)	(895)
At 31 December 2020	1,749,282	544,073	5,315,416	5,136,632	7,057,846	19,803,249
Charge for the financial year	147,236	4,849	1,216,390	1,368,843	855,541	3,592,859
Transfer from right-of-use assets	-	764,071	-	-	-	764,071
Disposals	-	-	-	-	(50,377)	(50,377)
Written off	-	-	(276,569)	(555,789)	(275,853)	(1,108,211)
Exchange differences	-	-	2,618	15,230	10,045	27,893
At 31 December 2021	1,896,518	1,312,993	6,257,855	5,964,916	7,597,202	23,029,484
Charge for the financial year	147,236	230,334	1,424,715	2,051,681	2,080,440	5,934,406
Transfer from right-of-use assets	-	170,790	-	-	-	170,790
Reclassification	-	-	-	33	(33)	-
Disposals	-	-	-	-	(355)	(355)
Written off	-	-	(136,062)	(316,611)	(57,007)	(509,680)
Exchange differences	-	-	16,416	88,366	43,098	147,880
At 31 December 2022	2,043,754	1,714,117	7,562,924	7,788,385	9,663,345	28,772,525

13. ACCOUNTANTS' REPORT (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Audited Net carrying amounts At 31 December 2022	Freehold land and buildings	Motor vehicles	Furniture and fittings	Renovation	Other assets	Total
	RM	RM	RM	RM	RM	RM
At 31 December 2022	15,958,347	157,652	6,795,971	11,207,328	9,905,069	44,024,367
At 31 December 2021	16,105,583	328,978	2,327,166	4,129,199	2,995,680	25,886,606
At 31 December 2020	16,252,819	7,306	3,036,003	3,494,547	2,012,331	24,803,006
At 31 December 2019	16,400,055	12,155	3,572,243	4,511,886	2,299,794	26,796,133

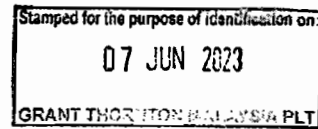


The Directors are of the opinion that unreasonable expenses would be incurred in segregating the costs of the freehold land and buildings separately.

Included in others assets are plant and machinery, office equipment, air conditioning, information technology ("IT") equipment and signage.

Assets pledged as securities

Freehold land and buildings of the Group with net carrying amount of RM15,958,347 (2021:RM16,105,583; 2020: RM16,252,819 and 2019: RM16,400,055) are pledged to secured banking facilities granted to the Group as disclosed in Note 20 to the financial statements.

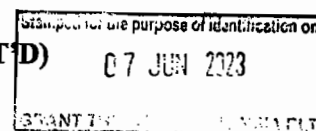
13. ACCOUNTANTS' REPORT (CONT'D)**6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**Right-of-use assets

The Group has lease contracts for various items of motor vehicles, retail outlets and premises used for its operations purposes. Leases of motor vehicles generally have lease terms between 2 to 5 years, retail outlets have lease term about 3 to 15 years and premises generally about 3 to 6 years.

The Group also has certain leases of premises with lease term of 12 months. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:-

	<u>Retail outlets</u> RM	<u>Motor vehicles</u> RM	<u>Premises</u> RM	<u>Total</u> RM
Audited Cost				
At 1 January 2019	24,355,829	1,229,069	404,811	25,989,709
Additions	4,900,473	744,362	1,067,330	6,712,165
Lease termination	(606,115)	-	-	(606,115)
Disposal	-	(158,158)	-	(158,158)
Exchange differences	13,126	845	1,761	15,732
At 31 December 2019	28,663,313	1,816,118	1,473,902	31,953,333
Additions	5,475,025	-	-	5,475,025
Lease termination	(231,139)	-	-	(231,139)
Exchange differences	(5,054)	(261)	(775)	(6,090)
At 31 December 2020	33,902,145	1,815,857	1,473,127	37,191,129
Additions	4,544,795	-	5,400,893	9,945,688
Lease modification	252,147	-	25,244	277,391
Lease termination	(402,308)	-	(213,774)	(616,082)
Transfer to property, plant and equipment	-	(1,090,592)	-	(1,090,592)
Exchange differences	217,568	7,449	57,276	282,293
At 31 December 2021	38,514,347	732,714	6,742,766	45,989,827
Additions	29,253,417	241,444	-	29,494,861
Transfer to property, plant and equipment	-	(229,798)	-	(229,798)
Lease termination	(266,213)	-	(1,345,256)	(1,611,469)
Lease modification	129,624	-	-	129,624
Exchange differences	1,768,346	37,923	341,631	2,147,900
At 31 December 2022	69,399,521	782,283	5,739,141	75,920,945

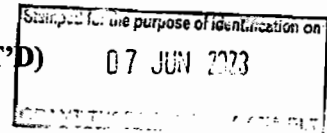
13. ACCOUNTANTS' REPORT (CONT'D)**6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)****Right-of-use assets (cont'd)**

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period (cont'd):-

	<u>Retail outlets</u> RM	<u>Motor vehicles</u> RM	<u>Premises</u> RM	<u>Total</u> RM
Audited				
Accumulated depreciation				
At 1 January 2019	5,256,055	334,240	22,490	5,612,785
Charge for the financial year	5,026,397	342,773	342,602	5,711,772
Lease termination	(606,115)	-	-	(606,115)
Disposal	-	(158,158)	-	(158,158)
Exchange differences	6,816	334	363	7,513
At 31 December 2019	9,683,153	519,189	365,455	10,567,797
Charge for the financial year	5,296,484	363,200	491,171	6,150,855
Lease termination	(231,139)	-	-	(231,139)
Exchange differences	(3,158)	(104)	(322)	(3,584)
At 31 December 2020	14,745,340	882,285	856,304	16,483,929
Charge for the financial year	5,374,814	363,919	652,999	6,391,732
Lease termination	(402,308)	-	-	(402,308)
Transfer to property, plant and equipment	-	(764,071)	-	(764,071)
Exchange differences	126,366	4,469	17,120	147,955
At 31 December 2021	19,844,212	486,602	1,526,423	21,857,237
Charge for the financial year	7,744,130	159,973	931,383	8,835,486
Transfer to property, plant and equipment	-	(170,790)	-	(170,790)
Lease termination	(266,213)	-	(1,345,256)	(1,611,469)
Lease modification	72,493	-	-	72,493
Exchange differences	728,419	25,202	73,441	827,062
At 31 December 2022	28,123,041	500,987	1,185,991	29,810,019
Net carrying amounts				
At 31 December 2022	41,276,480	281,296	4,553,150	46,110,926
At 31 December 2021	18,670,135	246,112	5,216,343	24,132,590
At 31 December 2020	19,156,805	933,572	616,823	20,707,200
At 31 December 2019	18,980,160	1,296,929	1,108,447	21,385,536

The motor vehicles of the Group with net carrying amount of RM281,296 (2021: RM246,112; 2020: RM933,572 and 2019: RM1,296,929) were acquired under finance lease arrangements.

The additional right-of-use assets amounted to RM29,494,861 (2021: RM9,945,688; 2020: RM5,475,025 and 2019: RM6,712,165), were derived after netting off lease incentive received of RM653,758 (2021: RMNil; 2020: RMNil and 2019: RMNil).

13. ACCOUNTANTS' REPORT (CONT'D)**6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)**Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:-

	← Audited →			
	2022 RM	2021 RM	2020 RM	2019 RM
At 1 January	25,808,905	21,556,382	21,977,623	20,829,053
Additions	30,148,619	9,945,688	5,475,025	6,407,803
Accretion of interest	2,094,801	1,316,619	1,330,512	1,314,847
Rent concession related to COVID-19	(70,191)	(824,718)	(1,579,207)	-
Lease modifications	161,545	219,470	-	-
Lease termination	-	(220,561)	-	-
Payments	(10,096,574)	(6,317,944)	(5,645,083)	(6,582,405)
Exchange differences	1,362,188	133,969	(2,488)	8,325
	<u>49,409,293</u>	<u>25,808,905</u>	<u>21,556,382</u>	<u>21,977,623</u>
At 31 December				
Represent by:-				
Current	10,681,726	6,582,539	5,128,025	5,573,864
Non-current	38,727,567	19,226,366	16,428,357	16,403,759
	<u>49,409,293</u>	<u>25,808,905</u>	<u>21,556,382</u>	<u>21,977,623</u>

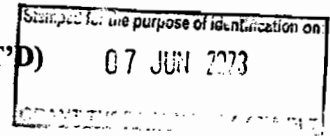
The lease liabilities bear interests at rates of 5.50% to 6.90% (2021: 2.58% to 6.12%, 2020: 0.88% to 6.12% and 2019: 0.88% to 6.12%) per annum. Interest rates are fixed at the inspection of the lease liabilities arrangements.

The maturity analysis of lease liabilities is disclosed in Note 37 to the financial statements.

Group as a lessor

Future minimum rentals receivable under non-cancellable operating leases as at follows:-

	← Audited →			
	2022 RM	2021 RM	2020 RM	2019 RM
Within 1 year	282,000	768,000	648,000	77,420
After 1 year but more than 5 years	348,000	240,000	-	-
	<u>630,000</u>	<u>1,008,000</u>	<u>648,000</u>	<u>77,420</u>

13. ACCOUNTANTS' REPORT (CONT'D)**6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)**

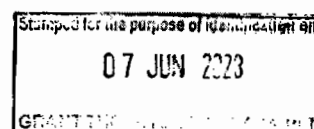
The following are the amounts recognised in profit or loss:-

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Depreciation of right-of-use assets (included in administrative and other expenses)	8,835,486	6,391,732	6,150,855	5,711,772
Interest expense in lease liabilities (included in finance costs)	2,094,801	1,316,619	1,330,512	1,314,847
Expenses relating to short-term assets (included in administrative and other expenses)	1,554,467	1,014,316	1,152,191	1,844,787
Rent concession related to COVID-19 (included in administrative and other expenses)	(70,191)	(824,718)	(1,579,207)	-
Gain on derecognition of right-of-use assets and lease liabilities (included in other income)	-	(6,787)	-	-
Gain on lease modifications (included in other income)	-	(57,921)	-	-
Loss on lease modifications (included in administrative and other expenses)	104,414	-	-	-
	<u>12,518,977</u>	<u>7,833,241</u>	<u>7,054,351</u>	<u>8,871,406</u>

The Group had total cash outflow for lease liabilities payment of RM11,651,041 (2021: RM7,332,260; 2020: RM6,797,274 and 2019: RM8,427,192).

7. INTANGIBLE ASSETS

	<u>Goodwill</u> RM	<u>Trademark</u> RM	<u>Total</u> RM
Audited			
Cost			
At 1 January 2019/31 December 2019/31 December 2020	1,770,924	133,683	1,904,607
Additions	-	5,030	5,030
Written off	-	(138,713)	(138,713)
At 31 December 2021/31 December 2022	<u>1,770,924</u>	<u>-</u>	<u>1,770,924</u>

13. ACCOUNTANTS' REPORT (CONT'D)**7. INTANGIBLE ASSETS (CONT'D)****Goodwill**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit that is expected to benefit from that business combination.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the cash-generating unit is determined based on the value in use. The value in use calculations is based on the discounted net cash projections based on financial budgets approved by management covering a period 5 years (2021: 5 years; 2020: 5 years and 2019: 5 years) with an estimated growth rate range between 5% (2021: 5%; 2020: 5% and 2019: 5%) and a weighted average cost of capital of 6.34% (2021: 7.33%; 2020: 7.33% and 2019: 7.33%).

Cash flows projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

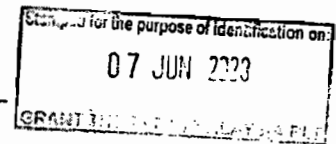
8. INVESTMENT IN SUBSIDIARIES

	← Audited →			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Unquoted shares, at cost				
- Within Malaysia	-	-	1,032,000	1,112,000
- Outside Malaysia	-	-	8,689	8,689
	-	-	<u>1,040,689</u>	<u>1,120,689</u>
Total cost of investment	-	-	<u>1,040,689</u>	<u>1,120,689</u>

The subsidiaries included in the listing are disclosed in the Note 2 to the consolidated financial statements.

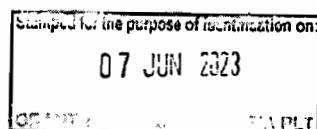
13. ACCOUNTANTS' REPORT (CONT'D)**8. INVESTMENT IN SUBSIDIARIES (CONT'D)**

The details of the subsidiaries not included in the listing are as follows:-



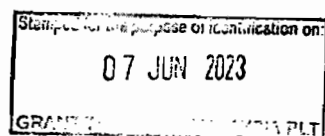
Name	Country of incorporation and principal place of business	Effective interest (%)				Principal activities
		2022	2021	2020	2019	
My Sports (Thailand) Co. Ltd. (formerly known as MST Golf (Thailand) Co. Ltd.)*	Thailand	-	-	99%	99%	Engaged as holding company.
My Egames Sdn. Bhd. (formerly known as My Golf Shop Sdn. Bhd.)*	Malaysia	-	-	75%	75%	Dormant.
All Sportz Properties Sdn. Bhd.*	Malaysia	-	-	-	70%	Dormant.
MySports Vietnam Sdn. Bhd. (formerly known as M S T Golf Vietnam Sdn. Bhd.)*	Malaysia	-	-	60%	60%	Dormant.
Held through MST Golf Management Sdn. Bhd.						
Heritage Links Asia Sdn. Bhd.*	Malaysia	-	-	60%	60%	Dormant.

* Not audited by Grant Thornton Malaysia PLT for the financial years ended 2019, 2020 and 2021.

13. ACCOUNTANTS' REPORT (CONT'D)**8. INVESTMENT IN SUBSIDIARIES (CONT'D)****Non-controlling interests in subsidiaries**

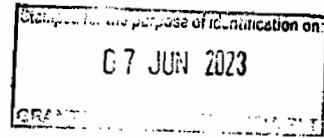
The Group's subsidiaries that have non-controlling interests are as follows:-

	MST Golf Management Sdn. Bhd. RM	MST Golf (Singapore) Pte. Ltd. RM	Total RM
Audited 2022			
Percentage of non-controlling interests and voting interests (%)	30%	24%	
Carrying amount of non-controlling interests (RM)	-	-	-
Profit allocated to non-controlling interests (RM)	170,858	2,292,331	2,463,189
Total comprehensive income allocated to non-controlling interests (RM)	<u>170,858</u>	<u>2,742,342</u>	<u>2,913,200</u>
Audited 2021			
Percentage of non-controlling interests and voting interests (%)	30%	24%	
Carrying amount of non-controlling interests (RM)	277,188	7,458,905	7,736,093
Profit allocated to non-controlling interests (RM)	62,571	2,016,063	2,078,634
Total comprehensive income allocated to non-controlling interests (RM)	<u>62,571</u>	<u>2,111,503</u>	<u>2,174,074</u>

13. ACCOUNTANTS' REPORT (CONT'D)**8. INVESTMENT IN SUBSIDIARIES (CONT'D)****Non-controlling interests in subsidiaries (cont'd)**

The Group's subsidiaries that have non-controlling interests are as follows (cont'd):-

	MST Golf Management Sdn. Bhd. RM	MST Golf (Singapore) Pte. Ltd. RM	Total RM
Audited 2020			
Percentage of non-controlling interests and voting interests (%)	30%	24%	
Carrying amount of non-controlling interests (RM)	304,616	5,347,403	5,652,019
Profit allocated to non-controlling interests (RM)	141,178	670,990	812,168
Total comprehensive income allocated to non-controlling interests (RM)	141,178	668,352	809,530
Audited 2019			
Percentage of non-controlling interests and voting interests (%)	30%	24%	
Carrying amount of non-controlling interests (RM)	283,439	4,679,050	4,962,489
Profit allocated to non-controlling interests (RM)	69,483	796,680	866,163
Total comprehensive income allocated to non-controlling interests (RM)	69,483	817,953	887,436

13. ACCOUNTANTS' REPORT (CONT'D)**8. INVESTMENT IN SUBSIDIARIES (CONT'D)****Non-controlling interests in subsidiaries (cont'd)**

Summarised financial information of the subsidiaries which have non-controlling interests to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination (cont'd).

