

ANNUAL REPORT | 2018





TOCCO TOSCANO
ITALY
Handbag

Crocodile
Menswear

GIAMAX™
Handbag

AD
ALAIN DELON
Men accessories & Handbag

whatsBag
Boutique

pierre cardin
PARIS
Menswear, Men accessories
Handbag


LOUIS FÉRAUD
PARIS
Menswear, Accessories & Handbag

JEEP SPIRIT
Men accessories & Handbag
Menswear & Kids wear


J is for Jeep
Babies wear

DUCATI
Men accessories
Menswear, Kids wear and Babies wear


GLOSSARDI
Handbag

Shop online @ www.miroza.com.my

 www.facebook.com/mirozaleather

 [mirozaleather.official](https://www.instagram.com/mirozaleather.official)



CONTENTS

Notice of the Twenty-Third Annual General Meeting	2
Corporate Information	8
MESB Group of Companies Corporate Structure	9
Group Financial Highlights	10
Management Discussion and Analysis	11
Sustainability Statement	17
Profile of Directors	19
Key Senior Management Profile	23
Audit Committee Report	26
Corporate Governance Overview Statement	30
Statement on Risk Management and Internal Control	44
Additional Compliance Information	47
Financial Statements	50
List of Properties	118
Analysis of Shareholdings	119
Analysis of Warrant Holdings	121
Proxy Form	Enclosed

NOTICE OF THE TWENTY-THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting of MESB Berhad will be held at Room 5, Level 2, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Thursday, 27 September 2018 at 9:30 a.m. for the following purposes:

AGENDA

- | | | |
|----|---|---|
| 1. | To receive the Audited Financial Statements of the Company for the financial year ended 31 March 2018 together with the Reports of the Directors and Auditors thereon. | Please refer to Explanatory Note (i) |
| 2. | To re-elect the following Directors who are retiring pursuant to Article 78 of the Constitution of the Company: | |
| | (i) Tan Yew Kim | Ordinary Resolution 1 |
| | (ii) Loke Lee Ping | Ordinary Resolution 2 |
| 3. | To approve the payment of Directors' fees of RM125,000 for the financial year ended 31 March 2018. | Ordinary Resolution 3 |
| 4. | To approve the payment of Directors' Remuneration (excluding Directors' Fees) to the Non-Executive Directors of the Company and its subsidiaries up to an amount of RM38,400 for the period from 28 September 2018 until the next Annual General Meeting. | Ordinary Resolution 4 |
| 5. | To re-appoint KPMG PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following Ordinary Resolutions with or without modifications:

- | | | |
|----|---|------------------------------|
| 6. | Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposal") | Ordinary Resolution 6 |
| | <p>"THAT subject always to the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities"), a shareholders' mandate be and is hereby given to the Company and/or its subsidiary companies to enter into all arrangements and/or transactions as specified in Section 2.4 of the Circular to Shareholders dated 31 July 2018, provided that such arrangements and/or transactions are:</p> <ul style="list-style-type: none"> (i) recurrent transactions of a revenue or trading nature; (ii) necessary for the day-to-day operations; (iii) carried out on arm's length basis, in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public; and (iv) are not to the detriment of the minority shareholders. | |

Notice of the Twenty-Third Annual General Meeting (Cont'd)

AND THAT the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse, unless by a resolution passed by the shareholders of the Company in a general meeting;
- (b) the expiration of the period within which the next Annual General Meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and to do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposal, with full power to assent to any condition, modification, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities.”

7. Continuing in Office as Independent Non-Executive Director

Ordinary Resolution 7

“THAT authority be and is hereby given to Encik Saffie bin Bakar, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company.”

8. Authority to Issue and Allot Shares

Ordinary Resolution 8

“THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 of the Companies Act 2016 to issue and allot not more than ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Companies Act 2016 and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof.”

AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities.

Notice of the Twenty-Third Annual General Meeting (Cont'd)

9. **Proposed Adoption of New Company's Constitution**

Special Resolution 1

"THAT the existing Memorandum and Articles of Association of the Company be hereby deleted in its entirety and a new Constitution, marked as "Appendix A" (a copy of which is attached) be replaced thereof and hereby adopted as the Company's Constitution.

THAT henceforth, the Constitution shall bind the Company, the members and the Directors to the same extent as if the Constitution had been signed and sealed by each member and contain covenants on the part of each member and Director to observe all the provisions of the Constitution.

AND THAT the Secretaries be authorised and instructed to do all the necessary and deemed fit to lodge the Constitution as adopted herewith with the Companies Commission of Malaysia on behalf of the Company in accordance with Section 36 of the Companies Act 2016."

10. To transact any other ordinary business of the Company for which due notice shall have been given.

BY ORDER OF THE BOARD

TAN KOK SIONG (LS 0009932)
TAN BEE HWA (MAICSA 7058049)
Company Secretaries

Kuala Lumpur
Dated this 31st day of July 2018

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. A member shall be entitled to appoint only one (1) proxy to attend and vote at the same meeting.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint only one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. Where the exempt authorised nominee appoints two (2) or more proxies to attend and vote at the same meeting, such appointment shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.
5. If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.

Notice of the Twenty-Third Annual General Meeting (Cont'd)

Notes: (Cont'd)

6. The instrument appointing a proxy must be deposited at Symphony Share Registrars Sdn. Bhd. , Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
7. If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.
8. The Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the meeting is on 20 September 2018.

Explanatory Notes on Ordinary and Special Business:

(i) Item 1 of the Agenda

The Audited Financial Statements under this agenda item is meant for discussion only, as the provision of Section 340 (1)(a) of the Companies Act 2016 ("the Act") does not require a formal approval of the shareholders and hence this agenda item is not put forward for voting.

(ii) Ordinary Resolutions 1 and 2 - Re-election of Directors

Mr Tan Yew Kim and Mr Loke Lee Ping are standing for re-election as Directors of the Company and being eligible have offered themselves for re-election at this 23rd Annual General Meeting. The profile of the retiring Directors is set out in the Profile of Directors on page 20 of the Annual Report 2018.

(iii) Ordinary Resolutions 3 and 4 - Directors' Fees and Remuneration

Section 230(1) of the Act provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 23rd Annual General Meeting for the following payment to the Directors:-

- Resolution 3 on payment of Directors' fees for the financial year ended 31 March 2018; and
- Resolution 4 on payment of Directors' Remuneration (excluding Directors' Fees) for the period from 28 September 2018 until the next Annual General Meeting ("Relevant Period").

The payment of the Directors' fees in respect of the financial year ended 31 March 2018 will only be made if the proposed Resolution 3 has been passed at the Annual General Meeting pursuant to Article 87 of the Company's Constitution and Section 230(1) of the Act.

The Directors' Remuneration (excluding Directors' Fees) comprises the Meeting Allowances payable to the Non-Executive Directors of and are calculated based on the current composition of the Board and Board Committees and the number of meetings scheduled for the Board and Board Committees.

Payment of Directors' Remuneration (excluding Directors' Fees) will be made by the Company to the Non-Executive Directors as and when incurred if the proposed Resolution 4 has been passed at the 23rd Annual General Meeting. The Board is of the view that it is just and equitable for the Directors to be paid such payment as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period as stated herein.

Notice of the Twenty-Third Annual General Meeting (Cont'd)

Explanatory Notes on Ordinary and Special Business: (Cont'd)

(iv) **Ordinary Resolution 5**
- **Re-Appointment of Auditors**

The Audit Committee ("AC") has on 10 July 2018 carried out an assessment of the suitability and independence of the external auditors, KPMG PLT and was satisfied with the suitability of KPMG PLT based on the quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The AC in its assessment also found KPMG PLT to be sufficiently objective and independent. The Board therefore approved the AC's recommendation on the re-appointment of KPMG PLT as the external auditors of the Company until the next Annual General Meeting be put forward for the shareholders' approval at the 23rd Annual General Meeting.

(v) **Ordinary Resolution 6**
- **Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposal")**

The proposed Ordinary Resolution 6, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

Further information on the Proposal is set out in the Circular to Shareholders dated 31 July 2018, which is circulated together with the Annual Report 2018 of the Company.

(vi) **Ordinary Resolution 7**
- **Continuing in Office as Independent Non-Executive Director**

The Nomination Committee and the Board had assessed the independence of Encik Saffie Bin Bakar, who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended him to continue in office as an Independent Non-Executive Director of the Company based on the following justifications:

- a. he fulfilled the criteria under the definition of Independent Director as set out under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Securities Malaysia Berhad ("Bursa Securities"), and thus, he would be able to provide check and balance and bring an element of objectivity to the Board;
- b. he was not appointed by the current controlling shareholder and hence the issue on special relationship with or loyalty to the controlling shareholder does not arise;
- c. he had devoted sufficient time and attention to his professional obligations for informed and balanced decision making by actively participating in board discussion and provided an independent voice to the Board; and
- d. he had exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and the shareholders.

Under the Malaysia Code on Corporate Governance 2017 ("Code") retention of an Independent Director above 12 years will require shareholders' approval through the two-tier voting process:-

Tier 1: Voting by large shareholder(s); and
Tier 2: Voting by other shareholders.

Shareholder's approval for Ordinary Resolution 7 will be sought on two-tier voting basis, if passed, will allow the Independent Director to be retained and continue acting as Independent Director to fulfill the requirements of Paragraph 3.04 of the Main Market Listing Requirements of Bursa Securities and in line with the practices 4.1 and 4.2 of the Code.

Notice of the Twenty-Third Annual General Meeting (Cont'd)

Explanatory Notes on Ordinary and Special Business: (Cont'd)

(vii) **Ordinary Resolution 8**
- **Authority to Issue and Allot Shares**

The proposed Ordinary Resolution 8, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

This is the renewal of the mandate obtained from the shareholders at the last Annual General Meeting (“the Previous Mandate”). The Previous Mandate was not utilised and no proceed was raised therefrom.

The purpose of this general mandate sought will provide flexibility to the Company for any possible fund raising activities but not limited for further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

(viii) **Special Resolution 1**
- **Adoption of New Company's Constitution**

The proposed Special Resolution is to seek shareholders' approval to adopt a new Constitution to align with the provisions of the Act, the Main Market Listing Requirements of Bursa Securities and Corporate Governance Requirements (“Proposed New Constitution”). Please refer to the Appendix A for detailed information on the Proposed New Constitution.

The Proposed New Constitution shall take effect once the proposed Special Resolution 1 has been passed by a majority of not less than 75% of members who are entitled to vote and do vote in person or by proxy at the 23rd Annual General Meeting.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Saffie Bin Bakar
*(Chairman / Senior Independent
Non-Executive Director)*

Loke Lee Ping
*(Chief Executive Officer
cum Executive Director)*

Tan Yew Kim
(Independent Non-Executive Director)

Chua Jin Kau
(Executive Director)

Lee Kok Heng
(Independent Non-Executive Director)

AUDIT COMMITTEE

Tan Yew Kim *(Chairman)*
Saffie Bin Bakar
Lee Kok Heng

NOMINATION COMMITTEE

Saffie Bin Bakar *(Chairman)*
Tan Yew Kim
Lee Kok Heng

REMUNERATION COMMITTEE

Lee Kok Heng *(Chairman)*
Saffie Bin Bakar
Loke Lee Ping

RISK MANAGEMENT COMMITTEE

Lee Kok Heng *(Chairman)*
Saffie Bin Bakar
Tan Yew Kim
Loke Lee Ping
Chua Jin Kau

HOMEPAGE

www.mesbbhd.com

REGISTERED OFFICE

10th Floor, Menara Hap Seng
No. 1 & 3, Jalan Ramlee
50250 Kuala Lumpur
Tel. No.: 03-2382 4288
Fax. No.: 03-2282 4170

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel. No.: 03-7849 0777
Fax. No.: 03-7841 8151 / 03-7841 8152

COMPANY SECRETARIES

Tan Kok Siong (LS 0009932)
Tan Bee Hwa (MAICSA 7058049)

AUDITORS

KPMG PLT
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

PRINCIPAL BANKERS

Standard Chartered Bank Malaysia Berhad
Ambank (M) Berhad
Bangkok Bank Berhad
Alliance Bank Malaysia Berhad

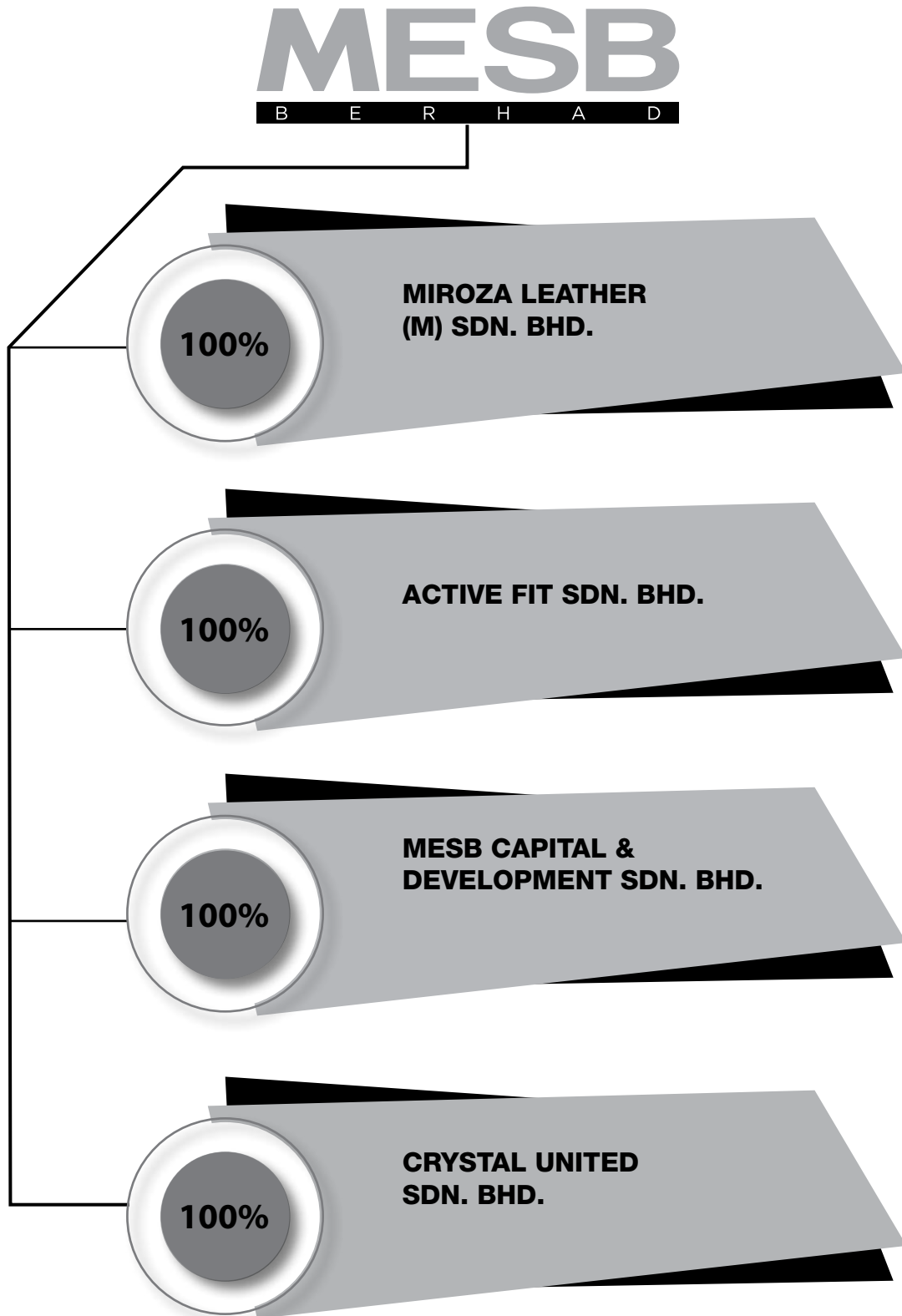
STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Sector : Trading/Services
Stock short name : MESB
Stock Code: 7234

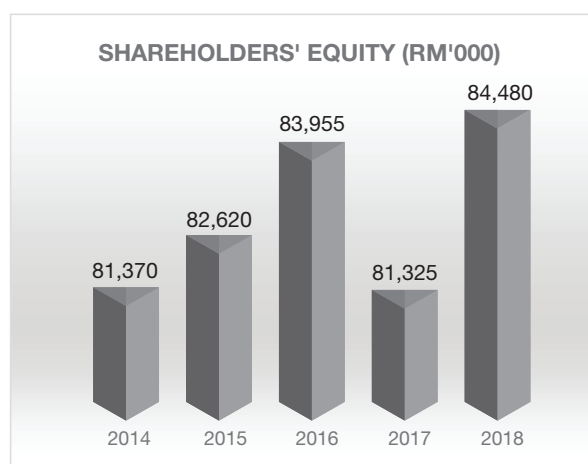
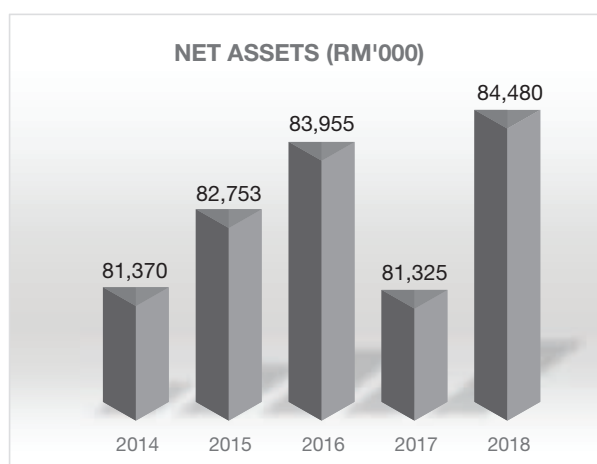
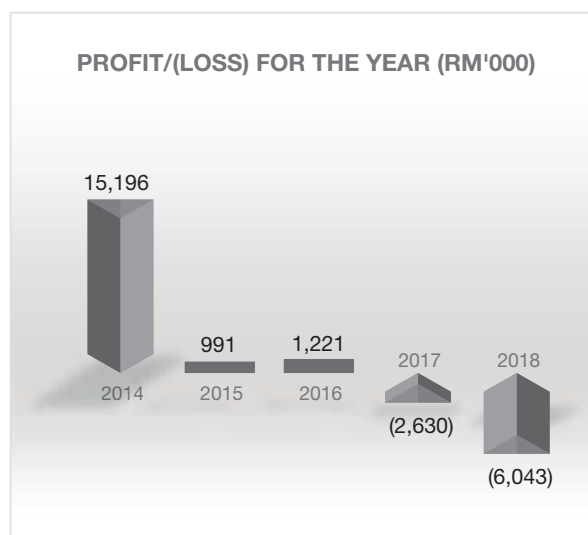
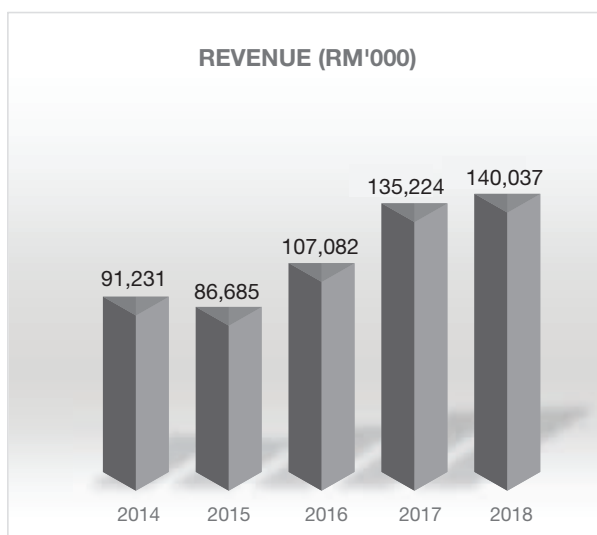
SUBSIDIARIES

Miroza Leather (M) Sdn. Bhd.
Active Fit Sdn. Bhd.
MESB Capital & Development Sdn. Bhd.
Crystal United Sdn. Bhd.