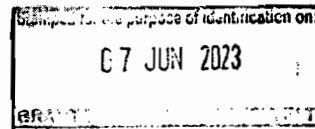
(i) Summarised statement of financial position (cont'd)

	MST Golf Management <u>Sdn. Bhd.</u> RM	MST Golf (Singapore) <u>Pte. Ltd.</u> RM	<u>Total</u> RM
Audited 2019			
Non-current assets	135,482	5,109,180	5,244,662
Current assets	<u>1,571,115</u>	<u>22,767,372</u>	<u>24,338,487</u>
Total assets	<u>1,706,597</u>	<u>27,876,552</u>	<u>29,583,149</u>
Non-current liabilities	-	962,373	962,373
Current liabilities	<u>761,800</u>	<u>7,418,134</u>	<u>8,179,934</u>
Total liabilities	<u>761,800</u>	<u>8,380,507</u>	<u>9,142,307</u>
Total net assets	<u>944,797</u>	<u>19,496,045</u>	<u>20,440,842</u>

(ii) Summarised statement of profit or loss and other comprehensive income before acquisition of the remaining equity interest

	MST Golf Management <u>Sdn. Bhd.*</u> RM	MST Golf (Singapore) <u>Pte. Ltd.*</u> RM	<u>Total</u> RM
Audited 2022			
Included in statements of comprehensive income			
Revenue	5,299,571	103,989,643	109,289,214
Profit for the financial year	569,528	9,551,379	10,120,907
Other comprehensive income	<u>-</u>	<u>1,875,045</u>	<u>1,875,045</u>
Total comprehensive income	<u>569,528</u>	<u>11,426,424</u>	<u>11,995,952</u>

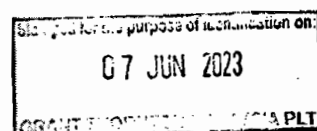
* On 4 November 2022, the Company acquired the remaining 30% and 24% equity interest in MST Golf Management Sdn. Bhd. and MST Golf (Singapore) Pte. Ltd. respectively.

13. ACCOUNTANTS' REPORT (CONT'D)**8. INVESTMENT IN SUBSIDIARIES (CONT'D)****Non-controlling interests in subsidiaries (cont'd)**

Summarised financial information of the subsidiaries which have non-controlling interests to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination (cont'd).

(ii) Summarised statement of profit or loss and other comprehensive income (cont'd)

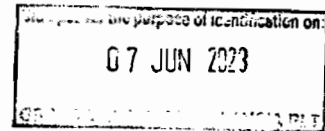
	MST Golf Management Sdn. Bhd. RM	MST Golf (Singapore) Pte. Ltd. RM	Total RM
Audited 2021			
Included in statements of comprehensive income			
Revenue	3,037,099	85,754,780	88,791,879
Profit for the financial year	208,569	8,400,261	8,608,830
Other comprehensive income	-	397,666	397,666
Total comprehensive income	208,569	8,797,927	9,006,496
Audited 2020			
Included in statements of comprehensive income			
Revenue	3,565,719	43,870,293	47,436,012
Profit for the financial year	470,591	2,795,791	3,266,382
Other comprehensive loss	-	(10,992)	(10,992)
Total comprehensive income	470,591	2,784,799	3,255,390
Audited 2019			
Included in statements of comprehensive income			
Revenue	5,407,982	56,904,862	62,312,844
Profit for the financial year	231,610	3,319,500	3,551,110
Other comprehensive income	-	88,639	88,639
Total comprehensive income	231,610	3,408,139	3,639,749

13. ACCOUNTANTS' REPORT (CONT'D)**8. INVESTMENT IN SUBSIDIARIES (CONT'D)****Non-controlling interests in subsidiaries (cont'd)**

Summarised financial information of the subsidiaries which have non-controlling interests to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination (cont'd).

(iii) Summarised cash flows

	MST Golf Management Sdn. Bhd. RM	MST Golf (Singapore) Pte. Ltd. RM	Total RM
Audited 2021			
Net cash flows from operating activities	526,470	5,883,983	6,410,453
Net cash flows from/(used in) investing activities	30,400	(1,436,310)	(1,405,910)
Net cash flows used in financing activities	<u>(384,000)</u>	<u>(3,814,582)</u>	<u>(4,198,582)</u>
Net cash inflows	<u>172,870</u>	<u>633,091</u>	<u>805,961</u>
Audited 2020			
Net cash flows from operating activities	1,110,491	11,327,673	12,438,164
Net cash flows from/(used in) investing activities	37,064	(1,227,239)	(1,190,175)
Net cash flows used in financing activities	<u>(400,000)</u>	<u>(856,046)</u>	<u>(1,256,046)</u>
Net cash inflows	<u>747,555</u>	<u>9,244,388</u>	<u>9,991,943</u>

13. ACCOUNTANTS' REPORT (CONT'D)**8. INVESTMENT IN SUBSIDIARIES (CONT'D)****Non-controlling interest in subsidiaries (cont'd)**

Summarised financial information of the subsidiaries which have non-controlling interests to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination (cont'd).

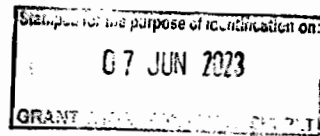
(iii) Summarised cash flows (cont'd)

	MST Golf Management <u>Sdn. Bhd.</u> RM	MST Golf (Singapore) <u>Pte. Ltd.</u> RM	<u>Total</u> RM
Audited 2019			
Net cash flows from operating activities	447,244	1,073,531	1,520,775
Net cash flows used in investing activities	(4,029)	(407,777)	(411,806)
Net cash flows used in financing activities	<u>(300,000)</u>	<u>(1,965,828)</u>	<u>(2,265,828)</u>
Net cash inflows/(outflows)	<u>143,215</u>	<u>(1,300,074)</u>	<u>(1,156,859)</u>

No summarised cash flows for the financial year ended 31 December 2022 as the Company has completed the acquisitions of the remaining equity interest on 30 November 2022.

(iv) Other information

	MST Golf Management <u>Sdn. Bhd.</u> RM	MST Golf (Singapore) <u>Pte. Ltd.</u> RM	<u>Total</u> RM
Audited 2021			
Dividend paid to non-controlling interests	<u>(90,000)</u>	<u>-</u>	<u>(90,000)</u>
Audited 2020			
Dividend paid to non-controlling interests	<u>(120,000)</u>	<u>-</u>	<u>(120,000)</u>

13. ACCOUNTANTS' REPORT (CONT'D)**8. INVESTMENT IN SUBSIDIARIES (CONT'D)****Non-controlling interests in subsidiaries (cont'd)**

Summarised financial information of the subsidiaries which have non-controlling interests to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination (cont'd).

(iv) Other information (cont'd)

	MST Golf Management <u>Sdn. Bhd.</u> RM	MST Golf (Singapore) <u>Pte. Ltd.</u> RM	<u>Total</u> RM
Audited 2019			
Dividend paid to non-controlling interests	(90,000)	-	(90,000)

No dividend paid to non-controlling interests during the financial year 31 December 2022 before acquisition of the remaining equity interest.

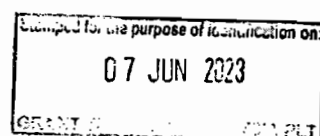
Acquisition of subsidiaries

- (i) On 4 November 2022, the Company entered into a share sale agreement to acquire an additional 30% equity interest in MST Golf Management Sdn. Bhd. for RM277,201 satisfied by the issuance of 676,100 new ordinary shares of the Company, increasing its ownership from 70% to 100%.

On the same day, the Company entered into a share sale agreement to acquire an additional 24% equity interest in MST Golf (Singapore) Pte. Ltd. for RM7,458,925 by the issuance of 18,192,500 new ordinary shares of the Company, increasing its ownership from 76% to 100%.

The Group recognised a decrease in non-controlling interests of RM10,649,293 and an increase in retained earnings of RM2,913,167. The acquisitions were completed on 30 November 2022.

- (ii) On 18 May 2021, the Group acquired an additional 25% equity interest in My EGames Sdn. Bhd. for RM210,000 in cash, increasing its ownership from 75% to 100%.
- (iii) On 22 January 2019, the Group acquired an additional 25% equity interest in MST Golf (Singapore) Pte. Ltd. for RM3,634,109 in cash, increasing its ownership from 51% to 76%. The carrying amount of MST Golf (Singapore) Pte. Ltd.'s net assets in the Group's financial statements on the date of acquisition was RM16,087,905. The Group recognised a decrease in non-controlling interests of RM4,021,976 and an increase in retained earnings of RM387,867.

13. ACCOUNTANTS' REPORT (CONT'D)**8. INVESTMENT IN SUBSIDIARIES (CONT'D)****Disposal of subsidiaries**

- (i) On 9 November 2021 and 10 November 2021, the Group disposed of its 100% and 60% equity interest in My EGames Sdn. Bhd. and MySports Vietnam Sdn. Bhd. for a cash consideration of RM1,000,000 and RM311,000 respectively.

The disposal of My EGames Sdn. Bhd. and MySports Vietnam Sdn. Bhd. gave rise to a gain of RM10,000 and RM59,000 respectively in the Group's financial statements.

- (ii) On 30 November 2021, the Group disposed of its 99.3% equity interest in My Sports (Thailand) Co. Ltd. for a cash consideration of RM8,800.

The disposal of My Sports (Thailand) Co. Ltd. gave rise to a gain of RM111 in the Group's financial statements.

- (iii) On 25 October 2021, MST Golf Management Sdn. Bhd. disposed of its 60% equity interest in Heritage Links Asia Sdn. Bhd. for cash consideration of RM2 and gave rise to a gain of RM2.

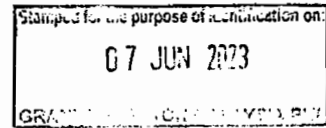
- (iv) On 11 December 2020, the Group disposed of its 70% equity interest in All Sportz Properties Sdn. Bhd. for a cash consideration of RM80,000.

9. INVESTMENT IN AN ASSOCIATE

	← Audited →			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Unquoted shares, at cost	-	-	97,052	97,052
Less: accumulated impairment loss				
Brought forward/Carried forward	-	-	(97,052)	(97,052)
Net carrying amount	-	-	-	-

13. ACCOUNTANTS' REPORT (CONT'D)**9. INVESTMENT IN AN ASSOCIATE (CONT'D)**

Details of the associate is as follows:-



Name	Country of incorporation and principal place of business	Effective interest (%)				Principal activities
		Audited				
		<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	
My Sports International Co. Ltd. (formerly known as MST Golf International Co. Ltd.)**	Thailand	-	-	48.66%	48.66%	Dormant

* Not audited by Grant Thornton Malaysia PLT.

Not included in the listing and disposed during the financial year ended 31 December 2021.

On 30 November 2021, the Company disposed of its 48.66% of equity interest in My Sports International Co. Ltd.

10. OTHER INVESTMENT

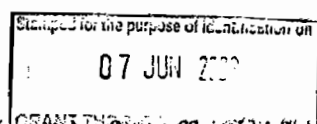
	Audited			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Golf club membership, at fair value through profit or loss				
Brought forward/Carried forward	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>

13. ACCOUNTANTS' REPORT (CONT'D)

11. DEFERRED TAXATION

	As at 1.1.2021 RM	Recognised in profit or loss (Note 30) RM	Exchange differences RM	As at 31.12.2021 RM	Recognised in profit or loss (Note 30) RM	Exchange differences RM	As at 31.12.2022 RM
Audited							
Deferred tax liabilities:-							
Property, plant and equipment	1,448,114	(54,000)	2,558	1,396,672	990,173	15,881	2,402,726
Right-of-use assets	3,396,000	(652,000)	-	2,744,000	344,000	-	3,088,000
Lease liabilities	(3,716,000)	586,000	-	(3,130,000)	(633,052)	-	(3,763,052)
Contract liabilities	-	-	-	-	(922,824)	-	(922,824)
	<u>1,128,114</u>	<u>(120,000)</u>	<u>2,558</u>	<u>1,010,672</u>	<u>(221,703)</u>	<u>15,881</u>	<u>804,850</u>
Deferred tax assets:-							
Property, plant and equipment	2,000	(1,000)	-	1,000	-	-	1,000
Contract liabilities	(161,000)	84,000	-	(77,000)	(143,000)	-	(220,000)
	<u>(159,000)</u>	<u>83,000</u>	<u>-</u>	<u>(76,000)</u>	<u>(143,000)</u>	<u>-</u>	<u>(219,000)</u>
	<u>969,114</u>	<u>(37,000)</u>	<u>2,558</u>	<u>934,672</u>	<u>(364,703)</u>	<u>15,881</u>	<u>585,850</u>

Stamped for the purpose of identification on:
07 JUN 2023
GRANT THOMPSON MALAYSIA PLT

13. ACCOUNTANTS' REPORT (CONT'D)**11. DEFERRED TAXATION (CONT'D)**

The components and movement of deferred tax liabilities/(assets) after offsetting are as follow:-

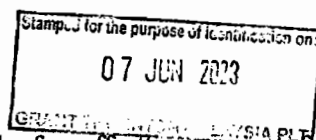
	<u>Property, plant and equipment</u> RM	<u>Unused capital allowances</u> RM	<u>Total</u> RM
At 1 January 2019/31			
December 2019/31			
December 2020/31			
December 2021	-	-	-
Recognised in profit or loss	3,279,105	(3,279,105)	-
At 31 December 2022	3,279,105	(3,279,105)	-

	<u>Right-of-use assets</u> RM	<u>Lease liabilities</u> RM	<u>Total</u> RM
At 1 January 2019/31			
December 2019/31			
December 2020/31			
December 2021	-	-	-
Recognised in profit or loss	2,276,293	(2,276,293)	-
At 31 December 2022	2,276,293	(2,276,293)	-

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

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Unused capital allowances	1,452,805	357,050	357,050	378,588
Unabsorbed business losses	3,653,492	76,598	76,598	76,598
Lease liabilities	69,394	-	-	-
Contract liabilities	38,627	-	-	-
	<u>5,214,318</u>	<u>433,648</u>	<u>433,648</u>	<u>455,186</u>

Pursuant to the Malaysia's Budget 2022, the time frame to carry forward current year tax losses for Year of Assessment ("YA") 2019 and subsequent years of assessment has been extended from 7 to 10 consecutive years of assessment. Unabsorbed business losses accumulated up to the year of assessment 2018 can now be carried forward for 10 consecutive years of assessment until the year of assessment 2028.