MESB GROUP OF COMPANIES CORPORATE STRUCTURE



GROUP FINANCIAL HIGHLIGHTS



FOR THE FINANCIAL YEAR ENDED 31 MARCH

	2014	2015	2016	2017	2018
RM'000 (unless otherwise stated)					
Statement of Profit or Loss and Other Comprehensive income					
Revenue	91,231	86,685	107,082	135,224	140,037
Profit/(Loss) for the year	15,196	991	1,221	(2,630)	(6,043)
Profit/(Loss) attributable to owners of the Company	15,196	1,250	1,335	(2,630)	(6,043)
Earnings/(Loss) per share (sen)(restated)	24.12	1.98	2.12	(4.17)	(8.39)
Statement of Financial Position					
Total assets	102,809	107,176	130,263	133,393	129,635
Total liabilities	21,439	24,423	46,308	52,068	45,155
Net assets	81,370	82,753	83,955	81,325	84,480
Shareholders' equity	81,370	82,620	83,955	81,325	84,480
Statement of Cash Flows					
Cash and cash equivalents (net of pledged deposits)	21,693	20,681	5,479	11,411	7,867

MANAGEMENT DISCUSSION AND ANALYSIS

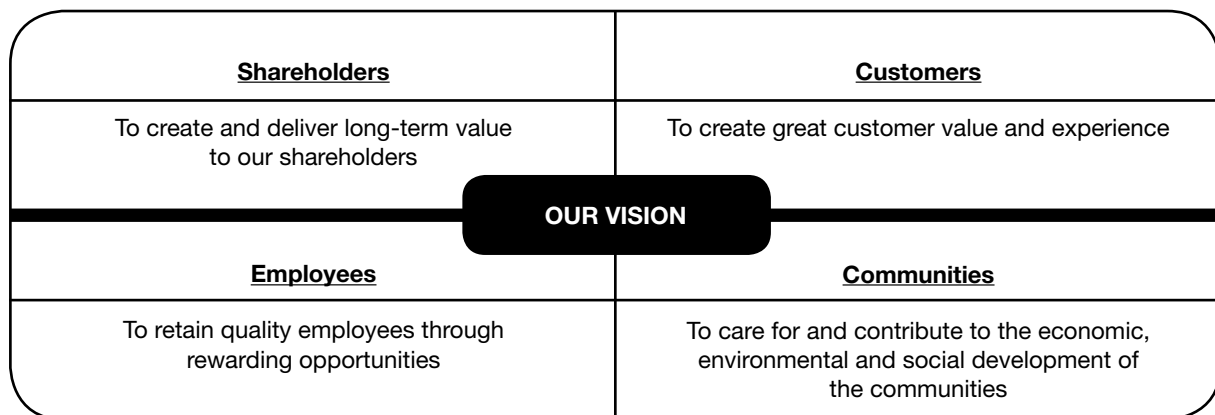
CORPORATE PROFILE

MESB Berhad was incorporated on 28 March 1995. The Company is principally an investment holding company and its subsidiaries are engaged in trading and retailing of leather products, apparels and accessories.

MESB Group has two (2) reportable segments: the Investment Holding segment which is engaged in investment holding activities, and the Retailing segment which is involved in the trading and retailing of leather products, apparels and accessories under various brands, namely Pierre Cardin, Alain Delon, Crocodile, Jeep, Louis Feraud, Giosardi, Giamax, Tocco Toscano, J is for Jeep Brand and Ducati. Our Retailing segment's customers include women, men, children, parents and babies. Our products are sold through seven hundred and eight (708) consignment counters in major departmental stores and ten (10) boutiques located in key shopping malls in Malaysia. Selected leather products are also available for online purchase via www.miroza.com.my.

OUR VISION

We are committed to deliver quality products at affordable prices to meet our customer expectation and offering service that exceeds their expectations.



BUSINESS AND OPERATIONS OVERVIEW

We experienced challenging trading conditions in the financial year 2017. Despite this, we are pleased to have made progress in delivering our strategy, which is important for the continuing success and future ambitions of our business.

In the financial year 2018, we remained committed to our previous business expansion strategy and continued our plan to diversify and expand the Group's retailing business by adding a new category, brands and opening more consignment counters. We made expansion decisions based on long-term market leadership considerations rather than short-term profitability considerations.

In November 2017, we launched our first babies category under the brand name "Jeep" at Parkson Paradigm Mall, Johor Bahru. Our diversification into the babies category is an effort by the Group to gain operational proficiency within the Group's retailing business.

In December 2017, the Group's retailing subsidiary had entered into an exclusive Licensing Agreement with Crocodile International Sdn. Bhd. to use its trademark to design, manufacture, advertise, distribute, sell and promote 'Crocodile' Men's Apparel and Innerwear products. Besides, the Group's retailing segment also added several other brands, namely Ducati and Tocco Toscano through licensing, distribution and consignment agreements.

Management Discussion and Analysis (Cont'd)

BUSINESS AND OPERATIONS OVERVIEW (CONT'D)

Nevertheless, we also took decisive actions to address the underperformance of certain categories in the Group's retailing segment by closing consignment counters and discontinuing a product line which were loss making. In November 2017, the Management decided to discontinue the ladies apparel category. Since then, thirty-nine (39) consignment counters of this category across Malaysia were closed and more consignment counters are expected to be closed by the end of the third quarter of calendar year 2018. The decision to discontinue the ladies apparel is a necessary step as we take aggressive actions to strengthen the Group's retailing business and focus on the main and profitable categories, such as Men's apparel and leather products.

Despite the discontinuation of Jeep's ladies apparel, the Group's retailing segment continues to grow fast and now has seven hundred and eight (708) consignment counters as at May 2018, expanded by more than one hundred and seventy (170) new consignment counters throughout Malaysia since October 2017 and would expect to continue growing in the next financial year.

In view of the weak consumer sentiment in the financial year 2018, we had to markdown selling prices more than we had planned for in order to defend our retailing market position and maintain our competitive advantage. However, this heavy sale promotions have depressed our profit margins and as a result, certain product ranges were underperforming. In light of these challenges, several measures have been implemented to improve the buying process and strengthen the Marketing teams to ensure that we deliver a stronger product proposition to our customers.

The retail environment in Malaysia is becoming more competitive due to sluggish economic growth. We have seen a growing shift in customer behavior, which poses a challenges to us when identifying and responding to the changing customers' need, preferences and expectations. Customer shopping habits and behaviours have changed. Customers are now showing a preference for a mix of digital and physical channels to browse, compare, buy and, if necessary, exchange or return purchases. In response to these challenges, we offered our online customers, a wide range of leather products, presented in a user friendly and convenient format through our online shopping site with fast delivery service options at free of charge.

Our business is subject to many risks. The Group's performance could differ from expectations due to factors including economic conditions, changes in foreign exchange rates, government policies, competitive pricing and other pressures such as inflation, slowdown in consumer spending and uncertainties in the commodity markets.

Set forth below are the material risks which may affect the Group's business, operations, financial position or future financial performance:

Competition

The retail industry is highly competitive and evolving rapidly. Across all of our categories, we face competition from other large domestic and foreign competitors and manufacturers, as well as departmental stores and other retailers. Furthermore, online retail shopping is rapidly evolving and we expect competition in the e-commerce market to intensify in the future as the Internet facilitates competitive entry and product comparison. As a result, we experience ongoing competitive pressures in our business environment as well as challenges in maintaining profit margins. To address these challenges, we must be able to successfully respond to competitive factors, including pricing, promotional incentives and trade terms.

In addition, evolving sales channels and business models may affect consumer preferences, particularly e-commerce. Failure to continually improve and respond to the evolving competitions and changing consumer habits could compromise our competitive position and adversely impact our operational results and financial conditions.

We work closely with our business partners, including vendors and suppliers as well as our front-line sale staff to review our business strategies, formulate responses and take pre-emptive actions against these risks to ensure that such risks are comprehended, monitored and, to the furthest extent possible, mitigated.

Management Discussion and Analysis (Cont'd)

BUSINESS AND OPERATIONS OVERVIEW (CONT'D)

Brand and Customer Loyalty Risks

Retail customers are often brand conscious, where they constantly look for the best brands with best prices. That consciousness extends to our brand image as well. Customers' need and satisfaction are highly important to the success of our intellectual rights.

We often enter into licensing agreements with third parties to use the intellectual rights for the distribution and marketing of certain of our products. However, there is a possibility that we may not be able to secure the necessary licensing from third parties, or we may secure licensing with unfavorable conditions attached, or competitors may enter into more advantageous licensing agreements with third parties/licensors. In addition, any failure to renew or termination of the licensing agreements in the future will lead to loss of right to distribute and sell our products, which would negatively impact the Group's financial conditions and prospects.

In this regard, the key management leading the negotiation of the licensing agreements take the necessary steps to secure the terms and conditions in the best interests of the Group. All the licensing agreements must be reviewed periodically to determine if renewal or changes are needed, or even if the licensing agreements should be renewed or terminated. Considerations for renewal and termination of licensing agreement include the changing needs of the Group's business, strategy and performance evaluation of the licensed products.

Seasonal

The Group's core retail business follows a seasonal pattern, with sales peaking during the festivals and year-end holiday period. Lower than expected performance in off-seasons may have an adverse impact on results for the full year, which may build up inventory levels.

The Group monitors stock levels and manages the peaks in demand constantly with regular sales re-forecasting and records a write-down for inventories that have become obsolete. Besides, the Group also reviews the inventory levels periodically in order to identify slow-moving merchandise and uses promotions and markdowns to clear these merchandise.

Employees

To remain competitive in the retailing industry, we must attract, develop, and retain skilled employees in our design, merchandising, supply chain, marketing and other functions. Competition for such personnel is intense. Our success is dependent, to a significant degree, on the continued contributions of key employees.

To help achieve this continued service, the Group has introduced competitive reward packages for all levels of retail employees. This has also contributed to improved staff retention rate.

Foreign Currency Exchange

We are exposed to foreign currency exchange rate risk associated with account payables denominated in foreign currencies, primarily U.S. Dollar. This may affect the Group's operating profit. In order to mitigate the currency risk, the Group actively manages its exposures with its suppliers and licensors where possible, by locking in an agreed exchange rate with them. However, there is no assurance that such arrangements will be sufficient to protect us against any potential adverse movements in exchange rates.

External Risk

The retail sector is amongst the most dominant industries and therefore, highly competitive. Influential factors to the growth of our business revolve around not only the fashion trend but also the economic conditions of the country which we operate in, as well as customer income. Consumer spending is the key to the health of our business. Uncertain economic conditions may adversely impact demand for our products and customer may have less spending power for discretionary purchases, which could adversely impact our business and results of operations.

Management Discussion and Analysis (Cont'd)

BUSINESS AND OPERATIONS OVERVIEW (CONT'D)

Third Party Risk

Our merchandise is sourced from external manufacturers. We are dependent on our suppliers to supply merchandise to our stores and our consignment counters in a timely and efficient manner. The Group has no direct control over the production function. If we are unable to effectively manage our third party relationships and the agreements with third party partners, our reputation and financial results could be affected. We have policies and procedures in place for managing the relationship with suppliers and manufacturers. However, if our sourcing arrangements are not managed adequately, the degree of operational risk faced by the Group may increase.

Several checks and measures have been put in place to mitigate the risks involved in outsourcing. Amongst others to exercise control over the process of identifying reliable suppliers and dedicated personnel to liaise with the contract manufacturers and partners in ensuring the goods are produced at the best quality and accurate pricing structure. Furthermore, we seek to ensure the suppliers abide to the Group's code of conduct. In addition, performance of the suppliers and manufacturers were assessed to ensure they have the capabilities and skills to uphold our business reputation. Nevertheless, there can be no assurance that the Group's retailing business operations and financial performance will not be affected in the event of any major supply disruption in the future.

FINANCIAL RESULTS

RM'000 (unless otherwise stated)	2017	2018
Statement of Profit or Loss and Other Comprehensive Income		
Revenue	135,224	140,037
Loss for the year	(2,630)	(6,043)
Loss attributable to owners of the Company	(2,630)	(6,043)
Basic loss per share (Sen) (restated)	(4.17)	(8.39)
Statement of Financial Position		
Total assets	133,393	129,635
Total liabilities	52,068	45,155
Total equity	81,325	84,480
Equity attributable to owners of the Company	81,325	84,480
Statement of Cash Flows		
Cash and cash equivalents (net of pledged deposits)	11,411	7,867

REVENUE AND PROFITABILITY

During the financial year 2018, we experienced challenging market conditions with increasing levels of economic uncertainty, rising inflation, declining consumer confidence, and increase in prices of goods and services. We suffered from some weaknesses in certain product ranges and struggled to attract customers to buy and spend more on our products. This, compounded by a shift in consumer spending habits has led to a declined sales performance of certain of our products. Nevertheless, these challenges have been offset by the launching of new brands and product lines in the Group's retailing business. Our revenue therefore continued to grow from RM135.22 million in previous financial year ended 31 March 2017 to RM140.04 million in the financial year ended 31 March 2018, with an increase of 3.56%.

Despite the growth in revenue of 3.56% in the financial year ended 31 March 2018, the Group reported a loss before tax of RM5.41 million for the financial year ended 31 March 2018, as compared to RM1.79 million in previous financial year. The pre-tax performance declined was mainly due to the underperformance of the retailing segment of the Group as explained below.

Management Discussion and Analysis (Cont'd)

REVENUE AND PROFITABILITY (CONT'D)

Retailing Segment

In the financial year ended 31 March 2018, retailing segment's revenue increased by 3.55% to RM140.02 million as compared to RM135.22 million recorded in the previous financial year. The higher sales were due to new stream of revenue generated from its new apparel brands as well as clearance sales on the aged stocks and product category which the Group plans to discontinue.

The segment loss for the current year ended 31 March 2018 was RM2.94 million, compared to a segment profit of RM2.54 million in the previous financial year. The weaker performance was mainly attributable to (i) lower gross profit margin earned from certain apparel categories, (ii) losses arising from write-down of the cost of inventory to its net realisable value, and (iii) higher selling and distribution expenses and higher operating expenses associated with the expansion of the apparel business.

As of 31 March 2018, the closing stock balance has decreased to RM36.40 million as compared to RM46.11 million in the previous financial year, mainly due to the clearance sales as well as write-down of inventories as mentioned above.

Investment Holding Segment

The revenue of investment holding segment comprises rental income from the Group's investment property for the financial year ended 31 March 2018.

The segment loss for the financial year ended 31 March 2018 was RM0.89 million, a decrease of 65.31% from RM2.56 million loss recorded in the previous financial year. The lower loss was mainly attributed to a loss of RM1.44 million in relation to the reversal of compensation recoverable arising from acquisition of subsidiary which was recognised in the previous financial year.

CAPITAL EXPENDITURE

The Group's capital expenditure primarily comprised purchase of plant and equipment. For the financial year ended 31 March 2018, the total capital expenditure was RM2.07 million (2017: RM2.53 million).

FINANCIAL POSITION

The Group's shareholders' equity for the financial year ended 31 March 2018 was RM84.48 million (2017: RM81.33 million). Net asset per share attributable to ordinary equity holder decreased from RM1.94 per share to RM1.03 per share, following the private placement and share split exercise during the financial year.

The Group's cash and cash equivalents as at 31 March 2018, decreased to RM26.60 million from RM26.78 million.

DIVIDEND

No dividend has been declared for the financial year ended 31 March 2018.

There is no formal dividend policy, and payment of a dividend is solely at the Board's discretion. The Board is guided by a series of factors, including amongst others, balancing cash flow, investment and/or expansion needs, earnings, capital commitments, future financial strength of the Group and other factors to be considered by the Board.

In the financial year 2018, the Company has issued 40,950,000 free warrants on the basis of one (1) free warrant for every two (2) existing shares held by entitled shareholders, aimed at rewarding and providing its shareholders with an opportunity to further increase their equity participation in the Company by exercising their free warrants at a pre-determined exercise price during the exercise period of the free warrants.

Management Discussion and Analysis (Cont'd)

OUTLOOK

We remain watchful of the wider consumer environment. We are aware that our customers' behavior may change and remain cautious in their spending habits. Nevertheless, we are confident on our ability to deliver quality products that meet customers' expectation, therefore, ensuring our products are well placed for the year ahead.

We continue to invest in our strategic growth initiatives: Brand and Multichannel, which we believe remain relevant to our business. We also plan to enhance our distribution network to support and sustain our growth. We will continue to operate with a conservative yet nimble mindset and to address the challenges that may be faced by the Group. In response to higher operating costs and changing market conditions, we will continue to identify and maximise potential cost reductions and efficiency savings, and constantly monitor our pricing and adjust accordingly to address changing market environment.

Year of 2019 is expected to be challenging with the market conditions projected to remain highly competitive and unpredictable. However, we are confident the business is doing all the right things to offset immediate challenges and secure our longer term business objective, by dealing with the challenges through careful planning and management of resources. In addition, the reduction of Goods and Service Tax ("GST") from 6% to 0% with effect from 1 June 2018 is expected to positively impact the retail industry as well as the Group's core business.

SUSTAINABILITY STATEMENT

The Group recognises that it has a responsibility to respect and care for the health and safety of the people, environment and communities where it operates and ensures that its business is conducted in a way that observes high standards of environmental and human behaviour.

The Group will continue delivering its commitment to make sustainable fashion choices available, attractive and affordable to as many people as possible. At the same time, it takes responsibility for how it affects the people around and has a positive impact on the people and communities associated with its business activities.

This statement sets out the commitments and strategies of the Group towards the identified areas of sustainability.

ETHICAL SOURCING

Like most other retailers, the Group does not own any factories as it works with independent suppliers. Most of the Group's products are made by local independent suppliers.

Management would ensure that the products to be manufactured by suppliers and factories that commit to the Group's value. Everyone should be treated with respect and the suppliers should offer their workers fair wages and good working conditions.

Through our business, the Group helps to create jobs and improve the standards of living for people employed by its suppliers, who mainly are local manufacturers.

The Group would continue creating jobs, using its influence and promoting better working conditions, livelihood and positive development in the communities where it operates.

BUSINESS ETHICS

Our brands and reputation are valuable assets to the Group. Every interaction with our customers, employees and other stakeholders would be guided by mutual respect, integrity, transparency and honesty. Management respects laws and regulations wherever the Group is operating and takes a clear stance against corruption.

CUSTOMER RELATIONSHIP

The strength of customer relationships also affect the Group's ability to obtain pricing and competitive trade terms. Failure to maintain strong relationships with customers could negatively impact the terms of business with the affected customers and reduce the availability of our products to consumers.

Management would measure customers' satisfaction to determine expectations and assess our experience, including such factors as service, price, quality, value, products or service experience in order to improve our customer relations, foster goodwill and informed continuous improvement of the customer experience.

Sustainability Statement (Cont'd)

ENVIRONMENT AND RECYCLING

The Group is committed to reduce the impact of the business on the environment through good business practices. Management has identified areas of the business where energy usage could be reduced, leading to the potential for cost-savings. Management has a number of initiatives in place to reduce energy usage, while efforts are far reaching, including:

- Promote electronic reports and paperless environment, this provides a faster way to receive information and helps to reduce print paper. In addition, Management has segregated all of the waste items; cardboards, papers, bottles and cans to be sold for recycling and eventually for re-use.
- Promote energy efficient behaviour, such as turning off lighting, air-conditioning and office equipment when not in use.
- Continue to modify our logistics operation to achieve a more efficient use of the transport fleet and make use of satellite navigation systems to improve their delivery schedules.
- Provide recyclable packaging to our customers, making it easier for them to recycle some of the products we sell; and
- Practise re-use and recycle in operations such as collecting clothes hangers and security tags for reuse, repair or recycle.

STRENGTHEN COMMUNITIES

The Group is committed to promoting policies which are designed to ensure that employees and those who seek to work for the Group are treated equally regardless of gender, marital status, sexual orientation, age, race and religion.

Management would organise festive celebrations. These create a tradition at the workplace, improve team spirit among the employees and provide a good opportunity to Management to publicly recognise their commitments.

VALUING STAFF

The Group promotes diversity within the workforce and wholly supports equal opportunities in employment. The recruitment, training and promotion processes are all done on a non-discriminatory basis, ensuring that everyone has the correct skills and knowledge to perform their role to the highest level.