13. ACCOUNTANTS' REPORT (CONT'D)**11. DEFERRRED TAXATION (CONT'D)**

The unabsorbed business losses of the Group are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidance issued by the tax authority. The expiry of the unabsorbed tax losses is as follows:-

	← Audited →			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
YA 2026	-	-	76,598	76,598
YA 2029	76,598	76,598	-	-
YA 2032	3,576,894	-	-	-
	<u>3,653,492</u>	<u>76,598</u>	<u>76,598</u>	<u>76,598</u>

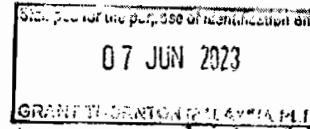
12. INVENTORIES

	← Audited →			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Finished goods:-				
- At cost	<u>113,567,486</u>	<u>73,644,747</u>	<u>48,821,589</u>	<u>63,334,508</u>
Recognised in profit or loss:-				
Inventories recognised as cost of sales	167,128,835	118,939,698	97,657,208	99,937,166
Allowance for slow moving inventories	<u>1,417,444</u>	<u>269,168</u>	<u>94,921</u>	<u>211,016</u>

The slow-moving inventories are included in cost of sales.

13. TRADE RECEIVABLES

	← Audited →			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Amount due from a related party	-	-	-	11,646
Third parties	<u>8,505,574</u>	<u>7,799,355</u>	<u>5,529,722</u>	<u>6,405,044</u>
	8,505,574	7,799,355	5,529,722	6,416,690
Less: Allowance for expected credit losses	-	-	(1,500)	-
	<u>8,505,574</u>	<u>7,799,355</u>	<u>5,528,222</u>	<u>6,416,690</u>

13. ACCOUNTANTS' REPORT (CONT'D)**15. AMOUNT OWING BY/(TO) SUBSIDIARIES**

The amount owing by/(to) subsidiaries are in non-trade nature, unsecured, interest-free and recoverable/(repayable) on demand.

16. AMOUNT OWING BY AN ASSOCIATE

The amount owing by an associate company is in non-trade nature, unsecured, interest-free and recoverable on demand.

17. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits with licensed financial institution of the Group amounting to RM1,654,454 (2021: RM650,000; 2020: RM100,000 and 2019: RMNil) which has been pledged to a financial institution as security for banking facilities granted to the Group as disclosed in Note 20 to the financial statements.

The average maturity of fixed deposits with licensed banks as at the end of the financial year of the Group ranged from 30 to 365 days (2021: 30; 2020: 30 to 90 and 2019: Nil) days.

18. SHARE CAPITAL

	← Audited →			
	<u>2022</u>	<u>No. of ordinary shares</u>		<u>2019</u>
	Unit	<u>2021</u>	<u>2020</u>	Unit
		Unit	Unit	Unit
Issued and fully paid with no par value:-				
At beginning of the financial years	100,000	100,000	100,000	100,000
Issuance of new ordinary shares ⁽ⁱ⁾	32,000,000	-	-	-
Subdivision of shares ⁽ⁱⁱ⁾	609,900,000	-	-	-
Issuance of shares to acquire subsidiaries' remaining equity interest from minority shareholders ⁽ⁱⁱⁱ⁾	18,868,600	-	-	-
At end of the financial years	660,868,600	100,000	100,000	100,000

13. ACCOUNTANTS' REPORT (CONT'D)**18. SHARE CAPITAL (CONT'D)**

Subscribed for the purpose of incorporation on:
07 JUN 2023

	<u>Audited</u> <u>Amount</u>			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Issued and fully paid with no par value:-				
At beginning of the financial years	100,000	100,000	100,000	100,000
Issuance of new ordinary shares ⁽ⁱ⁾	32,000,000	-	-	-
Issuance of shares to acquire subsidiaries' remaining equity interest from minority interest shareholders ⁽ⁱⁱⁱ⁾	7,736,126	-	-	-
At end of the financial years	<u>39,836,126</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

(i) Capitalisation of Amount Owing to Holding Company

On 21 October 2022, the Company has capitalised the outstanding balance of RM32,000,000 owing to holding company, All Sportz Sdn. Bhd. by issuance of 32,000,000 new shares of RM1 each and the remaining outstanding balances was fully settled by cash to the holding company on 22 December 2022. The issued share after capitalisation was 32,100,000 ordinary shares. Accordingly, the share capital of the Company increased to RM32,100,000.

(ii) Subdivision of Shares

On 21 October 2022, the Company has sub-divided its shares capital on the basis of 1 existing share into 20 sub-division shares. Accordingly, the shares capital of the Company would be RM32,100,000 comprising 642,000,000 ordinary shares.

(iii) Acquisition of Subsidiaries' Remaining Equity Interest from Minority Interest Shareholders

On 4 November 2022, the Company entered into a share sale agreement to acquire an additional 30% equity interest in MST Golf Management Sdn. Bhd. for RM277,201 satisfied by the issuance of 676,100 new ordinary shares of the Company, increasing its ownership from 70% to 100%.

On the same day, the Company entered into a share sale agreement to acquire an additional 24% equity interest in MST Golf (Singapore) Pte. Ltd. for RM7,458,925 by the issuance of 18,192,500 new ordinary shares of the Company, increasing its ownership from 76% to 100%.

The acquisitions were completed on 30 November 2022 and share capital of the Company increased to RM39,836,126 comprise of 660,868,600 ordinary shares.

13. ACCOUNTANTS' REPORT (CONT'D)**19. FOREIGN EXCHANGE RESERVE**

Stamp for the purpose of authentication on
07 JUN 2016
GRANT THORNTON LLP (M) A PLT

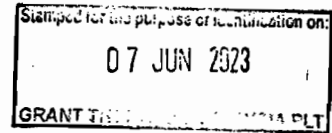
The foreign exchange reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

20. BORROWINGS

	← Audited →			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Secured:-				
Non-current liabilities				
Term loans (a)				
- more than 1 year but less than 2 years	3,107,585	1,892,653	2,749,193	1,651,107
- more than 2 years but less than 5 years	6,480,517	4,732,540	4,997,269	3,427,347
- more than 5 years	5,890,080	6,246,456	6,926,019	9,383,730
	<u>15,478,182</u>	<u>12,871,649</u>	<u>14,672,481</u>	<u>14,462,184</u>
Current liabilities				
Secured:-				
Term loans (a)	2,915,516	6,839,696	9,915,987	1,557,431
Bankers' acceptance (b)	21,853,000	14,445,000	5,333,000	14,893,000
Bank overdraft (c)	9,644,995	-	-	4,362,056
Trust receipts (d)	5,785,875	2,842,138	-	-
Invoice financing (e)	2,240,025	-	3,157,874	660,588
Revolving loan (f)	3,274,000	-	-	-
	<u>45,713,411</u>	<u>24,126,834</u>	<u>18,406,861</u>	<u>21,473,075</u>
	<u>61,191,593</u>	<u>36,998,483</u>	<u>33,079,342</u>	<u>35,935,259</u>

(a) Term loans

	← Audited →			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Term loan 1	154,685	269,715	334,813	366,218
Term loan 2	11,390,292	12,129,235	12,656,187	12,894,431
Term loan 3	789,661	1,033,553	1,180,385	1,250,181
Term loan 4	1,084,490	1,304,774	1,443,410	1,508,785
Term loan 5	-	4,974,068	8,973,673	-
Term loan 6	2,650,945	-	-	-
Term loan 7	2,323,625	-	-	-
	<u>18,393,698</u>	<u>19,711,345</u>	<u>24,588,468</u>	<u>16,019,615</u>

13. ACCOUNTANTS' REPORT (CONT'D)**20. BORROWINGS (CONT'D)****(a) Term loans (cont'd)****(i) Term loan facility 1 - RM1.1 million**

RM1.1 million of the term loan facility is repayable in 120 monthly installments of RM11,993 (2021: RM11,993; 2020: RM11,993 and 2019: RM11,993) commencing on 1 September 2012 with final maturity on 1 December 2023. The term loan bears interest at a variable rate of 5.60% (2021: 4.60%; 2020: 4.60% and 2019: 5.85%), based on a rate of 1.0% minus base lending rate ("BLR").

(ii) Term loan facility 2 - RM16 million

RM16 million of the term loan facility is repayable in 180 monthly installments of RM126,111 (2021: RM126,111; 2020: RM126,111 and 2019: RM126,111) commencing on 1 January 2016 with final maturity on 1 June 2031. The term loan bears interest at a variable rate of 4.70% (2021: 3.70%; 2020: 3.70% and 2019: 4.95%), based on a rate of 1.90% minus BLR.

(iii) Term loan facility 3 - RM1.5 million

RM1.5 million of the term loan facility is repayable in 60 monthly installments of RM30,057 (2021: RM30,057; 2020: RM30,057 and 2019: RM30,057) commencing on 1 June 2015 with final maturity on 1 February 2025. The term loan bears interest at a variable rate of 7.10% (2021: 6.10%; 2020: 6.10% and 2019: 7.35%), based on a rate of 0.5% above BLR.

(iv) Term loan facility 4 - RM1.5 million

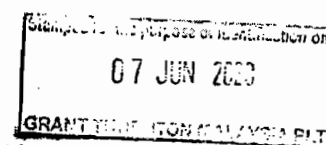
RM1.5 million of the term loan facility is repayable in 60 monthly installments of RM30,057 (2021: RM30,057; 2020: RM30,057 and 2019: RM30,057) commencing on 1 January 2020 with final maturity on 1 January 2026. The term loan bears interest at a variable rate of 7.10% (2021: 6.10%; 2020: 6.10% and 2019: 7.35%), based on a rate of 0.5% above BLR.

(v) Term loan facility 5 - RM12 million

RM12 million of the term loan facility is repayable in 18 monthly installments of RM706,130 (2021: RM706,130; 2020: RM706,130; 2019: RMNil) commencing on 30 June 2020 with final maturity on 31 August 2022. The term loan bears interest at a variable rate of 8.10% (2021: 7.10%; 2020: 7.10% and 2019: Nil%), based on a rate of 1.5% above BLR.

(vi) Term loan facility 6 – RM4,703,500

RM4,703,500 of the term loan facility is repayable in 84 monthly installments of RM68,937 (2021: RMNil; 2020: RMNil; 2019: RMNil) commencing on 7 September 2022 with final maturity on 4 April 2030. The term loan bears interest at a variable rate of 6.60% (2021: Nil%; 2020: Nil% and 2019: Nil%), based on a rate of 0.0% above BLR.

13. ACCOUNTANTS' REPORT (CONT'D)**20. BORROWINGS (CONT'D)****(a) Term loans (cont'd)****(vii) Term loan facility 7 – RM4,495,000**

RM4,495,000 of the term loan facility is repayable in 84 monthly installments of RM65,881 (2021: RMNil; 2020: RMNil; 2019: RMNil) commencing on 7 September 2022 with final maturity on 4 October 2030. The term loan bears interest at a variable rate of 6.60% (2021: Nil%; 2020: Nil% and 2019: Nil%), based on a rate of 0.0% above BLR.

(b) Bankers' acceptance

The bankers' acceptance facility provides for borrowings of up to a maximum aggregate principal amount of RM30 million, based on market rate for the relevant tenor on the day of discounting plus acceptance commission of 1.25% per annum. The bankers' acceptance facility is repayable upon maturity of the tenor.

(c) Bank overdraft

The bank overdraft facility provides for borrowings of up to a maximum aggregate principal amount of RM10 million with a variable rate of 7.10% to 8.24% (2021: Nil%; 2020: Nil% and 2019: 7.35%), based on rate of 0.5% to 1.75% plus BLR. The bank overdraft facility is repayable on demand.

(d) Trust receipts

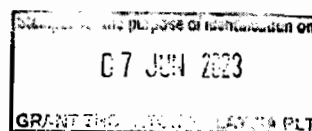
The trust receipts facility provides for borrowings of up to a maximum aggregate principal amount of SGD 5 million, based on the prevailing interest rate as advised by the bank. The trust receipts facility is repayable up to a maximum tenure of 150 days.

(e) Invoice financing

The invoice financing facility provides for borrowings of up to a maximum aggregate principal amount of SGD 5 million, based on the prevailing interest rate as advised by the bank. The trust receipts facility is repayable up to a maximum tenure of 150 days.

(f) Revolving loan

The revolving loan facility provides for borrowing of up to a maximum aggregate principal amount of SGD 1 million, based on the interest period plus margin of 2.50% per annum. The revolving loan is repayable upon maturity of the tenor.

13. ACCOUNTANTS' REPORT (CONT'D)**20. BORROWINGS (CONT'D)**

The borrowings are secured against:-

Term loan facility 1, 2, 3 and 4

- (i) Facilities Agreement as Principal Instrument; and
- (ii) Registered open all monies 1st party charge over the Group's freehold land and buildings; and
- (iii) Corporate guaranteed by the Company; and
- (iv) Guaranteed by Directors of the Group jointly and severally:-
 - Ng Yap Sio
 - Low Kok Poh

Term loan facility 5

- (i) Facilities Agreement as Principal Instrument; and
- (ii) Registered open all monies 1st party charge over the Group's freehold land and buildings; and
- (iii) Monthly sinking fund of RM50,000; and
- (iv) Corporate guaranteed by the Company; and
- (v) Guaranteed by Directors of the Group jointly and severally:-
 - Ng Yap Sio
 - Low Kok Poh

Term loan facility 6 and 7

- (i) Facilities Agreement as Principal Instrument; and
- (ii) Fixed deposit equivalent to 3 monthly installments of term loan facilities 6 and 7 or not less than RM404,454 of the Group; and
- (iii) Corporate guaranteed by the Company and a wholly-owned subsidiary of the Company; and
- (iv) Guaranteed by Directors of the Group jointly and severally:-
 - Ng Yap Sio
 - Low Kok Poh

Bankers' acceptance

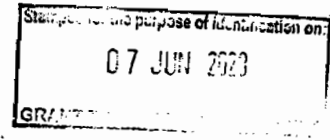
- (i) Corporate guaranteed by the Company; and
- (ii) Guaranteed by Directors of the Group jointly and severally:-
 - Ng Yap Sio
 - Low Kok Poh

Bank overdraft

- (i) Registered open all monies 1st party charge over the Group's freehold land and buildings; and
- (ii) Monthly sinking fund of RM50,000; and
- (iii) Corporate guaranteed by the Company; and
- (iv) Guaranteed by Directors of the Group jointly and severally:-
 - Ng Yap Sio
 - Low Kok Poh
 - Ng Lian Chun

13. ACCOUNTANTS' REPORT (CONT'D)**20. BORROWINGS (CONT'D)**

The borrowings are secured against (cont'd):-

Trust receipts, invoice financing and revolving loan

- (a) Corporate guaranteed by the Company; and
- (b) Guaranteed by Directors of the Group jointly and severally:-
 - Ng Yap Sio
 - Low Kok Poh

Significant financial covenants are as follows:-

Term loan facility 1, 2, 3, 4, 5, bankers' acceptance and bank overdraft

- (i) Gearing ratio of the subsidiary shall not exceed 2 times.
- (ii) Consolidated gearing ratio of the Group shall not exceed 1.5 times.

Trust receipts, invoice financing and revolving loan

- (i) Shall maintain a minimum tangible net worth of not less than SGD4 million.
- (ii) Gearing ratio of the subsidiary shall not exceed 1.5 times.
- (iii) Consolidated gearing ratio of the Group shall not exceed 1.5 times.

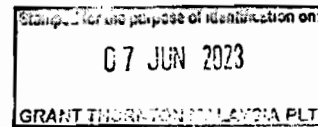
The interest rates per annum on borrowing were as follows:-

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Term loans	4.70% - 8.10%	3.70% - 7.10%	3.70% - 7.10%	4.95% - 7.35%
Bankers' acceptance	4.09% - 5.08%	3.46% - 3.75%	3.52% - 3.64%	3.83% - 4.60%
Bank overdraft	7.10% - 8.24%	-	-	7.35% - 8.49%
Trust receipts	2.64% - 6.46%	1.94% - 2.69%	-	-
Invoice financing	3.25% - 6.15%	-	1.94% - 3.92%	2.05% - 4.62%
Revolving loan	6.90%	-	-	-

21. TRADE PAYABLES

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Third parties	17,239,964	18,932,316	14,378,854	5,599,362
Amount owing to related companies	-	-	-	256,923
	<u>17,239,964</u>	<u>18,932,316</u>	<u>14,378,854</u>	<u>5,856,285</u>

The normal credit term granted by the trade payables ranging from 0 to 60 (2021: 0 to 60; 2020: 0 to 60 and 2019: 0 to 60) days.

13. ACCOUNTANTS' REPORT (CONT'D)**21. TRADE PAYABLES (CONT'D)****Amount owing to related companies**

Related companies refer to the members of All Sportz Sdn. Bhd.'s group of companies.

The amount owing to related companies are unsecured, interest free and repayable on demand.

22. OTHER PAYABLES

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Non-trade payables	7,838,402	2,272,003	2,239,722	2,077,532
Amount owing to related companies	-	-	77,000	477,049
Amount owing to a related party	-	15,018	31,864	23,602
Accruals	5,669,670	4,153,691	4,208,394	2,359,236
Deposit received	172,277	23,863	139,080	129,500
GST payables	208,868	-	-	120,906
Service tax payables	94,432	42,600	1,110	6,345
	<u>13,983,649</u>	<u>6,507,175</u>	<u>6,697,170</u>	<u>5,194,170</u>

Amount owing to related companies

The amount owing to related companies are in non-trade nature, unsecured, interest bearing at Nil% (2021: Nil%; 2020: 2.95% to 3% and 2019: 2.95% to 3.25%) per annum and repayable on demand.

Amount owing to related party

The amount owing to related party is unsecured, interest free and repayable on demand.

23. CONTRACT LIABILITIES

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Contract liabilities				
- Unredeemed golf lessons	520,442	320,850	670,724	443,637
- Unredeemed golf bay vouchers	4,500	-	-	-
- Unredeemed membership points	3,461,528	-	-	-
- Customer deposits and advance billings for golf events and activities	430,707	-	-	-
	<u>4,417,177</u>	<u>320,850</u>	<u>670,724</u>	<u>443,637</u>

13. ACCOUNTANTS' REPORT (CONT'D)**23. CONTRACT LIABILITIES (CONT'D)**

Stamp for the purpose of identification en:
07 JUN 2023

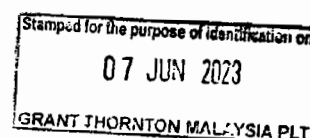
The contract liabilities primarily to the unredeemed ~~golf lessons~~, unredeemed golf bay vouchers and non-refundable customer deposits for events and activities. The amount will be recognised as revenue after the golf lessons and golf bay vouchers are redeemed by customers and events have been held respectively, which are expected to occur over the next 12 months.

The following table shows reconciliation from the opening balance to the closing balance for the contract liabilities.

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Unredeemed golf lessons				
At beginning of the financial years	320,850	670,724	443,637	392,218
Additions	2,572,902	1,717,695	2,618,881	1,535,986
Utilisation	<u>(2,373,310)</u>	<u>(2,067,569)</u>	<u>(2,391,794)</u>	<u>(1,484,567)</u>
At end of the financial years	<u>520,442</u>	<u>320,850</u>	<u>670,724</u>	<u>443,637</u>
Unredeemed golf bay voucher				
At beginning of the financial years	-	-	-	-
Additions	6,604	-	-	-
Utilisation	<u>(2,104)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At end of the financial years	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unredeemed membership points				
At beginning of the financial years	-	-	-	-
Underprovision	1,804,919	-	-	-
Additions	3,054,533	-	-	-
Utilisation	<u>(1,397,924)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At end of the financial years	<u>3,461,528</u>	<u>-</u>	<u>-</u>	<u>-</u>
Customer deposits and advance billings for golf events and activities				
At beginning of the financial years	-	-	-	-
Additions	535,751	-	-	-
Utilisation	<u>(105,044)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At end of the financial years	<u>430,707</u>	<u>-</u>	<u>-</u>	<u>-</u>

24. AMOUNT OWING TO HOLDING COMPANY

The amount owing to holding company is in non-trade nature, unsecured, interest free and repayable on demand.

13. ACCOUNTANTS' REPORT (CONT'D)**25. AMOUNT OWING TO DIRECTORS**

The amount owing to Directors are in non-trade nature, unsecured, interest bearing at Nil% (2021: Nil%; 2020: 7% and 2019: 7%) and repayable on demand.

26. REVENUE

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Revenue				
Sale of goods	288,974,870	201,496,785	163,599,559	167,770,015
Golf lesson income	3,684,240	2,473,129	3,125,169	1,989,971
Rental of golf equipment and accessories	646,657	652,941	726,587	1,254,272
Golf services income	2,681,828	824,239	754,675	3,127,726
Repair and maintenance of golf equipment	311,226	141,010	614,537	322,919
Range ball income	744,905	931,259	1,331,029	1,484,761
Food and beverages	2,219,816	-	-	-
Golf bay rental	1,554,347	-	-	-
Golf bay vouchers	15,600	-	-	-
Lightbox rental	41,667	-	-	-
	<u>300,875,156</u>	<u>206,519,363</u>	<u>170,151,556</u>	<u>175,949,664</u>
Timing of revenue recognition				
Goods/Services transferred at a point in time	<u>300,875,156</u>	<u>206,519,363</u>	<u>170,151,556</u>	<u>175,949,664</u>

13. ACCOUNTANTS' REPORT (CONT'D)**27. OTHER INCOME**

	Audited			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Gain on disposal of property, plant and equipment	44	919	25,260	102,053
Gain on derecognition of right-of-use assets and lease liabilities	-	6,787	-	-
Gain on lease modifications	-	57,921	-	-
Gain on disposal of subsidiaries	-	69,113	-	-
Unrealised gain on foreign exchange	312,204	-	224,100	101,086
Realised gain on foreign exchange	-	-	111,855	270,076
Rental income of premises	673,161	513,000	1,166,426	1,949,595
Management fees	-	-	558,000	567,000
Subscriptions fees	163,183	405,554	236,805	232,877
Sundry income	353,627	97,103	9,500	106,189
Facilitation fee	-	-	103,506	97,912
Rental support scheme	-	584,576	-	-
Wages subsidy allowance	1,192,758	2,896,119	2,041,167	-
Insurance claim	71,179	157,248	5,800	24,778
Compensation received	11,584	3,242	-	11,598
Food and beverage	47,475	34,957	16,406	26,847
Courier and transportation	107,793	176,170	92,210	40,334
	<u>2,933,008</u>	<u>5,002,709</u>	<u>4,591,035</u>	<u>3,530,345</u>

28. FINANCE COSTS AND FINANCE INCOME

Finance income for the reporting period consist of the following:-

	Audited			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Finance income				
Interest income from fixed deposits	<u>6,727</u>	<u>159,264</u>	<u>61,691</u>	<u>-</u>

Finance costs for the reporting period consist of the following:-

	Audited			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
Finance costs:-				
Bank borrowings	2,078,288	1,502,943	1,374,140	2,129,111
Lease liabilities	2,094,801	1,316,619	1,330,512	1,314,847
Amount owing to Directors	-	-	11,357	98,784
Amount owing to related companies	-	-	10,633	13,629
	<u>4,173,089</u>	<u>2,819,562</u>	<u>2,726,642</u>	<u>3,556,371</u>

13. ACCOUNTANTS' REPORT (CONT'D)**29. PROFIT BEFORE TAX**

Checked for the purpose of identification on:

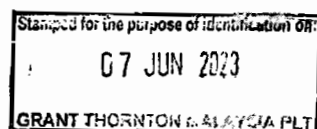
07 JUN 2022

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

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Auditor's remuneration				
- Statutory audit	106,500	84,000	-	-
- Other services	30,500	18,500	-	-
- Non-assurance related services	3,800	-	-	-
Other auditors:-				
- Statutory audit	228,299	76,561	112,722	151,004
Expenses relating to short-term leases	1,554,467	1,014,316	1,152,191	1,844,787
Realised loss/(gain) on foreign exchange	970,180	309,664	(111,855)	(270,076)
Unrealised (gain)/loss on foreign exchange	(312,204)	236,861	(224,100)	(101,086)
Rent concession related to COVID-19	(70,191)	(824,718)	(1,579,207)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

30. TAX EXPENSE

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Current tax expense:-				
- Current years provision	10,585,033	6,212,999	4,642,420	3,556,430
- (Over)/Under provision in prior years	(494,687)	(8,147)	(15,841)	49,692
	10,090,346	6,204,852	4,626,579	3,606,122
Deferred tax (Note 11):-				
- Origination and reversal of temporary differences	(471,345)	(37,000)	(11,841)	(334,000)
- Under provision in prior years	106,642	-	-	-
	<u>9,725,643</u>	<u>6,167,852</u>	<u>4,614,738</u>	<u>3,272,122</u>

13. ACCOUNTANTS' REPORT (CONT'D)**30. TAX EXPENSE (CONT'D)**

A reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group are as follows:-

	← Audited →			
	2022 RM	2021 RM	2020 RM	2019 RM
Profit before tax	38,840,447	26,259,496	18,304,064	13,488,486
Tax at Malaysia statutory rate of 24%	9,321,708	6,302,280	4,392,975	3,237,236
Different tax rates in other countries	(752,376)	(684,348)	(229,747)	(277,592)
Tax effect in respect of:-				
Non-allowable expenses	1,779,548	978,575	858,575	376,086
Income not subject to tax	(1,327,147)	(367,145)	(333,076)	(33,078)
Tax exemption	(55,405)	(53,363)	(52,979)	(52,943)
Tax rebate	-	-	-	(45,575)
Deferred tax assets not recognised	1,147,360	-	(5,169)	18,296
(Over)/Under provision of tax expense in prior years	(494,687)	(8,147)	(15,841)	49,692
Underprovision of deferred tax in prior years	106,642	-	-	-
Tax expense for the financial years	9,725,643	6,167,852	4,614,738	3,272,122

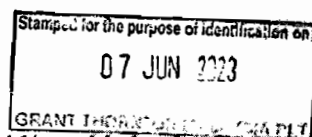
31. EARNINGS PER SHAREBasic earnings per share

Basic earnings per share is calculated by dividing profit for the financial years attributable to ordinary equity holders of the Group over the weighted average number of ordinary shares in issue during the financial years as follows:-

	← Audited →			
	2022 RM	2021 RM	2020 RM	2019 RM
Profit for the financial years attributable to ordinary equity holders of the Group	26,651,615	18,013,010	12,877,158	9,350,201
Number of ordinary shares in issue (unit)	128,375,603	100,000	100,000	100,000
Basic earnings per share (RM)	0.21	180	129	94

Diluted earnings per share

Diluted earnings per share is not applicable as the Group does not have potential dilutive equity instruments that would give a diluted effect to the basic earnings per share.

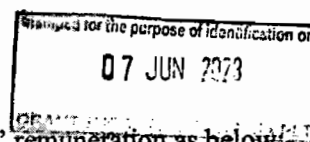
13. ACCOUNTANTS' REPORT (CONT'D)**32. DIVIDENDS**

During the financial years, the following dividends have been paid/payable by the Group are as follows:-

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
In respect of financial year ended 31 December 2022				
- Interim single tier dividend of RM1.89 per ordinary share, paid on 20 February 2023	12,500,000	-	-	-
In respect of financial year ended 31 December 2021				
- First interim single tier dividend of RM20 per ordinary share, paid on 26 October 2021	-	2,000,000	-	-
- Second interim single tier dividend of RM1.15 per ordinary share, paid on 20 January 2022	-	11,500,000	-	-
	<u>12,500,000</u>	<u>13,500,000</u>	<u>-</u>	<u>-</u>

33. EMPLOYEE BENEFITS EXPENSES

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Salaries, bonus and other emoluments	34,228,621	24,134,117	23,239,800	22,894,730
Defined contribution plan	4,039,439	2,949,753	2,836,440	2,729,096
Social security contributions	341,957	237,700	231,083	240,900
Other benefits	3,594,194	2,219,290	1,900,494	2,099,317
	<u>42,204,211</u>	<u>29,540,860</u>	<u>28,207,817</u>	<u>27,964,043</u>

13. ACCOUNTANTS' REPORT (CONT'D)**33. EMPLOYEE BENEFITS EXPENSES (CONT'D)**

Included in the employee benefit expenses are the Directors' remuneration as below:

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Directors of the Company				
Salaries, bonus and other emoluments	2,518,788	897,892	946,400	741,895
Director fees	47,250	-	-	-
Defined contribution plan	303,095	107,753	135,807	79,229
Social security contributions	1,638	1,848	1,539	1,611
Benefit-in-kind	136,362	-	-	-
Total remuneration for Directors of the Company	<u>3,007,133</u>	<u>1,007,493</u>	<u>1,083,746</u>	<u>822,735</u>
Directors of subsidiaries				
Salaries, bonus and other emoluments	1,407,198	926,672	966,054	889,449
Defined contribution plan	103,159	80,905	69,072	62,030
Social security contributions	1,168	1,625	1,456	702
Total remuneration for Directors of subsidiaries	<u>1,511,525</u>	<u>1,009,202</u>	<u>1,036,582</u>	<u>952,181</u>
Total Directors' remuneration	<u>4,518,658</u>	<u>2,016,695</u>	<u>2,120,328</u>	<u>1,774,916</u>

The number of Directors of the Group at the end of the financial years were 8 (2021: 5; 2020: 5 and 2019: 4) persons.

13. ACCOUNTANTS' REPORT (CONT'D)**34. RELATED PARTY DISCLOSURES**

Stamp for the purpose of identification on:
07 JUN 2023

The Group has related party relationship with its subsidiaries, related companies, related parties, Directors and key management personnel.

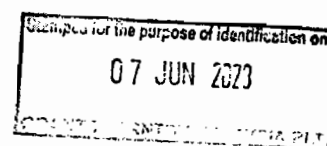
- (a) Related party transactions have been entered into the normal course of business under normal trade terms. The related party transactions during the financial years are as follows:-

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Sales to a related party	-	-	1,240	11,646
Purchase from a related company	-	-	-	256,923
Management fee income from a related party	-	-	558,000	558,000
Management fee income from a related company	-	-	-	9,000
Rental received from a related party	648,000	464,400	1,166,426	1,761,000
Payment of lease liabilities to a related party	408,138	374,745	389,587	408,139
Rental expenses paid to a related party	30,000	30,000	30,000	40,465
Interest charged from Directors	-	-	11,357	98,784
Interest expense charged by related company	-	-	10,633	13,629
Consultancy fees payables to a related party	-	183,747	186,225	151,918
Dividend paid to holding company	12,500,000	13,500,000	-	-
Acquisition of shares from a Director	-	210,000	-	-

- (b) The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 13, 14, 15, 16, 21, 22, 24 and 25 to the financial statements.
- (c) Compensation of key management personnel

Key management personnel is defined as those person having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group.

Key management includes certain Directors of the Company and certain members of senior management of the Group.