The Group values its workforce and believes that by taking good care of the employees, they will be even more committed and productive at work.

The Group rewards and recognises its people for both their own personal achievement, and the overall performance of the Group. All employees are rewarded for the overall success of the Group through the annual bonus - a key feature of employee remuneration.

HEALTH AND SAFETY

Management is fully committed to continuous health and safety improvements across all areas of the Group and understands the importance in protecting the employees, customers and other stakeholders. The Group recognises that it has a responsibility to provide and maintain safe and healthy working conditions, equipment and systems of work for its employees.

Management takes pro-active approach to safety, and employees are encouraged to report all potential hazards and risks. Every employee has the opportunity to raise any safety concerns through their nominated representatives.

PROFILE OF DIRECTORS

SAFFIE BIN BAKAR JMN, SMP, AMP, PJK

Chairman/Senior Independent Non-Executive Director

- 65 years of age
- Male
- Malaysian
- Chairman of Nomination Committee
- Member of Remuneration Committee
- Member of Audit Committee
- Member of Risk Management Committee

Encik Saffie Bin Bakar was appointed to the Board on 19 March 2004 and he was designated as the Senior Independent Non-Executive Director of the Company on 25 July 2012, to whom concerns of shareholders may be directed. Subsequently, he was elected as the Chairman of the Board on 29 February 2016.

He graduated from University of Malaya with a B.A (Honours) majoring in Geography in 1977 and subsequently received a Postgraduate Diploma in Public Administration (DPA) from the Faculty of Economics and Administration, University of Malaya in 1978. In 1988, he obtained his MBA from US International University in San Diego, California, USA.

He has more than 40 years' experience, specialising in management with extensive knowledge and skills in project planning, business development, property development, human resources management, project management, cross border investments, mining exploration (gold & coal), corporate advisory transactions including Initial Public Offerings, Reverse Takeovers, Mergers and Acquisitions and General Offer.

He was attached to the Perlis State Government from May 1978 to August 1983, during which he served as the Director of Perlis State Economic Planning Unit. He joined Perlis State Economic Development Corporation ("SEDC") in September 1983 as a Business Development Manager until his optional retirement from Government Service in August 1994.

He had undergone numerous training programmes with the World Bank, United Nations Development Programme ("UNDP"), United Nations Centre on Transnational Corporations ("UNCTC"), University of California, Berkeley, USA, University of Hong Kong and Catholic University of Leuven, Belgium. Between August 1978 and March 1981, he also received in-house training in the "State and Rural Development Project", which was funded by the Economic Planning Unit and organised by UNDP and the World Bank. He became a Local Counterpart to the Regional Planning Advisor, the Industrial Project Advisor and the Infrastructure Project Advisor who are all World Bank experts.

He is a Chartered Audit Committee Director of the Institute of Internal Auditors Malaysia and also the Co-Chairman of the Special Task Forces to Facilitate Business for Perlis State.

He is also a member of several organisations, including an Associate Member of Certified System Investigator World Headquarters, Singapore, a Member of Malaysian Institute of Corporate Governance, Transparency International – Malaysia, Malaysia Crime Prevention Foundation, a life member of Malaysian Drug Prevention Association and the Vice President of Malaysian Exporters Association.

He was a Senior Independent Director and Audit Committee Member of SEDC.

From September 1994 to December 2016, he was the Corporate Advisor to Shorubber (Malaysia) Sdn. Bhd., a wholly owned subsidiary of SHOWA Group, a Japanese OBM manufacturer and exporter of industrial gloves and a director cum corporate advisor of several other private limited companies in Malaysia.

He is also a Senior Independent Non-Executive Director of G3 Global Berhad and AE Multi Holdings Berhad.

Profile of Directors (Cont'd)

LOKE LEE PING | *Chief Executive Officer cum Executive Director*

- 39 years of age
- Male
- Malaysian
- Member of Risk Management Committee
- Member of Remuneration Committee

Mr Loke was appointed to the Board on 16 October 2015 and subsequently as the Chief Executive Officer of the Company on 1 June 2016. He is responsible for overall business development, management, financial affairs and strategic planning of the Group. He provides directions in the implementation of resolutions, strategy and policies of the Board.

He graduated with a Higher Diploma in Computer Science from Informatics College in 2000 and obtained a Masters of Business Administration from the Nottingham Trent University in 2011.

He began his career with Formis Software Dynamics Sdn. Bhd. as an Analyst Programmer in 2000 and promoted to a Senior System Analyst in 2004. He served Jordone Corporation Sdn. Bhd. for 10 years, where his last position was Chief Operating Officer. He was responsible for the entire operations, strategic, corporate planning and financial affairs in Jordone Corporation Sdn. Bhd.

He has extensive experience in clothing apparel business as well as in consignment and retail industry. His experience in marketing and merchandising also extended to the complete business strategy and corporate development.

TAN YEW KIM | *Independent Non-Executive Director*

- 60 years of age
- Male
- Malaysian
- Chairman of Audit Committee
- Member of Nomination Committee
- Member of Risk Management Committee

Mr Tan was appointed to the Board on 10 February 2010. He is a fellow member of the Association of Chartered Certified Accountants, UK, an associate member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants.

He is currently the senior partner of a public accounting firm, Messrs Y.K. Tan, Lee & Associates. He also holds directorship in several private limited companies.

He is also a member of the committee of various associations and board of governor of two primary schools.

Profile of Directors (Cont'd)

LEE KOK HENG | *Independent Non-Executive Director*

- 56 years of age
- Male
- Malaysian
- Chairman of Risk Management Committee
- Chairman of Remuneration Committee
- Member of Audit Committee
- Member of Nomination Committee

Mr Lee was appointed to the Board on 25 November 2015.

He graduated with a Bachelor of Law (Hons) from the University of Malaya in 1987 and was admitted as an Advocate & Solicitor of the High Court of Malaya in 1988.

He is currently practicing under his own law firm of Lee Kok Heng & Co. in Kuala Lumpur.

He has vast experience throughout his legal career in areas of general litigation, commercial and debt recovery litigation, contractual disputes, tenancy disputes, land matters, wills, probate and administration of estates, bankruptcy and winding-up proceedings, banking and conveyancing documentations, joint-ventures and commercial agreements, distributorship and trademark licensing agreements and trademark registration.

CHUA JIN KAU | *Executive Director*

- 60 years of age
- Male
- Malaysian
- Member of Risk Management Committee

Mr Chua was appointed to the Board on 1 October 2016. He is also a Director of the subsidiary companies and is primarily responsible for the Group's apparels management and marketing.

He began his career in the fashion industry more than 30 years ago with Big John Jeans in the warehousing and logistics department. He has since assumed various marketing and managerial positions in a number of companies dealing with international brands for women, men and children wear.

He was with Jordone Corporation Sdn. Bhd. from July 2004 to March 2016. During his time in Jordone Corporation Sdn. Bhd., he served in a number of senior positions, including Executive Director of the company. He was responsible for the overall management and development of the retail and branding activities for several brands.

He has extensive experience in retailing business, particularly in management, development and branding.

Profile of Directors (Cont'd)

Notes to the Directors' Profiles:

1. Family Relationship

None of the Directors has any relationships with any Director and/or major shareholder of the Company.

2. Conviction of Offences

The Directors have not been convicted of any offences (other than traffic offences) within the past 5 years. There was no public sanction or penalty imposed by the regulatory bodies during the financial year.

3. Conflict of Interest

None of the Directors have any conflict of interest with the Company.

4. Attendance at Board Meetings

The details of attendance of the Directors at the Board Meetings during the financial year are set out on page 38 of this Annual Report.

5. Directorship in other public companies

Save for Encik Saffie Bin Bakar, none of the other directors hold any other directorships in any public companies and listed issuers.

KEY SENIOR MANAGEMENT PROFILE

Our key senior management is responsible for the day-to-day management of our business of the Group.

LUI BOO HOCK | *Chief Financial Officer*

- 48 years of age
- Male
- Malaysian

Mr Lui Boo Hock is the Chief Financial Officer of the Company and oversees the finance function across the Group. He joined the Group in 2005, served as an Accountant of the Company's subsidiary and has covered different managerial roles within the Finance and Accounts department. In 2016, he was appointed as the Chief Financial Officer.

He has more than 20 years working experience in the areas of accounting, taxation and finance in manufacturing, trading and retail industries. He holds a MBA and is a member of the Chartered Institute of Management Accountants UK (CIMA) and the Malaysian Institute of Accountants.

P'NG LEE KOON | *Chief Operating Officer*

- 52 years of age
- Female
- Malaysian

Ms P'ng Lee Koon joined the Group in February 2017, and is tasked to set up Baby & Children division to develop new brands and steering existing brand to expand the market share in children fashion industry. She oversees the brand concept and brand building activities for menswear under same license name to ensure consistency of the brand positioning in different category.

She has more than 20 years of hands-on experience in fashion merchandising, brand development and brand management. Prior to joining the Group, she was the Chief Operating Officer at Baby Kiko Sdn. Bhd. and its related company. She graduated with a Bachelor of Business Degree from National Chengchi University, Taipei, Taiwan.

Key Senior Management Profile (Cont'd)

ONG CHONG THAI | *General Manager*

- 50 years of age
- Male
- Malaysian

Mr Ong Chong Thai was appointed as the General Manager of Men's Leather Goods Division in 2012 to oversee the brand management, operations and marketing of the Division.

He is also involved in the Group's warehouse management. He joined the Group in 2008 as an Assistant Sale Manager. Prior to joining the Group, he covered different roles in the marketing departments of a number of retailing companies.

LOO YEW CHEONG | *General Manager*

- 54 years of age
- Male
- Malaysian

Mr Loo Yew Cheong was appointed as the General Manager of Ladies' Leather Goods Division in 2014 to oversee the brand management, operations and marketing of the Division.

He has more than 27 years of experience in brand management, operation, sale and marketing in several operations. He was the Senior General Manager of Jerasia Apparel Sdn. Bhd. (from year 2003 until 2010) and prior to that, he worked for K Mart Corporation, USA as an Apparel/Store Manager before returning to Malaysia. He graduated with Bachelor of Science in Management and Communications, University of Wisconsin, USA.