13. ACCOUNTANTS' REPORT (CONT'D)**34. RELATED PARTY DISCLOSURES (CONT'D)****(c) Compensation of key management personnel (cont'd)**

The remuneration of the key management personnel are as follows:-

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Salaries, bonus and other emoluments	4,666,551	2,332,784	2,310,824	2,230,308
Director fees	47,250	-	-	-
Defined contribution plan	492,450	249,700	259,344	213,174
Social security contributions	5,812	5,474	4,842	5,084
Benefit-in-kind	149,412	-	-	-
	<u>5,361,475</u>	<u>2,587,958</u>	<u>2,575,010</u>	<u>2,448,566</u>

The number of key management personnel of the Group at the end of the financial years were 11 (2021: 8; 2020: 7 and 2019: 7) persons.

35. CAPITAL COMMITMENTS

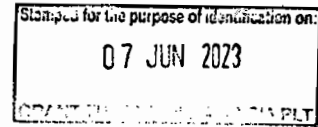
	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Authorised and contracted for:-				
- Purchase of property, plant and equipment	786,160	800,269	435,035	-

36. SEGMENTAL REPORTING

For management purposes, the Group is organised into business units based on its nature of business and has three reportable segment, as follows:-

- Trading - Operations and management of retail stores in Malaysia and Singapore, including the wholesales, export and e-commerce business.
- Services - Operations and management of golf academy and indoor golf events
- Others - Investment holding

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

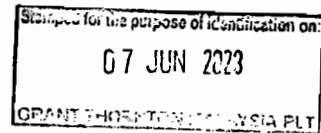
13. ACCOUNTANTS' REPORT (CONT'D)**36. SEGMENTAL REPORTING (CONT'D)**

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation. Transfer prices between business segments are established on terms and conditions that are mutually agreed upon.

Business segments

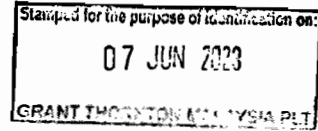
	<u>Note</u>	<u>Trading</u> RM	<u>Services</u> RM	<u>Others</u> RM	<u>Elimination</u> RM	<u>Total</u> RM
Audited						
2022						
Revenue:-						
External customers		291,447,972	9,427,184	-	-	300,875,156
Inter-segment	(i)	13,668,779	209,783	23,018,760	(36,897,322)	-
		<u>305,116,751</u>	<u>9,636,967</u>	<u>23,018,760</u>	<u>(36,897,322)</u>	<u>300,875,156</u>
Results:-						
Finance income		96,299	17,413	180,718	(287,703)	6,727
Finance costs		(4,214,758)	(337,117)	-	378,786	(4,173,089)
Depreciation of property, plant and equipment		(4,680,933)	(1,249,011)	(4,462)	-	(5,934,406)
Depreciation of right-of-use assets		(8,751,432)	(84,054)	-	-	(8,835,486)
Tax expense		(9,567,886)	(157,757)	-	-	(9,725,643)
Other non-cash expenses	(ii)	(1,248,254)	-	-	-	(1,248,254)
Segment profit/(loss)	(iii)	<u>33,783,861</u>	<u>(3,878,224)</u>	<u>16,044,772</u>	<u>(16,835,605)</u>	<u>29,114,804</u>
Assets:-						
Segment assets	(iv)	245,058,599	22,293,984	58,743,576	(67,230,248)	258,865,911
Additions to non-current assets:-						
- property, plant and equipment		13,709,533	10,106,455	50,150	-	23,866,138
- right-of-use assets		30,148,619	2,396,832	-	(2,396,832)	30,148,619
Deferred tax assets		-	219,000	-	-	219,000
Liabilities:-						
Segment liabilities	(v)	148,456,994	23,186,204	13,683,234	(23,017,030)	162,309,402
Deferred tax liabilities		804,850	-	-	-	804,850

13. ACCOUNTANTS' REPORT (CONT'D)**36. SEGMENTAL REPORTING (CONT'D)****Business segments (cont'd)**

	<u>Note</u>	<u>Trading</u> RM	<u>Services</u> RM	<u>Others</u> RM	<u>Elimination</u> RM	<u>Total</u> RM
Audited						
2021						
Revenue:-						
External customers		203,482,264	3,037,099	-	-	206,519,363
Inter-segment	(i)	8,135,544	-	2,210,000	(10,345,544)	-
		<u>211,617,808</u>	<u>3,037,099</u>	<u>2,210,000</u>	<u>(10,345,544)</u>	<u>206,519,363</u>
Results:-						
Finance income		104,876	10,094	44,294	-	159,264
Finance costs		(2,786,866)	(32,696)	-	-	(2,819,562)
Depreciation of property, plant and equipment		(3,561,069)	(31,790)	-	-	(3,592,859)
Depreciation of right-of-use assets		(6,307,678)	(84,054)	-	-	(6,391,732)
Tax expense		(6,053,813)	(101,889)	(12,150)	-	(6,167,852)
Other non-cash expenses	(ii)	(23,331)	-	(84,427)	-	(107,758)
Segment profit/(loss)	(iii)	<u>20,359,871</u>	<u>(241,217)</u>	<u>2,182,990</u>	<u>(2,210,000)</u>	<u>20,091,644</u>
Assets:-						
Segment assets	(iv)	168,689,391	6,955,011	41,381,574	(39,313,778)	177,712,198
Additions to non-current assets:-						
- property, plant and equipment		3,113,563	-	1,635,692	-	4,749,255
- right-of-use assets		9,441,365	504,323	-	-	9,945,688
Deferred tax assets		-	76,000	-	-	76,000
Liabilities:-						
Segment liabilities	(v)	90,928,749	6,476,007	39,602,130	(5,308,404)	131,698,482
Deferred tax liabilities		1,010,672	-	-	-	1,010,672

13. ACCOUNTANTS' REPORT (CONT'D)

36. SEGMENTAL REPORTING (CONT'D)



Business segments (cont'd)

	Note	Trading RM	Services RM	Others RM	Elimination RM	Total RM
Audited						
2020						
Revenue:-						
External customers		166,589,959	3,561,597	-	-	170,151,556
Inter-segment	(i)	6,898,415	4,122	2,280,000	(9,182,537)	-
		<u>173,488,374</u>	<u>3,565,719</u>	<u>2,280,000</u>	<u>(9,182,537)</u>	<u>170,151,556</u>
Results:-						
Finance income		58,254	13,064	-	(9,627)	61,691
Finance costs		(2,736,269)	-	-	9,627	(2,726,642)
Depreciation of property, plant and equipment		(3,361,501)	(10,038)	-	-	(3,371,539)
Depreciation of right-of-use assets		(6,150,855)	-	-	-	(6,150,855)
Tax expense		(4,476,095)	(138,643)	-	-	(4,614,738)
Other non-cash income	(ii)	992,064	25,169	(17,407)	-	999,826
Segment profit/(loss)	(iii)	<u>13,259,349</u>	<u>466,161</u>	<u>2,243,816</u>	<u>(2,280,000)</u>	<u>13,689,326</u>
Assets:-						
Segment assets	(iv)	141,137,452	1,881,680	43,157,785	(37,794,374)	148,382,543
Additions to non-current assets:-						
- property, plant and equipment		2,114,142	2,226	-	-	2,116,368
- right-of-use assets		5,475,025	-	-	-	5,475,025
Deferred tax assets		-	159,000	-	-	159,000
Liabilities:-						
Segment liabilities	(v)	82,016,905	994,459	30,061,331	(3,852,891)	109,219,804
Deferred tax liabilities		<u>1,128,114</u>	-	-	-	<u>1,128,114</u>

13. ACCOUNTANTS' REPORT (CONT'D)**36. SEGMENTAL REPORTING (CONT'D)**

Stamp for the purpose of identification on:
07 JUN 2023
GRANT THORNTON MALAYSIA PLT

Business segments (cont'd)

	<u>Note</u>	<u>Trading</u> RM	<u>Services</u> RM	<u>Others</u> RM	<u>Elimination</u> RM	<u>Total</u> RM
Audited						
2019						
Revenue:-						
External customers		171,886,908	4,062,756	-	-	175,949,664
Inter-segment	(i)	5,479,536	1,345,226	2,210,000	(9,034,762)	-
		<u>177,366,444</u>	<u>5,407,982</u>	<u>2,210,000</u>	<u>(9,034,762)</u>	<u>175,949,664</u>
Results:-						
Finance income		-	15,617	-	(15,617)	-
Finance costs		(3,571,988)	-	-	15,617	(3,556,371)
Depreciation of property, plant and equipment		(3,067,876)	(63,529)	-	-	(3,131,405)
Depreciation of right-of-use assets		(5,711,772)	-	-	-	(5,711,772)
Tax expense		(3,160,346)	(111,776)	-	-	(3,272,122)
Other non-cash expenses	(ii)	(160,258)	-	-	-	(160,258)
Segment profit	(iii)	<u>9,959,569</u>	<u>227,240</u>	<u>2,239,555</u>	<u>(2,210,000)</u>	<u>10,216,364</u>
Assets:-						
Segment assets	(iv)	125,623,453	1,664,943	41,022,969	(38,627,780)	129,683,585
Additions to non-current assets:-						
- property, plant and equipment		2,913,641	499	-	-	2,914,140
- right-of-use assets		6,712,165	-	-	-	6,712,165
Deferred tax assets		-	102,000	-	-	102,000
Liabilities:-						
Segment liabilities	(v)	77,796,376	786,883	30,170,331	(4,697,521)	104,056,069
Deferred tax liabilities		<u>1,083,000</u>	-	-	-	<u>1,083,000</u>

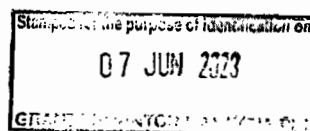
13. ACCOUNTANTS' REPORT (CONT'D)**36. SEGMENTAL REPORTING (CONT'D)**

Stamped for the purpose of identification on:
07 JUN 2023
GRAND TRADING CORPORATION Sdn Bhd

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:-

- (i) Inter-segment revenue is eliminated on consolidation.
(ii) Other material non-cash income/(expenses) consist of the following items:-

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Gain on disposal of property, plant and equipment	44	919	25,260	102,053
Gain on disposal of subsidiaries	-	69,113	-	-
Bad debts written off	-	-	-	(2,197)
Unrealised gain/(loss) on foreign exchange	312,204	(236,861)	224,100	101,086
Rent concession related to COVID-19	70,191	824,718	1,579,207	-
Allowance of expected credit loss on trade receivables	-	-	(1,500)	-
Property, plant and equipment written off	(108,835)	(423,974)	(732,320)	(150,184)
Trademark written off	-	(138,713)	-	-
Gain on derecognition right-of-use assets and lease liabilities	-	6,787	-	-
(Loss)/Gain on lease modifications	(104,414)	57,921	-	-
Reversal of allowance for expected credit loss on trade receivables	-	1,500	-	-
Allowance for slow moving inventories	(1,417,444)	(269,168)	(94,921)	(211,016)
	<u>(1,248,254)</u>	<u>(107,758)</u>	<u>999,826</u>	<u>(160,258)</u>

13. ACCOUNTANTS' REPORT (CONT'D)**36. SEGMENTAL REPORTING (CONT'D)**

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd):-

- (iii) The following items are (deducted from)/added to segment profit to arrive at "Net profit for the financial years" presented in the consolidated statements of profit or loss and other comprehensive income:-

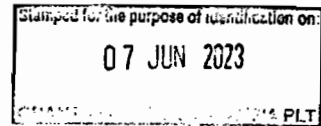
	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Segment profit	43,006,809	28,919,794	20,969,015	17,044,857
Finance income	6,727	159,264	61,691	-
Finance costs	(4,173,089)	(2,819,562)	(2,726,642)	(3,556,371)
Tax expense	(9,725,643)	(6,167,852)	(4,614,738)	(3,272,122)
Net profit for the financial years	<u>29,114,804</u>	<u>20,091,644</u>	<u>13,689,326</u>	<u>10,216,364</u>

- (iv) The following items are added to segment assets to arrive at total assets reported in the consolidated statements of financial position:-

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Segment assets	258,865,911	177,712,198	148,382,543	129,683,585
Deferred tax assets	219,000	76,000	159,000	102,000
Total assets	<u>259,084,911</u>	<u>177,788,198</u>	<u>148,541,543</u>	<u>129,785,585</u>

- (v) The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statements of financial position:-

	← Audited →			
	<u>2022</u> RM	<u>2021</u> RM	<u>2020</u> RM	<u>2019</u> RM
Segment liabilities	162,309,402	131,698,482	109,219,804	104,056,069
Deferred tax liabilities	804,850	1,010,672	1,128,114	1,083,000
Total liabilities	<u>163,114,252</u>	<u>132,709,154</u>	<u>110,347,918</u>	<u>105,139,069</u>

13. ACCOUNTANTS' REPORT (CONT'D)**36. SEGMENTAL REPORTING (CONT'D)****Geographical segments**

The Group operates in Malaysia and Singapore. Non-current assets and sales to external customers disclosed in geographical segments are based on the geographical location of its assets and customers respectively.

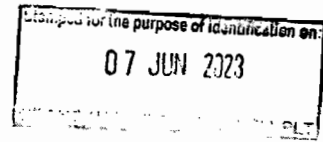
The following table provides an analysis of the Group's non-current assets and revenue by geographical segment: -

	← Audited →			
	2022 RM	2021 RM	2020 RM	2019 RM
Non-current assets				
Malaysia	63,528,695	41,651,893	45,189,602	50,075,404
Singapore	28,394,522	10,155,227	3,282,900	1,148,561
	<u>91,923,217</u>	<u>51,807,120</u>	<u>48,472,502</u>	<u>51,223,965</u>
Revenue from external customers				
Malaysia	199,475,449	120,973,929	126,506,408	119,315,163
Singapore	69,071,285	55,951,233	32,746,380	45,482,016
Indonesia	31,095,011	25,377,283	6,613,833	8,090,138
Myanmar	506,685	231,514	108,308	62,183
Thailand	292,372	398,062	226,563	349,754
Japan	5,475	1,216,820	1,912,560	2,066,709
South Korea	-	1,604,593	1,558,806	256,409
Others	428,879	765,929	478,698	327,292
	<u>300,875,156</u>	<u>206,519,363</u>	<u>170,151,556</u>	<u>175,949,664</u>

The amount of non-current assets consist of property, plant and equipment, right-of-use assets, other investment, investments in subsidiary and intangible assets.

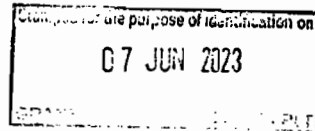
Major customers

The Group does not have any revenue from a single external customer which represents 10% or more of the Group's revenue. As such, information on major customers is not presented.