OUI YEN YEN | *Senior Merchandising Manager*

- 45 years of age
- Female
- Malaysian

Ms Ooi Yen Yen was appointed as the Senior Merchandising Manager of Leather Goods Divisions in 1998. She also held various appointments in the Merchandising Department as a Buyer and as a Divisional Manager, which encompasses the Leather Goods' merchandising, brand and product development operations.

She has more than 23 years of working experience in retail industry. Prior to joining the Group, she served in a variety of merchant roles for a number of retailing companies.

She is the sister-in-law to Mr Teoh Hwa Peng and Madam Tan Sok Gim who are the major shareholders of the Company by virtue of their shareholding in Angsana Inai Sdn. Bhd.

Key Senior Management Profile (Cont'd)

ANG AEI NEE | *Human Resources and Administration Manager*

- 44 years of age
- Female
- Malaysian

Ms Ang Aei Nee joined the group in April 2017 as a Human Resources and Administration Manager. She has 18 years' experience in Human Resources Management serving companies in manufacturing, trading, services and retail industries.

Her last appointment was with MMag Holdings Bhd as the Human Resources Manager, overseeing the group Human Resources matters. She holds a Certificate in Accounting.

NG KOK HUI | *Advertising and Promotion Manager*

- 48 years of age
- Male
- Malaysian

Mr Ng Kok Hui, joined the Group in 2007 as an Advertising and Promotion Executive. Subsequently, he was promoted as the Advertising and Promotion Manager. He is primarily responsible for the development and implementation of all promotions and advertising. Prior to joining the Group, he worked in similar capacity at retail businesses. He holds a Diploma of Art & Design.

Notes to the Key Senior Management Profiles:

1. Save for Madam Ooi Yen Yen as disclosed above, other members of the key senior management have no relationships with any Director and/or substantial shareholder of the Company.
2. None of the members of the key senior management have been convicted with any offences within the past 5 years and particular of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 March 2018.
3. None of the members of the key senior management have any conflict of interests in any business arrangement involving the Company and its subsidiaries.
4. None of the members of the key senior management hold any other directorships in any other public companies and/or companies.

AUDIT COMMITTEE REPORT

The Board is pleased to present the Audit Committee (“AC”) Report for the financial year ended 31 March 2018 in compliance with Paragraph 15.15 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”).

COMPOSITION AND MEETINGS

The composition of the AC is as follows:-

- Tan Yew Kim - Chairman, Independent Non-Executive Director
- Saffie Bin Bakar - Member, Senior Independent Non-Executive Director
- Lee Kok Heng - Member, Independent Non-Executive Director

Mr Tan Yew Kim, the Chairman of the AC is a member of the Malaysian Institute of Accountants. In this respect, the Company is in compliance with Paragraph 15.09(1)(c)(i) of the MMLR.

The AC assists the Board in discharging its responsibilities for effective financial reporting controls, risk management and internal control. The AC monitors the integrity of the quarterly financial results and annual financial statements of the Group, and reviews significant financial reporting judgments contained in them. The AC reviews, makes recommendations and reports to the Board on findings relating to the financial statements, risk management and internal control systems and compliance issues. The AC also oversees the Group’s relationship with the External Auditors, reviews auditor’s letter of engagement and makes recommendations to the Board on the appointment and re-appointment of External Auditors. The AC is empowered to review and monitor the External Auditors’ independence and objectivity. The AC reviews External Auditors’ reports and any material queries raised by the External Auditors to Management and the Management’s response.

The AC met five (5) times during the financial year under review. The Chief Executive Officer (“CEO”), Chief Financial Officer, Internal Auditors and External Auditors were invited to attend the meetings as and when necessary.

The attendance of the members of the AC is set out in the table below:

Name of AC Members	No. of meetings attended
Tan Yew Kim (<i>Chairman</i>)	5/5
Saffie Bin Bakar	5/5
Lee Kok Heng	5/5

The meetings were appropriately structured through the use of agendas, which were distributed to the AC members with sufficient notification.

Audit Committee Report (Cont'd)

TERMS OF REFERENCE

The Terms of Reference (“TOR”) of the AC outlining the composition, proceeding of meeting, authority, duties and responsibilities are available on the Company’s corporate website at **www.mesbbhd.com**.

In the annual assessment of the effectiveness of Board Committees for the financial year ended 31 March 2018, the Board was satisfied that the AC and its members have discharged their function, duties and responsibilities in accordance with the AC’s TOR to provide independent oversight of the Group’s internal and external audit functions, internal controls and ensure checks and balances within the Group.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to an external professional firm, which reports directly to the AC and assists the Board in monitoring the risks and reviewing the internal controls system to ensure a sound internal control system as established and continue to function effectively and satisfactorily within the Group, after taking into consideration the practicability of such control mechanism. The internal audit function adopts a risk-based audit methodology, which is aligned with the risks of the Group to ensure that the relevant control addressing those risks are reviewed on timely basis.

Internal auditors execute an approved audit plan and will perform the following tasks in accordance with its overall strategy, amongst others:

- a) Evaluate the adequacy of the system of internal controls and recommend improvements in controls;
- b) Assess compliance with policies and procedures and sound business practices;
- c) Review operations to ascertain whether results are consistent with established objectives and whether the operations are being carried out as planned;
- d) Investigate and report on cases of suspected employee fraud and malpractice, if any; and
- e) Undertake designated advisory services for management provided that they do not threaten the function’s actual or perceived independence from management.

The internal control deficiencies were reported to the appropriate levels of Management when identified.

The internal audit reports were submitted and presented to the AC to review the internal audit findings and action plans taken by Management to address the audit findings and concerns raised in the internal audit report. The Internal Auditors also conducted follow up audit with Management on the status of implementation of the agreed audit recommendation.

The internal audit function provides to the Board via AC reasonable assurance on the effectiveness of the Group’s systems of internal control and the adequacy of these systems to manage business risks and to safeguard the Group’s assets and resources.

During the financial year under review, the total cost incurred on internal audit function was RM79,000 (2017: RM71,000).

Audit Committee Report (Cont'd)

SUMMARY OF ACTIVITIES

The following activities were carried out by the AC during the financial year under review:-

Financial Reporting

- a) Reviewed the unaudited quarterly results together with the subsidiaries' internal quarterly reports prior to recommending to the Board for approval and release to Bursa Securities. The review covered the discussion on the Group's overall performance and its retailing business performance for the quarter and material changes in the quarterly results as compared with the immediate preceding quarter and ensured that the consolidated unaudited quarterly interim financial reports present a true and fair view of the Group's financial position and performance and in compliance with the Malaysian Financial Reporting Standards ("MFRS") and disclosures provision in the MMLR.
- b) Reviewed the annual financial statements with the External Auditors and Management prior to recommending to the Board for approval. These reviews focused on changes in accounting policies and practices, major judgemental and risk areas, significant adjustments resulting from the audit, unusual events, the going concern assumption, compliance with accounting standards, compliance with the MMLR and other legal requirements.
- c) Kept apprised of the changes in accounting policies and guidelines through regular updates by the External Auditors.
- d) Reviewed the financial projections of the core subsidiaries with the External Auditors and Management prior to recommending to the Board for approval.

External Audit

- a) Reviewed the External Auditors' annual audit plan, scope of works of the Group, the Group's audit fees and terms of engagement with the External Auditors prior to recommending to the Board for approval.
- b) Assessed and evaluated the performance, suitability, independence and objectivity of the External Auditors by considering their quality of services, audit approach, communication, professionalism and sufficiency of resources. The AC had assessed the effectiveness of the External Auditors, which included feedback of questionnaires from the members of the AC. Following the review of the External Auditors' effectiveness and independence, the AC is satisfied with the performance and the audit independence of the External Auditors. Accordingly, the AC recommended to the Board the re-appointment of KPMG PLT as the External Auditors for the financial year ending 31 March 2019 at the forthcoming Annual General Meeting ("AGM").
- c) Reviewed the statutory audit, audit related and non-audit related services provided by the External Auditors. The provision of non-audit services by the External Auditors did not compromise the External Auditors' independence and objectivity as the fee levels are appropriate.
- d) Deliberated on the External Auditors' presentation of the audit status and key audit areas arising from the audit of the financial statement for the financial year ended 31 March 2018.
- e) Held a private discussion with the External Auditors, without the presence of Management, to ascertain the relationship with Management and to address any issues of concern.

Internal Audit

- a) Reviewed and approved the Internal Audit Plan and its scope of work proposed by the Internal Auditors for the financial year.
- b) Reviewed and deliberated the internal audit reports presented by the Internal Auditors on findings, recommendations and Management responses thereto and ensured that material findings were adequately addressed by Management and reported relevant issues to the Board.
- c) Monitored the outcome of the audits and follow-up audits conducted to ascertain all action plans were adequately implemented to address the findings.
- d) Carried out an evaluation of the performance of the internal audit function. The AC met up with the Internal Auditors during the year and discussed the results of the audits performed and key issues arising from the Group internal audit carried out.

Audit Committee Report (Cont'd)

SUMMARY OF ACTIVITIES (CONT'D)

Related Party Transactions

- a) Reviewed the system for identifying, monitoring and disclosing related party transactions for the Group to ensure that the transactions are fair and reasonable, and are not detrimental to the interests of minority shareholders of the Company.
- b) Reviewed the recurrent related party transactions of revenue or trading nature on quarterly basis in accordance with the mandate given by the shareholders.
- c) Reviewed the Circular to Shareholders in respect of the recurrent related party transactions. Accordingly, it was recommended to the Board to seek shareholders' mandate at the forthcoming AGM of the Company.

Risk Management & Internal Control

- a) Reviewed the adequacy and effectiveness of the Group's risk management, internal control system and management information system.
- b) Reviewed the extent of compliance with established internal policies, standards, plans, procedures, laws and regulations.
- c) Reviewed the Risk Management Framework and recommended to the Board for approval.
- d) Recommended to the Board steps to improve the system of internal control derived from the findings of the Internal and External Auditors.
- e) Reviewed the AC report and the Risk Management and Internal Control Statement for inclusion in the Annual Report.

Other Matters

AC has full access to and co-operation of Management. The AC also has full discretion to invite any Director or Management to attend its meetings, and has been given adequate resources to discharge its functions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is pleased to present this Corporate Governance Overview Statement (“CG Statement”) to provide investors with an overview of the extent of compliance with three (3) Principles as set out in the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”) under the stewardship of the Board.