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS****37.1 Categories of financial instruments**

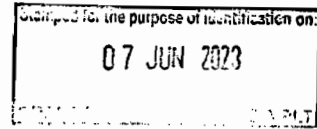
The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities are measured at amortised cost ("AC") and fair value through profit or loss ("FVTPL"):-

	Carrying amount RM	AC RM	FVTPL RM
Audited			
2022			
Financial assets			
Other investment	17,000	-	17,000
Trade receivables	8,505,574	8,505,574	-
Other receivables	13,157,095	13,157,095	-
Fixed deposits with licensed banks	2,058,908	2,058,908	-
Cash and bank balances	26,825,060	26,825,060	-
	<u>50,563,637</u>	<u>50,546,637</u>	<u>17,000</u>
Financial liabilities			
Trade payables	17,239,964	17,239,964	-
Other payables	13,680,349	13,680,349	-
Borrowings	61,191,593	61,191,593	-
Dividend payable	12,500,000	12,500,000	-
	<u>104,611,906</u>	<u>104,611,906</u>	<u>-</u>
Audited			
2021			
Financial assets			
Other investment	17,000	-	17,000
Trade receivables	7,799,355	7,799,355	-
Other receivables	6,838,706	6,838,706	-
Fixed deposits with licensed banks	1,360,487	1,360,487	-
Cash and bank balances	35,256,475	35,256,475	-
	<u>51,272,023</u>	<u>51,255,023</u>	<u>17,000</u>
Financial liabilities			
Trade payables	18,932,316	18,932,316	-
Other payables	6,464,575	6,464,575	-
Amount owing to holding company	39,577,091	39,577,091	-
Borrowings	36,998,483	36,998,483	-
	<u>101,972,465</u>	<u>101,972,465</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.1 Categories of financial instruments (cont'd)**

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities are measured at amortised cost ("AC") and fair value through profit or loss ("FVTPL") (cont'd):-

	<u>Carrying amount</u> RM	<u>AC</u> RM	<u>FVTPL</u> RM
Audited			
2020			
Financial assets			
Other investment	17,000	-	17,000
Trade receivables	5,528,222	5,528,222	-
Other receivables	4,249,293	4,249,293	-
Amount owing by subsidiaries	355,351	355,351	-
Amount owing by an associate	485,560	485,560	-
Fixed deposits with licensed banks	20,429,153	20,429,153	-
Cash and bank balances	19,386,666	19,386,666	-
	<u>50,451,245</u>	<u>50,434,245</u>	<u>17,000</u>
Financial liabilities			
Trade payables	14,378,854	14,378,854	-
Other payables	6,696,060	6,696,060	-
Amount owing to holding company	29,142,058	29,142,058	-
Amount owing to subsidiaries	766,000	766,000	-
Amount owing to Directors	32,223	32,223	-
Borrowings	33,079,342	33,079,342	-
	<u>84,094,537</u>	<u>84,094,537</u>	<u>-</u>
Audited			
2019			
Financial assets			
Other investment	17,000	-	17,000
Trade receivables	6,416,690	6,416,690	-
Other receivables	3,657,420	3,657,420	-
Amount owing by subsidiaries	358,372	358,372	-
Amount owing by an associate	480,354	480,354	-
Cash and bank balances	3,717,605	3,717,605	-
	<u>14,647,441</u>	<u>14,630,441</u>	<u>17,000</u>

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.1 Categories of financial instruments (cont'd)**

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities are measured at amortised cost ("AC") and fair value through profit or loss ("FVTPL") (cont'd):-

	<u>Carrying amount</u> RM	<u>AC</u> RM	<u>FVTPL</u> RM
Audited			
2019 (cont'd)			
Financial liabilities			
Trade payables	5,856,285	5,856,285	-
Other payables	5,066,919	5,066,919	-
Amount owing to holding company	29,227,058	29,227,058	-
Amount owing to subsidiaries	863,000	863,000	-
Amount owing to Directors	2,837,048	2,837,048	-
Borrowings	<u>35,935,259</u>	<u>35,935,259</u>	-
	<u>79,785,569</u>	<u>79,785,569</u>	-

37.2 Financial risk management objectives and policies**Financial risks**

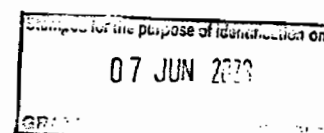
The Group is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of Group's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the Group of counterparties whose aggregate credit exposure is significant in relation of the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.2 Financial risk management objectives and policies (cont'd)****Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(a) Credit risk (cont'd)

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the management.

Following are the areas where the Group is exposed to credit risk:-

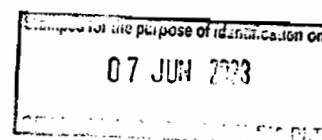
(i) Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Directors have established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external rating, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the Directors.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Generally, the gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities. The Group minimise credit risk by dealing exclusively with high credit rating counterparties. The group does not have any major concentration of credit risk related to any individual customer or counterparty. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 13 to the financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.2 Financial risk management objectives and policies (cont'd)****Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

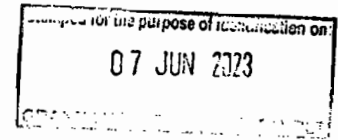
(a) Credit risk (cont'd)

Following are the areas where the Group is exposed to credit risk (cont'd):-

(i) Receivables (cont'd)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix which are grouped together as they are expected to have similar risk nature:-

	Gross carrying <u>amount</u> RM	Loss <u>allowance</u> RM	Net <u>balances</u> RM
Audited			
2022			
Not past due	6,190,612	-	6,190,612
Past due 1 to 30 days	2,005,182	-	2,005,182
Past due 31 to 60 days	94,993	-	94,993
Past due 61 to 90 days	74,606	-	74,606
Past due more than 90 days	140,181	-	140,181
	<u>8,505,574</u>	<u>-</u>	<u>8,505,574</u>
Audited			
2021			
Not past due	5,930,076	-	5,930,076
Past due 1 to 30 days	1,493,339	-	1,493,339
Past due 31 to 60 days	250,355	-	250,355
Past due 61 to 90 days	5,607	-	5,607
Past due more than 90 days	119,978	-	119,978
	<u>7,799,355</u>	<u>-</u>	<u>7,799,355</u>

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.2 Financial risk management objectives and policies (cont'd)****Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

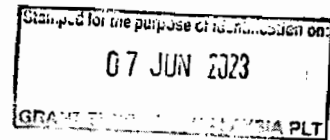
(a) Credit risk (cont'd)

Following are the areas where the Group is exposed to credit risk (cont'd):-

(i) Receivables (cont'd)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix which are grouped together as they are expected to have similar risk nature (cont'd):-

	Gross carrying <u>amount</u> RM	Loss <u>allowance</u> RM	Net <u>balances</u> RM
Audited			
2020			
Not past due	4,632,162	-	4,632,162
Past due 1 to 30 days	605,541	-	605,541
Past due 31 to 60 days	77,901	-	77,901
Past due 61 to 90 days	86,907	-	86,907
Past due more than 90 days	125,711	-	125,711
	<u>5,528,222</u>	-	<u>5,528,222</u>
Credit impaired at the reporting date			
More than 90 days			
Individually impaired	1,500	(1,500)	-
	<u>5,529,722</u>	<u>(1,500)</u>	<u>5,528,222</u>
Audited			
2019			
Not past due	3,797,559	-	3,797,559
Past due 1 to 30 days	1,228,731	-	1,228,731
Past due 31 to 60 days	618,210	-	618,210
Past due 61 to 90 days	260,100	-	260,100
Past due more than 90 days	512,090	-	512,090
	<u>6,416,690</u>	-	<u>6,416,690</u>

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.2 Financial risk management objectives and policies (cont'd)****Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(a) Credit risk (cont'd)

Following are the areas where the Group is exposed to credit risk (cont'd):-

(ii) Other receivables

The maximum exposure to credit risk is represented by their carrying amounts in the financial statements.

(iii) Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(iv) Intercompany loans and advances

The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The Group provides unsecured advances to a related party, an associate and subsidiaries and monitors their results of a related party, an associate and subsidiaries regularly.

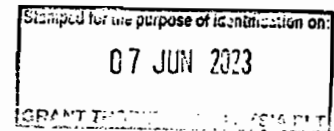
As at the end of the reporting date, there was no indication that advances to a related party, an associate and subsidiaries are not recoverable.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds.

In managing its exposures to liquidity risk, the Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

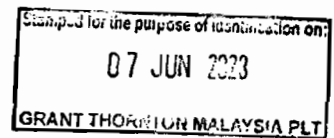
13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.2 Financial risk management objectives and policies (cont'd)****Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on the contractual undiscounted repayment obligation are set out as follows:-

	Carrying amount RM	Contractual cash flows RM	Less than 1 year RM	← Non-current →		
				1 to 2 years RM	2 to 5 years RM	More than 5 years RM
Audited 2022						
Secured						
Bank borrowings						
- Term loans	18,393,698	21,899,303	3,827,186	3,852,516	7,726,945	6,492,656
- Bankers' acceptance	21,853,000	21,853,000	21,853,000	-	-	-
- Trust receipts	5,785,875	5,785,875	5,785,875	-	-	-
- Bank overdraft	9,644,995	9,644,995	9,644,995	-	-	-
- Invoice financing	2,240,025	2,240,025	2,240,025	-	-	-
- Revolving loan	3,274,000	3,274,000	3,274,000	-	-	-
Unsecured						
Trade payables	17,239,964	17,239,964	17,239,964	-	-	-
Other payables	13,680,349	13,680,349	13,680,349	-	-	-
Lease liabilities	49,409,293	57,958,858	13,206,654	10,218,627	24,971,738	9,561,839
Dividend payable	12,500,000	12,500,000	12,500,000	-	-	-
	154,021,199	166,076,369	103,252,048	14,071,143	32,698,683	16,054,495
Audited 2021						
Secured						
Bank borrowings						
- Term loans	19,711,345	22,303,475	7,443,425	2,372,235	4,185,663	8,302,152
- Bankers' acceptance	14,445,000	14,445,000	14,445,000	-	-	-
- Trust receipts	2,842,138	2,842,138	2,842,138	-	-	-
Unsecured						
Trade payables	18,932,316	18,932,316	18,932,316	-	-	-
Other payables	6,464,575	6,464,575	6,464,575	-	-	-
Amount owing to holding company	39,577,091	39,577,091	39,577,091	-	-	-
Lease liabilities	25,808,905	29,392,776	7,882,722	7,422,087	11,072,802	3,015,165
	127,781,370	133,957,371	97,587,267	9,794,322	15,258,465	11,317,317

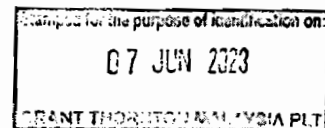
13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.2 Financial risk management objectives and policies (cont'd)****Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on the contractual undiscounted repayment obligation are set out as follows (cont'd):-

	Carrying amount RM	Contractual cash flows RM	Less than 1 year RM	Non-current		
				1 to 2 years RM	2 to 5 years RM	More than 5 years RM
Audited 2020						
Secured						
Bank borrowings						
- Term loans	24,588,468	27,797,284	10,852,176	3,278,561	4,553,217	9,113,330
- Bankers' acceptance	5,333,000	5,333,000	5,333,000	-	-	-
- Invoice financing	3,157,874	3,157,874	3,157,874	-	-	-
Unsecured						
Trade payables	14,378,854	14,378,854	14,378,854	-	-	-
Other payables	6,696,060	6,696,060	6,696,060	-	-	-
Amount owing to holding company	29,142,058	29,142,058	29,142,058	-	-	-
Amount owing to subsidiaries	766,000	766,000	766,000	-	-	-
Amount owing to Directors	32,223	32,223	32,223	-	-	-
Lease liabilities	21,556,382	25,392,550	6,538,812	5,488,409	9,655,166	3,710,163
	<u>105,650,919</u>	<u>112,695,903</u>	<u>76,897,057</u>	<u>8,766,970</u>	<u>14,208,383</u>	<u>12,823,493</u>

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.2 Financial risk management objectives and policies (cont'd)****Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(b) Liquidity risk (cont'd)

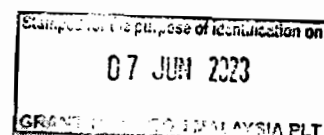
The summary of the maturity profile based on the contractual undiscounted repayment obligation are set out as follows (cont'd):-

	Carrying amount RM	Contractual cash flows RM	Less than 1 year RM	← Non-current →		
				1 to 2 years RM	2 to 5 years RM	More than 5 years RM
Audited 2019						
Secured						
Bank borrowings						
- Term loans	16,019,615	20,434,095	2,378,616	2,378,616	4,583,701	11,093,162
- Bankers' acceptance	14,893,000	14,893,000	14,893,000	-	-	-
- Bank overdraft	4,362,056	4,362,056	4,362,056	-	-	-
- Invoice financing	660,588	660,588	660,588	-	-	-
Unsecured						
Trade payables	5,856,285	5,856,285	5,856,285	-	-	-
Other payables	5,066,919	5,066,919	5,066,919	-	-	-
Amount owing to holding company	29,227,058	29,227,058	29,227,058	-	-	-
Amount owing to subsidiaries	863,000	863,000	863,000	-	-	-
Amount owing to Directors	2,837,048	2,837,048	2,837,048	-	-	-
Lease liabilities	21,977,623	26,266,653	6,832,010	4,480,779	9,105,730	5,848,134
	<u>101,763,192</u>	<u>110,466,702</u>	<u>72,976,580</u>	<u>6,859,395</u>	<u>13,689,431</u>	<u>16,941,296</u>

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

To mitigate the Group's exposure to foreign currency risk, the Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to this risk is primarily United States Dollar ("USD"), Singapore Dollar ("SGD") and Japanese Yen ("JPY").

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.2 Financial risk management objectives and policies (cont'd)****Financial risks (cont'd)**

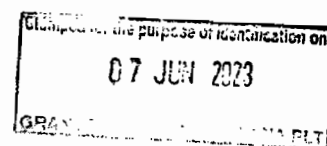
The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(c) Foreign currency risk (cont'd)Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's profit for the financial years to a reasonably possible change in the SGD, USD and JPY exchange rates against the functional currency of the Group, with all other variables held constant.

The Group's exposures to foreign currency risk, based on carrying amounts as at the end of the reporting period was:-

	<u>SGD</u> RM	<u>USD</u> RM	<u>JPY</u> RM
Audited			
2022			
Trade receivables	5,867,751	1,515,603	417,495
Other receivables	2,393,268	-	-
Trade payables	(1,767,606)	(10,335,679)	(644,570)
Other payables	(5,056,402)	-	-
Cash and bank balances	<u>11,233,690</u>	<u>228,437</u>	<u>10,362</u>
Net exposure	<u>12,670,701</u>	<u>(8,591,639)</u>	<u>(216,713)</u>
Audited			
2021			
Trade receivables	5,126,642	687,607	-
Other receivables	441,815	-	-
Trade payables	(1,343,747)	(12,100,785)	757,344
Other payables	(175,828)	-	-
Cash and bank balances	<u>6,868,285</u>	<u>5,976,556</u>	<u>48,131</u>
Net exposure	<u>10,917,167</u>	<u>(5,436,622)</u>	<u>805,475</u>

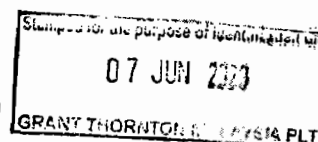
13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.2 Financial risk management objectives and policies (cont'd)****Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(c) Foreign currency risk (cont'd)**Foreign currency sensitivity analysis (cont'd)**

The Group's exposures to foreign currency risk, based on carrying amounts as at the end of the reporting period was (cont'd):-

	<u>SGD</u> RM	<u>USD</u> RM	<u>JPY</u> RM
Audited			
2020			
Trade receivables	3,475,035	370,990	-
Other receivables	211,447	-	218,460
Trade payables	(1,320,427)	(7,905,860)	(140,444)
Other payables	(556,022)	-	-
Cash and bank balances	<u>10,822,149</u>	<u>1,204,065</u>	<u>27,758</u>
Net exposure	<u>12,632,182</u>	<u>(6,330,805)</u>	<u>105,774</u>
Audited			
2019			
Trade receivables	4,224,294	1,072,116	-
Other receivables	3,649	-	-
Trade payables	(1,647,628)	(2,043,330)	(145,670)
Other payables	49,243	-	-
Cash and bank balances	<u>1,912,629</u>	<u>873,095</u>	<u>59,365</u>
Net exposure	<u>4,542,187</u>	<u>(98,119)</u>	<u>(86,305)</u>

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.2 Financial risk management objectives and policies (cont'd)****Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(c) Foreign currency risk (cont'd)**Foreign currency sensitivity analysis (cont'd)**

The Group's exposures to foreign currency risk, based on carrying amounts as at the end of the reporting period was (cont'd):-

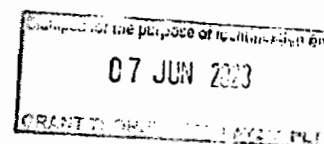
	Profit, net of tax/Equity			
	Audited			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
	RM	RM	RM	RM
SGD/RM				
- Strengthened 0.48%/0.12%/0.01%/0.01%	46,475	10,080	644	458
- Weakened 0.48%/0.12%/0.01%/0.01%	<u>(46,475)</u>	<u>(10,080)</u>	<u>(644)</u>	<u>(458)</u>
USD/RM				
- Strengthened 0.41%/0.29%/0.17%/0.09%	(26,727)	(12,134)	(8,046)	(70)
- Weakened 0.41%/0.29%/0.17%/0.09%	<u>26,727</u>	<u>12,134</u>	<u>8,046</u>	<u>70</u>
JPY/RM				
- Strengthened 0.73%/0.63%/0.26%/0.01%	(1,209)	3,854	211	(4)
- Weakened 0.73%/0.63%/0.26%/0.01%	<u>1,209</u>	<u>(3,854)</u>	<u>(211)</u>	<u>4</u>

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

Fixed rate borrowing is exposed to a risk of change in its fair value due to changes in interest rates. Variable rate borrowing is exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group's interest rate management objective is to manage the interest expense consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debt based on assessment of its existing exposure and desired interest rate profile.

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.2 Financial risk management objectives and policies (cont'd)****Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

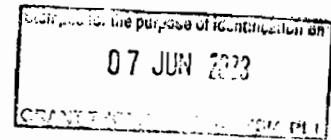
(d) Interest rate risk (cont'd)

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

	← Audited →			
	2022 RM	2021 RM	2020 RM	2019 RM
Fixed rate instruments				
Financial asset				
Fixed deposits with licensed banks	2,058,908	1,360,487	20,429,153	-
Financial liabilities				
Lease liabilities	(49,409,293)	(25,808,905)	(21,556,382)	(21,977,623)
Amount owing to Directors	-	-	(32,223)	(2,837,048)
Amount owing to related companies	-	-	(77,000)	(477,049)
	<u>(47,350,385)</u>	<u>(24,448,418)</u>	<u>(1,236,452)</u>	<u>(25,291,720)</u>
Floating rate instruments				
Financial liabilities				
Borrowings				
- term loans	18,393,698	19,711,345	24,588,468	16,019,615
- bankers' acceptance	21,853,000	14,445,000	5,333,000	14,893,000
- bank overdraft	9,644,995	-	-	4,362,056
- invoice financing	2,240,025	-	3,157,874	660,588
- trust receipts	5,785,875	2,842,138	-	-
- revolving loan	3,274,000	-	-	-
	<u>61,191,593</u>	<u>36,998,483</u>	<u>33,079,342</u>	<u>35,935,259</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.2 Financial risk management objectives and policies (cont'd)****Financial risks (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

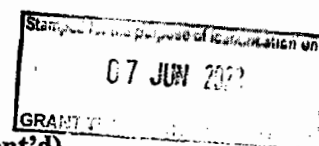
(d) Interest rate risk (cont'd)Cash flow sensitivity analysis for variable rate instruments

A change in 100 (2021: 25; 2020: 75 and 2019: 15) basis point ("bp") in interest rates at the end of the reporting period would have increase/(decrease) profit for the year and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Effect on profit for the <u>financial years/Equity</u>	
	RM	RM
Audited		
2022 (+/-100bp)	(465,056)	465,056
2021 (+/-25bp)	(70,297)	70,297
2020 (+/-75bp)	(188,552)	188,552
2019 (+/-15bp)	(40,966)	40,966

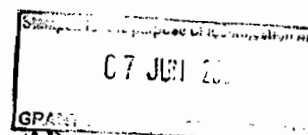
37.3 Reconciliation of liabilities arising from financing activities

	1 January 2022 RM	Cash flows RM	Others RM	Exchange differences RM	31 December 2022 RM
Audited					
Amount owing to holding company	39,577,091	3,922,909	(43,500,000) (i)	-	-
Amount owing to related party	15,018	(15,018)	-	-	-
Lease liabilities	25,808,905	(8,001,773)	30,239,973 (ii)	1,362,188	49,409,293
Bank borrowings					
- term loans	19,711,345	(1,317,647) (iii)	-	-	18,393,698
- bankers' acceptance	14,445,000	7,408,000 (iv)	-	-	21,853,000
- trust receipts	2,842,138	2,943,737 (v)	-	-	5,785,875
- invoice financing	-	2,240,025	-	-	2,240,025
- revolving loan	-	3,274,000	-	-	3,274,000
	<u>102,399,497</u>	<u>10,454,233</u>	<u>(13,260,027)</u>	<u>1,362,188</u>	<u>100,955,891</u>

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.3 Reconciliation of liabilities arising from financing activities (cont'd)**

- (i) Being dividend paid and issued of new ordinary shares during the financial year amounted RM11,500,000 and RM32,000,000 respectively.
- (ii) These amounts are net of non-cash additions to lease liabilities, rent concession related to COVID-19 and lease modifications during the financial year amounted to RM30,148,619, RM70,191 and RM161,545 respectively.
- (iii) These amounts are net of drawdown of term loans and repayment of term loans during the financial year amounted to RM4,974,570 and RM6,292,217 respectively.
- (iv) These amounts are net of drawdown of bankers' acceptance and repayment of bankers' acceptance during the financial year amounted to RM53,271,101 and RM45,863,101 respectively.
- (v) These amounts are net of drawdown of trust receipt and repayment of trust receipts during the financial year amounted to RM18,654,059 and RM15,710,322 respectively.

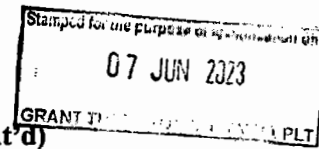
	1 January 2021 RM	Cash flows RM	Others RM	Exchange differences RM	31 December 2021 RM
Audited					
Amount owing to holding company	29,142,058	(1,064,967)	11,500,000 (i)	-	39,577,091
Amount owing to Directors	32,223	(32,223)	-	-	-
Amount owing to subsidiaries	766,000	(766,000)	-	-	-
Amount owing to related party	31,864	(16,846)	-	-	15,018
Amount owing to related companies	77,000	(77,000)	-	-	-
Lease liabilities	21,556,382	(5,001,325)	9,119,879 (ii)	133,969	25,808,905
Bank borrowings					
- term loans	24,588,468	(4,877,123)	-	-	19,711,345
- bankers' acceptance	5,333,000	9,112,000 (iii)	-	-	14,445,000
- invoice financing	3,157,874	(3,157,874) (iv)	-	-	-
- trust receipts	-	2,842,138	-	-	2,842,138
	<u>84,684,869</u>	<u>(3,039,220)</u>	<u>20,619,879</u>	<u>133,969</u>	<u>102,399,497</u>

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.3 Reconciliation of liabilities arising from financing activities (cont'd)**

- (i) Being second single tier interim dividend declared during the financial year.
- (ii) These amounts are net of non-cash additions to lease liabilities, rent concession related to COVID-19, lease termination and lease modifications during the financial year amounted to RM9,945,688, RM824,718, RM220,561 and RM219,470 respectively.
- (iii) These amounts are net of drawdown of bankers' acceptance and repayment of bankers' acceptance during the financial year amounted to RM17,613,638 and RM8,501,638 respectively.
- (iv) These amounts are net of drawdown of invoice financing and repayment of invoice financing during the financial year amounted to RM8,761,330 and RM11,919,204 respectively.

	1 January 2020 RM	<u>Cash flows</u> RM	<u>Others</u> RM	<u>Exchange differences</u> RM	31 December 2020 RM
Audited					
Amount owing to holding company	29,227,058	(85,000)	-	-	29,142,058
Amount owing to Directors	2,837,048	(2,804,825)	-	-	32,223
Amount owing to subsidiaries	863,000	(97,000)	-	-	766,000
Amount owing to related companies	477,049	(400,049)	-	-	77,000
Amount owing to related party	23,602	8,262	-	-	31,864
Lease liabilities	21,977,623	(4,314,571)	3,895,818 (i)	(2,488)	21,556,382
Bank borrowings					
- term loans	16,019,615	8,568,853 (ii)	-	-	24,588,468
- bankers' acceptance	14,893,000	(9,560,000) (iii)	-	-	5,333,000
- invoice financing	660,588	2,497,286 (iv)	-	-	3,157,874
	<u>86,978,583</u>	<u>(6,187,044)</u>	<u>3,895,818</u>	<u>(2,488)</u>	<u>84,684,869</u>

- (i) These amounts are net of non-cash additions to lease liabilities and rent concession related to COVID-19, during the financial year amounted to RM5,475,025 and RM1,579,207 respectively.
- (ii) These amounts are net of drawdown of term loans and repayment of term loans during the financial year amounted to RM12,000,000 and RM3,431,147 respectively.
- (iii) These amounts are net of drawdown of bankers' acceptance and repayment of bankers' acceptance during the financial year amounted to RM15,453,140 and RM25,013,140 respectively.
- (iv) These amounts are net of drawdown of invoice financing and repayment of invoice financing during the financial year amounted to RM3,698,822 and RM1,201,536 respectively.

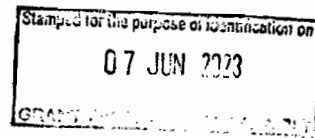
13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.3 Reconciliation of liabilities arising from financing activities (cont'd)**

	1 January 2019 RM	Adoption of MFRS 16 RM	Cash flows RM	Others RM	Exchange difference RM	31 December 2019 RM
Audited						
Amount due to holding company	29,242,058	-	(15,000)	-	-	29,227,058
Amount owing to Directors	32,223	-	2,804,825	-	-	2,837,048
Amount owing to subsidiaries	808,000	-	79,574	(24,574)	(i)	863,000
Amount owing to related companies	350,000	-	127,049	-	-	477,049
Amount owing to related party	8,798	-	14,804	-	-	23,602
Lease liabilities	-	20,829,053	(5,267,558)	6,407,803	(ii)	21,977,623
Bank borrowings						
- term loans	15,735,117	-	284,498	(iii)	-	16,019,615
- bankers' acceptance	17,497,000	-	(2,604,000)	(iv)	-	14,893,000
- invoice financing	-	-	660,588	-	-	660,588
Total liabilities from financing activities	63,673,196	20,829,053	(3,915,220)	6,383,229	8,325	86,978,583

- (i) Being unrealised loss on foreign exchange during the financial year.
- (ii) Being additions to lease liabilities during the financial year amounted RM6,407,803.
- (iii) These amounts are net of drawdown of term loans and repayment of term loans during the financial year amounted to RM1,500,000 and RM1,215,502 respectively.
- (iv) These amounts are net of drawdown of bankers' acceptance and repayment of bankers' acceptance during the financial year amounted to RM62,270,803 and RM64,874,803 respectively.

37.4 Fair value of financial instruments

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

13. ACCOUNTANTS' REPORT (CONT'D)**37. FINANCIAL INSTRUMENTS (CONT'D)****37.4 Fair value of financial instruments (cont'd)**

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their values and carrying amounts shown in the consolidated statements of financial position.

	Fair value of financial instruments carried at fair value Level 2 RM	Fair value of financial instruments carried at fair value Level 3 RM	Carrying amount RM
Audited			
2022			
Financial asset			
Other investment	17,000	-	17,000
Financial liability			
Term loans	-	16,786,771	18,393,698
2021			
Financial asset			
Other investment	17,000	-	17,000
Financial liability			
Term loans	-	18,561,264	19,711,345
2020			
Financial asset			
Other investment	17,000	-	17,000
Financial liability			
Term loans	-	22,272,669	24,588,468
2019			
Financial asset			
Other investment	17,000	-	17,000
Financial liability			
Term loans	-	14,273,044	16,019,615

During the reporting year ended 31 December 2022, 31 December 2021, 31 December 2020 and 31 December 2019, there were no transfers between the hierarchy fair value measurement.

14. ADDITIONAL INFORMATION

14.1 SHARE CAPITAL

- (i) Save as disclosed in this Prospectus, no securities will be allotted, issued or transferred on the basis of this Prospectus later than 6 months after the date of issue of this Prospectus.
- (ii) As at the LPD, we have only 1 class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (iii) Save as disclosed in Sections 4.2.1 and 6.1.2 of this Prospectus, our Company has not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within the Financial Years Under Review and up to the date of this Prospectus.
- (iv) As at the date of this Prospectus, save for our Issue Shares reserved for the subscription by the Eligible Persons as disclosed in Section 4.2.1.3 of this Prospectus, there is currently no other scheme involving our Directors and employees in the share capital of our Company or any of our Subsidiaries.
- (v) We have not agreed, conditionally or unconditionally, to put the share capital of our Company or any of our Subsidiaries under option.
- (vi) As at the date of this Prospectus, neither we nor our Subsidiaries have any outstanding warrants, options, convertible securities or uncalled capital.

14.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are reproduced from our Constitution and are qualified in its entirety by reference to our Constitution and by applicable law. The words, terms and expressions appearing in the following provisions as disclosed in Sections 14.2, 14.3 and 14.4 of this Prospectus will bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

Words	Meaning
"Act"	Means the Companies Act, 2016 and any statutory modification, amendment or re-enactment thereof and any written law for the time being in force concerning companies and affecting the Company.
"Alternate Director"	Means a substitute Director nominated in writing to the Company and duly registered with the Registrar.
"Board" or "Board of Directors"	Means the board of directors for the time being of the Company.
"Bursa Depository"	Means Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W)) including any further change of name and its successors-in-title.
"Central Depositories Act"	Means the Securities Industry (Central Depositories) Act, 1991 and any statutory modification, amendment or re-enactment thereof and every other legislation made thereunder for the time being in force.
"Company"	Means MST Golf (<i>formerly known as M S T Golf (Asia) Sdn Bhd</i>) (Registration No.: 199301009307 (264044-M)).

14. ADDITIONAL INFORMATION (CONT'D)

Words	Meaning
"Constitution"	Means this Constitution as originally framed or as altered from time to time by Special Resolution.
"Deposited Security"	Means a security in the Company standing to the credit of a Securities Account of a Depositor and includes securities in the Securities Account that is in suspense subject to the provisions of the Central Depositories Act and the Rules.
"Directors"	Means the Directors for the time being of the Company, and unless otherwise stated, includes their duly appointed Alternate Directors.
"Exchange"	Means Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W)) or such other name as it may assume from time to time.
"Listing Requirements"	Means the Main Market Listing Requirements of the Exchange including any modifications or amendments to the Listing Requirements that may be made from time to time and such practice notes or circulars as may be issued by the Exchange from time to time.
"Member"	Means any person for the time being holding shares in the Company and whose name appears in the Register of Members and Depositors whose names appear on the Record of Depositors (except Bursa Depository in its capacity as a bare trustee).
"Record of Depositors"	Means a record provided by the Bursa Depository to the Company or its Registrar under Chapter 24.0 of the Rules.
"Register" or "Register of Members"	Means the Register of Members to be kept pursuant to the Act and unless otherwise expressed to the contrary, includes the Record of Depositors.
"Rules"	Means Rules of the Bursa Depository as defined under the Central Depositories Act and any appendices thereto, as amended, modified and supplemented from time to time.
"Securities"	Has the meaning given as defined in Section 2(1) of the Capital Markets and Services Act, 2007.
"Securities Account"	Means an account established by Bursa Depository for a Depositor for the recording of deposit or withdrawal of securities and for dealing in such securities by the Depositor as permitted under the Central Depositories Act and/or the Rules.