This CG Statement also serves as a compliance with Paragraph 15.25 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and should be read together with the Corporate Governance Report (“CG Report”) of the Company.

In addition, the CG Report which sets out the application of each Practice set out in the MCCG 2017 is available for viewing in the Company’s corporate website at www.mesbbhd.com.

The Board is committed to maintaining high standards of corporate governance throughout the Group. The Board adheres to the principles and guidelines of the MCCG 2017 to ensure effective corporate governance is practised and served as a fundamental part of building a sustainable business and discharging its responsibilities to protect and enhance shareholders’ interest.

PRINCIPLE 1: BOARD LEADERSHIP AND EFFECTIVENESS

PART I - BOARD RESPONSIBILITIES

1. Board Roles and Responsibilities

The Board aims to protect and enhance the interests of its shareholders, while taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

The Board is responsible for overall corporate governance, strategic direction, formulation of policies to oversee the business, performance and affairs of the Group, and charting the course of the Group’s business operation whilst providing effective advice on Management’s performance, risk assessment and controls over business operations.

Key matters reserved for the Board for decision includes the following:

- Material investments, divestments, acquisitions and disposition of assets, related party transactions and etc.;
- Review of the performance of the Group’s business;
- Review and approval of the quarterly financial results and annual financial statements prior to releasing to Bursa Securities;
- Approval for the establishment of the Board Committees, including appointment of committee members and the Terms of Reference (“TOR”) of the respective committees;
- Monitoring compliance with the relevant rules, regulations and accounting standards within the corporate and business environment;
- Promoting ethical and best corporate governance culture in the Group;
- Ensuring sound framework for internal control and risk management;
- Declaration of the interim dividend and recommendation of the final dividend;
- Succession planning for Board and senior Management, including endorsing the framework for remuneration of the Board and senior Management and valuating the performance and compensation of Board;
- Promoting effective communication and proactive engagements within the shareholders and other stakeholders; and
- Appointment of new directors based on recommendation of the Nomination Committee.

The Board as a whole, leads the Group to meet its objectives, while the Executive Directors are responsible for the implementation of the policies laid down and executive decision-making.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (CONT'D)

1. Board Roles and Responsibilities (Cont'd)

The Board is committed to ensure that good corporate governance is practised throughout the Company and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism to protect and enhance shareholders' value and the financial position of the Group.

The Board in discharging its responsibilities has always been vigilant of the fiduciary duties entrusted upon the Board. There are key matters which are reserved for the Board for its deliberation and decision to ensure the direction and control of the Group's business are in its hands, while a capable and experienced Management team headed by the Chief Executive Officer ("CEO") is put in charge to oversee the day-to-day operations of the Group.

To facilitate the discharge of the Board's stewardship responsibilities, the Board has delegated certain responsibilities to four (4) Board Committees, namely the Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC") and Risk Management Committee ("RMC"), to assist the Board in the deliberation of issues within their respective functions and TOR. These Committees, as entrusted by the Board, will discuss relevant issues and report to the Board with their recommendations. However, this does not absolve the Board's ultimate responsibility of decision-making.

Apart from the above, Management is also delegated with certain authority to enable them to effectively discharge their responsibilities on the day-to-day operation of the Group.

The membership of each Board Committee as at 31 March 2018 is set out in the below table:-

	AC	RC	NC	RMC
Committee Compositions	Three (3) members	Three (3) members	Three (3) members	Five (5) members
	All members are Independent Non-Executive Directors	One (1) Executive Director All other members are Independent Non-Executive Directors	All members are Independent Non-Executive Directors	Two (2) Executive Directors All other members are Independent Non-Executive Directors
	Chairman is an Independent Non-Executive Director, who is not the Board Chairman	Chairman is an Independent Non-Executive Director, who is not the Board Chairman	Chairman is an Independent Non-Executive Director, who is the Board Chairman	Chairman is an Independent Non-Executive Director, who is not the Board Chairman
Saffie Bin Bakar (Chairman / Senior Independent Non-Executive Director)	√	√	Chairman	√

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (CONT'D)

1. Board Roles and Responsibilities (Cont'd)

	AC	RC	NC	RMC
Committee Compositions	Three (3) members All members are Independent Non-Executive Directors Chairman is an Independent Non-Executive Director, who is not the Board Chairman	Three (3) members One (1) Executive Director All other members are Independent Non-Executive Directors Chairman is an Independent Non-Executive Director, who is not the Board Chairman	Three (3) members All members are Independent Non-Executive Directors Chairman is an Independent Non-Executive Director, who is the Board Chairman	Five (5) members Two (2) Executive Directors All other members are Independent Non-Executive Directors Chairman is an Independent Non-Executive Director, who is not the Board Chairman
Tan Yew Kim (Independent Non-Executive Director)	Chairman		√	√
Lee Kok Heng (Independent Non-Executive Director)	√	Chairman	√	Chairman
Loke Lee Ping (CEO cum Executive Director)		√		√
Chua Jin Kau (Executive Director)				√

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (CONT'D)

2. Roles of Chairman, CEO and Non-Executive Directors

There is a clear division of responsibilities between the Chairman and CEO, which are set out in the Board Charter of the Company. The distinct and separate roles of the Chairman and the CEO, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

Chairman

Encik Saffie Bin Bakar is the Chairman of the Board and also the Senior Independent Non-Executive Director, who is responsible for the leadership of the Board and leads the Board, in particular discussions on all proposals put forward by Management. It is also the Chairman's role to ensure effective communication with the shareholders and to chair the General Meetings.

Chief Executive Officer ("CEO")

Mr Loke Lee Ping is the Executive Director cum CEO who is responsible for the day-to-day management of the business, in line with the strategy and long-term objectives approved by the Board. The CEO may make decisions in all matters affecting the operations, performance and strategy of the Group's businesses, with the exception of those matters reserved for the Board or specifically delegated by the Board to its Committees.

Non-Executive Directors

The Non-Executive Directors will deliberate and discuss policies and strategies formulated and proposed by Management with the view of the long-term interest of all stakeholders. They contribute to the formulation of policies and decision making using their expertise and experience. They also provide guidance and promote professionalism to Management. The Independent Non-Executive Directors fulfill the pivotal role in corporate accountability by providing independent and unbiased view, advice and judgement to ensure a balanced and unbiased decision making process, thereby the long-term interest of all stakeholders and the community are well protected.

There is also a balance in the Board because of the presence of Independent Non-Executive Directors of the necessary calibre to carry sufficient weight in the Board's decisions. Although all the Directors have an equal responsibility for the Company's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed and examined, taking into account the long-term interests, not only of the shareholders, but also of the customers, employees, suppliers and the communities in which the Company conducts its business.

3. Board Charter

The Board Charter was adopted by the Board to facilitate the effective discharge of its duties and responsibilities. The Board Charter sets out the responsibilities reserved to the Board and the functions delegated to Management, including the role, composition and other key processes of the Board.

The Board shall review its charter regularly to keep it up to date with the changes of regulations and best practices to ensure its effectiveness and relevance to the Board's objectives.

The Board Charter is made available on the Company's website, at www.mesbbhd.com.

On 7 July 2017, the Board revised and approved the Board Charter for the purpose of clarity and consistency with the MCCG 2017.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (CONT'D)

4. Company Secretary

The Board is regularly updated and apprised by the Company Secretaries on new regulation issued by the regulatory authorities. The Company Secretaries also serve notices to the Directors and Principal Officers on the closed periods for trading in the Company's shares pursuant to Chapter 14 of the MMLR.

The Company Secretaries attend and ensure that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register of the Company.

The Company Secretaries work closely with Management to ensure that there are timely and appropriate information flow within the Board and its Committees.

In delivering the above duties and responsibilities, the Board is supported by suitably qualified and competent Company Secretaries.

5. Board Process and Access to Information

The Board meets at least four times (4) annually, with additional meetings being convened as and when necessary.

The Board has unrestricted access to all information within the Company, whether as a full Board or in their individual capacity, as supplied by Management in a timely manner in order for the Board to discharge its responsibilities efficiently and effectively.

The agenda for the Board Meetings, together with the appropriate reports and information on the Company's business operations, minutes of previous meetings, financial reports and board papers for the Board's consideration are circulated to all the Directors prior to the Board Meetings. Sufficient time has been provided to the Board to review the information provided, to make enquiries and to obtain further information and clarification, if necessary. During the Meetings, Management provides further detailed information and clarification on issues raised by Board members.

In furtherance of their duties, the Directors have full and unrestricted access to any information pertaining to the Company, the advice and services of the Company Secretaries. Independent professional or other advice is also made available to Directors at the Company's expense and in accordance with decision of the Board as a whole should such advice is required.

Minutes of proceedings and resolutions passed at each Board and Board Committees Meetings are kept in the minutes book at the registered office of the Company. In the event of a potential conflict of interest, the Director in such position will make a declaration to that effect as soon as practicable. The Director concerned will then abstain from any decision making process in which he has an interest in.

6. Code of Conduct

The Board has in place clear guidelines on business conduct and ethical behaviour for the directors and employees in carrying out their duties. The Code of Conduct is published on the corporate website at **www.mesbbhd.com** and has clearly stated the values and inspiring principles behind the achievement of its business objectives are of fundamental importance for the correct operation of its businesses.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (CONT'D)

7. Whistleblower Policy

The Board has adopted a whistleblowing policy (“WP”) setting out the appropriate communication and feedback channels to facilitate whistleblowing. The implementation of the WP is in line with the Companies Act 2016 (“the Act”) where provisions have been made to protect the officers who make disclosures on breach or non-observance of any requirement or provision of the Act or on any serious offence involving fraud and dishonesty.

8. Composition of Board

The Board has the requisite blend expertise, skill and attributes to oversee the Group’s growing business. The Directors through their vast experience and qualifications in accounting, financial and business management provide effective contribution and support to the Board, and to successfully direct the Group’s business activities to its success.

The Board currently comprises five (5) members, of whom three (3) are Independent Non-Executive Directors, and two (2) are Executive Directors. The Chairman of the Board is a Senior Independent Non-Executive Director. The present composition of the Board is in compliance with Paragraph 15.02 of the MMLR and the MCCG 2017 as more than half of its members are Independent Directors.

The Board is satisfied that, through the annual performance appraisal of the Board, the Board Committees and individual directors, the current board composition represents a mix of knowledge, skills and experience required to discharge the Board’s duties and responsibilities effectively.

9. Board Balance and Independence

The Board comprises two (2) Executive Directors and three (3) Independent Non-Executive Directors. The presence of a majority of Independent Non-Executive Directors provides effective check and balance in the functioning of the Board to safeguard the interests of the Company and all stakeholders.

Independence is important for ensuring objectivity and fairness in Board’s decision making.

The Board also recognises the pivotal role of the Independent Non-Executive Director in corporate accountability as they provide unbiased and independent view, advice and judgement to issues and decisions and act in the best interest of the Group and its shareholders.

All Independent Non-Executive Directors comply with the criteria of ‘independent directors’ as prescribed in the MMLR.

The Board, through the NC, assesses the independence of Independent Non-Executive Directors annually. The criteria for assessing the independence of Independent Non-Executive Directors include the relationship between the Independent Non-Executive Directors and the Company and its involvement in any significant transaction with the Company.

The Board is satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their ability to act in the best interest of the Company and/or the Group as all of the Independent Non-Executive Directors have satisfactorily demonstrated that they are independent from Management and free from any business or other relationship with the Group that could materially affect or interfere with the exercise of objective and independent judgement to act in the best interest of the Group.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION

10. Tenure of Independent Directors

Practice Note 4.2 of the MCGG 2017 recommended that the tenure of an Independent Director does not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve as a Non-Independent Director.

If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board should seek annual shareholders' approval through a two-tier voting process.

The Board subscribes to an open policy on the tenure of Independent Director whereby there should not be an arbitrary tenure imposed on the Independent Directors. The Board believes that the length of tenure of Independent Directors on the Board does not interfere with their objective and independent judgement or their ability to act in the best interest of the Company.

The NC had reviewed and recommend to the Board for Encik Saffie Bin Bakar, who has served the Company for the tenure of more than twelve (12) years to continue to serve as an Independent Director of the Company, subject to annual shareholders' approval through a two-tier voting process as stipulated in the MCGG 2017.

Key justifications for the recommendation of Encik Saffie Bin Bakar to continue to act as an Independent Non-Executive Director can be found in the Notice of Twenty-Third Annual General Meeting ("AGM").

11. Board Diversity and Senior Management Team

The Board acknowledges the importance of diverse Board and senior Management. The Group strictly adheres to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, including the selection of Board members and senior Management. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Group.

12. Board Appointment and Re-appointment Process

The NC is tasked by the Board to make independent recommendations for appointments to the Board. Appointment of Directors shall be based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. In making these recommendations, the NC shall assess the suitability of candidates, taking into account the character, integrity, competence, professionalism, time commitment and other qualities of the candidates, before recommending their appointment to the Board for approval.

The Company Secretaries will ensure that all appointments are properly made, and that regulatory requirements are complied with.

In accordance with the Constitution of the Company, all Directors who are appointed by the Board are subject to re-election by shareholders at the first opportunity after their appointment. The Constitution also provides that at least one third (1/3) of the remaining Directors be subject to re-election by rotation at each AGM and that all directors shall retire once at least in each three (3) years but shall be eligible for re-election.

The new Director(s) duly appointed by the Board are then recommended for re-election at the AGM.

The Board makes recommendations concerning the re-election, re-appointment and the continuation in office of any Director for shareholders' approval at the AGM.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

13. Annual Assessment

The Board through the NC assesses on annual basis, the effectiveness of the Board and Board Committees as a whole and each individual Director.

The Board evaluation comprises a Board Assessment, an Individual Peer Assessment and an Assessment of Independence of Independent Directors. A formal appraisal process to assess the effectiveness of the Board and Board Committees has been implemented. The Board performance evaluation process includes a questionnaire designed to assess the performance of the Board and enhance the overall effectiveness of Directors. The performance assessment forms were completed by each Director. The Company Secretary compiles Directors' responses to the questionnaire into a consolidated report reviewed by the NC prior to submitting to the Board for deliberation and identifying areas for improvement.

Criteria on evaluation of Board Committees include composition, decision-making, expertise and roles & responsibilities. The assessments of the Board and Board Committees members include their contribution, expertise, level of professionalism, provide input at meetings, exercise independent judgments and integrity in decision-making.

The results of the assessment would form the basis of the NC's recommendation to the Board for the re-election of Directors at the forthcoming AGM.

The NC also undertakes yearly performance evaluation of Chief Financial Officer ("CFO"), whose remuneration is directly linked to performance, based on the score sheet. The performance evaluation for the year 2018 of the CFO was reviewed by the NC on 28 May 2018.

14. Time Commitment

The Board conducted at least four (4) regularly scheduled meetings annually to coincide with the quarterly announcements of the financial statements. The Board also meets on an ad-hoc basis to deliberate issues or matter that requires expeditious Board's direction or approval.

To facilitate the Directors' time planning, the regularly scheduled meetings are proposed in advance, as well as the tentative closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results.

To fulfil their roles and responsibilities, each Director holds no more than five (5) directorships in listed corporations in accordance with Paragraph 15.06 of the MMLR. All Directors of the Company currently adhere to this requirement. The Directors are also required to notify the Board's Chairman when accepting new directorships in other companies. Such notification is expected to include an indication of time that will be spent on the new appointment.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

14. Time Commitment (Cont'd)

The attendance of the Directors at Board meetings for the financial year ended 31 March 2018 are as follows:-

Name of Directors	Designation	No. of Meetings Attended
Saffie Bin Bakar	Independent Non-Executive Chairman	5/5
Tan Yew Kim	Independent Non-Executive Director	5/5
Loke Lee Ping	Executive Director	5/5
Lee Kok Heng	Independent Non-Executive Director	5/5
Chua Jin Kau	Executive Director	5/5

15. Directors' Training

All Directors have completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities. The Company will continue to identify suitable trainings for the Directors to equip and update themselves with the necessary knowledge in discharging their duty and responsibilities as Directors.

The Directors are encouraged to attend various briefing, conferences, forums, trade fairs, exhibition, seminars and training not only to enhance their knowledge and also enable them to discharge their duties efficiently as the Directors of the Company and keep abreast with the latest developments in the industry, regulatory laws, rules as well as guidelines.

During the financial year ended 31 March 2018, the Directors have attended the following training programmes:-

No.	Directors	Seminar/Forum/Course
1	Saffie Bin Bakar	➤ Driving Financial Integrity & Performance - Enhancing Financial Literacy.
2	Tan Yew Kim	➤ 2017 Budget Seminar. ➤ Transfer Pricing 101. ➤ Limited Liabilities Partnership ("LLP") with Tax. ➤ Issues and Companies Act 2016 Briefing. ➤ Reinvestment Allowance and Industrial Building Allowance. ➤ Withholding Tax Malaysia-Principles and Latest Developments. ➤ Implementing the International Standard on Quality Control 1. ➤ Audit Procedures and Documentation. ➤ Going Concern and Audit of Related Parties. ➤ Audit of Group Financial Statements.
3.	Lee Kok Heng	➤ Driving Financial Integrity & Performance - Enhancing Financial Literacy.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

15. Directors' Training (Cont'd)

No.	Directors	Seminar/Forum/Course
4.	Loke Lee Ping	<ul style="list-style-type: none"> ➤ CG Breakfast Series with Directors: Leading Change @ the Brain. ➤ DG Business Summit 2017: Business as a Force for Good: The Role of the Private Sector in Achieving the Sustainable Development Goals. ➤ Global Business Insights Series: High Performance Leadership in Times of Change and Uncertainty.
5.	Chua Jin Kau	<ul style="list-style-type: none"> ➤ CG Breakfast Series with Directors: Leading Change @ the Brain. ➤ DG Business Summit 2017: Business as a Force for Good: The Role of the Private Sector in Achieving the Sustainable Development Goals. ➤ Global Business Insights Series: High Performance Leadership in Times of Change and Uncertainty.

In addition, the Directors were briefed by the Company Secretaries, Internal Auditors and External Auditors on any updates or changes to the relevant guidelines on the regulatory and statutory requirements at the Board and AC meetings.

PART III - REMUNERATION

16. Remuneration

The Board established its RC with written TOR. The RC is set up to assist the Board in assessing the remuneration packages of the Directors and senior Management of the Company.

The RC is responsible for making recommendations to the Board on the Company's policy and structure for all Directors' and senior Management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. In arriving at its recommendations, the RC should consider factors such as the performance, qualification, competence, time commitment and responsibilities of the directors and senior Management, having regards to the Group's performance and market benchmarks, and further that the remuneration packages of Directors and senior Management are sufficiently attractive to attract and to retain persons of high calibre.

During the year, the RC has reviewed the remuneration packages of Directors and senior Management, consists of salaries, bonuses and benefit-in-kind, such as company car. Thereafter, the remuneration reports were submitted to Board for approval. In addition, the Company will seek shareholders' approval for Directors' Fees for the financial year ended 31 March 2018 endorsed by the Board at the forthcoming AGM.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 1: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III - REMUNERATION (CONT'D)

16. Remuneration (Cont'd)

Details of the emoluments received and receivable by the Directors of the Group during the financial year are as follows:-

Directors	Salary, bonus & allowance (RM'000)	Statutory contribution plans (RM'000)	Benefit-in-kind (RM'000)	Fees (RM'000)	Total (RM'000)
Executive Directors					
Loke Lee Ping	213	25	7	16	261
Chua Jin Kau	73	8	6	16	103
Total (A)	286	33	13	32	364
Independent and Non-Executive Directors					
Saffie Bin Bakar	11	0	0	31	42
Lee Kok Heng	11	0	0	31	42
Tan Yew Kim	11	0	0	31	42
Total (B)	33	0	0	93	46
Total (A) + (B)	319	33	13	125	490

PRINCIPLE 2: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AC

The AC comprises three (3) members, all of whom are the Independent Non-Executive Directors. The AC members have requisite accounting, financial and commercial skills and experience to contribute to the Committee's deliberations and the Chairman of the AC is a member of the Malaysian Institute of Accountants ("