14. ADDITIONAL INFORMATION (CONT'D)

14.2.1 Remuneration of our Directors

"**Clause 119** - The fees and any benefits payable to the Directors of the Company and its subsidiary(ies) including any compensation for loss of employment of Director or former Director shall be approved by an Ordinary Resolution of the Company in general meeting annually and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine PROVIDED ALWAYS that:

- (a) fee payable to non-executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover and which shall not exceed the amount approved by the shareholders in general meeting;
- (b) remuneration and other emoluments (including bonus, benefits or any other emoluments) payable to executive Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such remuneration and emoluments may not include a commission on or percentage of turnover. Nothing herein shall prejudice the powers of the Directors to appoint any of their members to be the employee or agent of the Company at such remuneration and upon such terms as they think fit provided that such remuneration shall not include commission on or percentage of turnover;
- (c) fees of Directors and any benefits payable to Directors shall be subject to annual shareholders' approval at a general meeting;
- (d) any fee paid to an Alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and
- (e) the fees and/or benefits payable to non-executive Directors who is also Director of the subsidiary(ies) includes fees, meeting allowances, travelling allowances, benefits, gratuity and compensation for loss of employment of Director or former Director of the Company provided by the Company and subsidiary(ies), but does not include insurance premium or any issue of securities.

Clause 120 - The Company may repay to any Directors all such reasonable expenses as he may incur in attending and returning from meetings of the Directors, or any committee of the Directors or general meeting of the Company or in connection with the business of the Company, whether within or outside his country of domicile or residence.

Clause 121 - The Directors may grant special remuneration to Director who (on request by the Director) is willing to render any special or extra services to the Company.

Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of remuneration, or by a percentage of profits (other than non-executive Directors), or by all or any of such methods but shall not include (where such special remuneration is paid by way of remuneration) a commission on or a percentage of turnover."

14.2.2 Voting and borrowing power of Directors

"**Clause 136** - A Director may vote in respect of:

- (a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company;
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of security;

14. ADDITIONAL INFORMATION (CONT'D)

- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (d) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or Member or otherwise howsoever, but is not the holder of or beneficially interested in 1% or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interested being deemed for the purpose of this Clause to be a material interest in all circumstances); and
- (e) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the relevant authorities for taxation purposes.

Clause 130 – Subject to the Act, the Directors may exercise all the powers of the Company to obtain financing and to mortgage or charge its undertaking, property, and uncalled capital or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability, or obligation of the Company or of any related third party. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise.

Clause 131 – The Directors shall not obtain financing or mortgage or charge any of the Company or the subsidiaries' undertaking, property or any uncalled capital, or issue any debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party."

14.2.3 Changes in capital and rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

"Clause 62 – The Company may from time to time, whether all the Shares for the time being issued or all the Shares for the time being issued shall have been fully paid up or not, by Ordinary Resolution increase its share capital by the creation and issue of new Shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

Clause 63 – Except so far as otherwise provided by the condition of issue, any capital raised by the creation of new Shares shall be considered as part of the original share capital of the Company. All new Shares shall be subject to the provisions herein contained with reference to allotments, the payment of calls and instalments, transmission, forfeiture, lien or otherwise. Unless otherwise provided in accordance with this Constitution the new shares shall be ordinary Shares.

Clause 65 – The Company may alter its share capital in any one or more of the following ways by passing as Ordinary Resolution to:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) subdivide its share capital or any part thereof into shares of smaller amount than is fixed by this Constitution by subdivision of its existing Shares or any of them, subject nevertheless to the provision of the Act and so that as between the resulting Shares, 1 or more of such Shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any of such other Shares;

14. ADDITIONAL INFORMATION (CONT'D)

- (c) cancel Shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the Shares so cancelled; and
- (d) subject to the provision of this Constitution and the Act, convert and / or re-classify any class of Shares into any other class of Shares.

Clause 66 - The Company may by Special Resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws."

14.2.4 Transfer of Shares

"Clause 36 - Subject to the restrictions imposed by this Constitution, the Listing Requirements and the provisions of any written law and all rules and regulations made thereunder including the Central Depositories Act and the Rules (with respect to the transfer of Deposited Security), Shares shall be transferable, but every transfer must be in writing and in such form prescribed and approved by the Exchange, or such form as may from time to time be prescribed under the Act or approved by the Exchange or such authorities of the stock exchange on which the Company's Shares are listed.

Clause 38 - The transfer of any listed securities or class of listed securities of the Company which have been deposited with the Bursa Depository, shall be by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed securities.

Clause 39(1) - Subject to the restrictions imposed by this Constitution and the provisions of any other law, there shall be no restrictions on the transfer of fully paid securities. No shares shall be in any circumstances be knowingly transferred to any infant, bankrupt or person of unsound mind. In case of Deposited Securities, the Bursa Depository may refuse to register any transfer that does not comply with the Central Depositories Act and the Rules."

14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date is fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a Securities Account with Bursa Depository by means of entries in the Securities Account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares will be deemed to be a shareholder of our Company and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

14. ADDITIONAL INFORMATION (CONT'D)

14.4 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

Save for the clauses below which have been reproduced from our Constitution and the Act, there is no limitation on the right to own securities including limitation on the right of non-resident or foreign shareholders' right to hold or exercise voting rights on our Shares:

"Clause 78(3): Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

Clause 94: Subject to the provisions in Clauses 78 and 91, a Member shall be entitled to be present and to vote at any general meeting or at a meeting of any class of Members in respect of any Share or Shares upon which all calls or other sums presently payable by him due to the Company have been paid. No Member shall be entitled to be present or to vote on any question either personally or otherwise by proxy or attorney at any general meeting or at a meeting of any class of members or upon a poll to be reckoned in the quorum in respect of any Shares upon which calls are undue or unpaid, and/or the instrument of proxy, the power of attorney or other authority, if any, naming another person /party (other than the said Member) as proxy, attorney, or person/party authorised to so act has not been deposited with the Company in accordance with Clause 100 hereof."

14.5 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION

14.5.1 Malaysia

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single-tier dividend are not taxable. Further, the Government does not levy withholding tax on dividend payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian resident companies. There is no Malaysian capital gains tax arising from the disposal of listed shares.

14.5.2 Singapore

Since 1 January 2003, Singapore has adopted a one-tier corporate tax system. The tax paid by a company on its chargeable income is a final tax and all dividends paid by a company are exempted from further Singaporean taxation in relation to the shareholder. Singapore does not impose withholding tax on dividends as well. Further, Singapore does not tax capital gains.

As at the LPD, there are no Singaporean governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital and the remittance of profits by our foreign subsidiary, MST Golf Singapore, to our Company so long as our Company is not a shareholder who is subject to any financial sanctions or other restrictions imposed by the Monetary Authority of Singapore or other regulatory authorities of Singapore.

Dividend paid by MST Golf Singapore to our Company will be exempted from payment of Malaysian income tax until 31 December 2026 subject to the conditions that the dividend income has been subjected to income tax in Singapore and the highest corporate tax rate in Singapore in the year the dividend is taxed is not less than 15% as specified in the guidelines on tax treatment in relation to income which is received from abroad issued by the IRB.

14. ADDITIONAL INFORMATION (CONT'D)

14.6 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contracts that are not in the ordinary course of our Group's business within the Financial Years Under Review and up to the date of this Prospectus:

14.6.1 Share sale agreement for the disposal of My EGames

The share sale agreement dated 15 September 2021 entered into between our Company and our Promoter, All Sportz, for the disposal of our 100.00% equity interest in My EGames to All Sportz for a total disposal consideration of RM1.00 million, fully satisfied via cash. The disposal was completed on 9 November 2021.

Please refer to Section 6.5 and Section 10.1.1 of this Prospectus for further details of the disposal.

14.6.2 MST Golf Singapore Share Sale Agreement

The share sale agreement dated 4 November 2022 entered into between our Company and James Pang Yun Ming (as supplemented by a supplemental letter dated 14 December 2022) for the Acquisition of MST Golf Singapore which was completed on 30 November 2022.

Please refer to Section 6.1.2.4(i) of this Prospectus for further details of the Acquisition of MST Golf Singapore.

14.6.3 MST Golf Management Share Sale Agreement

The share sale agreement dated 4 November 2022 entered into between our Company and Paul Edward Gibbons (as supplemented by a supplemental letter dated 14 December 2022) for the Acquisition of MST Golf Management which was completed on 30 November 2022.

Please refer to Section 6.1.2.4(ii) of this Prospectus for further details of the Acquisition of MST Golf Management.

14.6.4 Underwriting Agreement

Please refer to Section 4.8 of this Prospectus for further details of the Underwriting Agreement.

14.6.5 Memorandum of Understanding ("MOU") for the proposed joint venture with PT Sinar Eka Selaras

On 18 April 2023, our Company had entered into an MOU with PT Sinar Eka Selaras for a proposed joint venture to establish golf retail outlets and indoor golf centres in Indonesia.

Unless mutually extended by the parties in writing in advance, the MOU shall automatically terminate upon the earlier of either 6 months from the date of execution of the MOU, or the execution of the definitive agreement(s) for the joint venture. The MOU may also be terminated at any time for convenience upon giving 7 days prior written notice to the other party after 3 months from the date of execution of the MOU.

Please refer to Section 7.19.2 of this Prospectus for further details on our Group's expansion into new geographical markets.

14.7 MATERIAL LITIGATION

As at the LPD, our Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and our Directors confirm that there are no proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect our financial or business position.

14. ADDITIONAL INFORMATION (CONT'D)

14.8 CONSENTS

- (i) Our Principal Adviser, Sole Underwriter and Sole Placement Agent, Company Secretaries, Legal Advisers, Tax Advisers, Share Registrar, Issuing House and Governance, Risk and Internal Control Consultant have given their respective written consents for the inclusion in this Prospectus of their names and all references in the form and context in which such names appear before the issue of this Prospectus, and such consents have not subsequently been withdrawn.
- (ii) The Auditors and Reporting Accountants have given their written consent for the inclusion in this Prospectus of their name, Accountants' Report and Reporting Accountants' Letter on the Pro Forma Consolidated Statements of Financial Position as at 31 December 2022 and all references thereto in the form and context in which they are contained in this Prospectus before the issue of this Prospectus, and such consent has not subsequently been withdrawn.
- (iii) The IMR has given its written consent for the inclusion in this Prospectus of its name, IMR Report and all references thereto in the form and context in which they are contained in this Prospectus before the issue of this Prospectus, and such consent has not subsequently been withdrawn.

14.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of 6 months from the date of this Prospectus:

- (i) our Constitution;
- (ii) our material contracts as referred to in Section 14.6 of this Prospectus;
- (iii) our audited consolidated financial statements for the Financial Years Under Review;
- (iv) audited financial statements of each of our Subsidiaries for the Financial Years Under Review;
- (v) IMR Report as included in Section 8 of this Prospectus;
- (vi) Reporting Accountants' letter on the Pro Forma Consolidated Statements of Financial Position as at 31 December 2022 as included in Section 12.8 of this Prospectus;
- (vii) Accountants' Report as included in Section 13 of this Prospectus; and
- (viii) letters of consent referred to in Section 14.8 of this Prospectus.

14. ADDITIONAL INFORMATION (CONT'D)

14.10 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

RHB Investment Bank, being the Principal Adviser, Sole Underwriter and Sole Placement Agent in relation to our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used in this Section shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 28 June 2023.

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 7 July 2023.

Late applications will not be accepted. In the event there is any change to the timetable, we will advertise the notice of changes in widely circulated English and Bahasa Malaysia daily newspapers in Malaysia, and make an announcement on Bursa Securities' website. Following this, we will extend the dates for the balloting of applications for our Issue Shares, allotment and transfer of our IPO Shares to the successful applicants and our Listing accordingly.

15.2 METHODS OF APPLICATION

15.2.1 Application of our IPO Shares by the Malaysian Public and Eligible Persons

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed. You agree to be bound by our Constitution.

Type of Application and category of investors	Application method
Applications by Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:	
(i) Individuals	<ul style="list-style-type: none"> • White Application Form; or • Electronic Share Application; or • Internet Share Application
(ii) Non-individuals	White Application Form only

15.2.2 Placement portion

Type of Application and category of investors	Application method
Applications by:	
(i) Institutional and/or selected investors	The Sole Placement Agent will contact the institutional and/or selected investors directly. They should follow the Sole Placement Agent's instructions

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Type of Application and category of investors	Application method
(ii) Identified Bumiputera investors approved by the MITI	The MITI will contact the identified investors directly. They should follow the MITI's instructions

15.3 ELIGIBILITY**15.3.1 General**

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfil all of the following:

- (i) you must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
 - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia;
- (ii) you must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) you must submit the Application by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

15.3.3 Application by Eligible Persons

Our Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORM

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.81 for each IPO Share.

Payment must be made out in favour of "**MIH SHARE ISSUE ACCOUNT NO. 630**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatched by **ORDINARY POST** in the respective official envelopes provided for each category, to the following address:

Malaysian Issuing House Sdn Bhd
(Registration No. 199301003608 (258345-X))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

- (ii) or **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at their front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, so as to arrive not later than 5:00 p.m. on 7 July 2023 or by such other time and date specified in any change to the date or time for closing. We will not accept late applications.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your White Application Form or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

Please refer to the detailed procedures and terms and conditions of the Application Forms set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the Issuing House for further enquiries.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

Please refer to the detailed procedures and terms and conditions of Electronic Share Application set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Participating Financial Institution for further enquiries.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of these Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

Please refer to the detailed procedures and terms and conditions of Internet Share Application set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Participating Financial Institution for further enquiries.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board, reserves the right to:

- (i) reject the Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest) in accordance with Section 15.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The results of the allocation of our IPO Shares derived from successful balloting will be made available to the public at the Issuing House's website at www.mih.com.my within 1 Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.00% of our Company's Shares to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public, subject to the clawback and reallocation as set out in Section 4.2.3 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Sole Underwriter based on the terms of the Underwriting Agreement.

15.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner:

15.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Application within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days from the date of the final ballot. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your registered or correspondence address last maintained with Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

15.11 ENQUIRIES

Enquiries in respect of the Applications may be directed as follows:

Mode of application	Parties to direct the queries
Application Form	Issuing House Enquiry Services Telephone at telephone no. +603-7890 4700
Electronic Share Application	The relevant Participating Financial Institutions
Internet Share Application	The relevant Internet Participating Financial Institution or Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA at the telephone number as stated in the list of ADAs set out in the "**Detailed Procedures for Application and Acceptance**" accompanying the electronic copy of our Prospectus on the website of Bursa Securities or the Issuing House at the telephone no. +603-7890 4700 between **5 to 10 Market Days** (during office hours only) from the date of the final ballot.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK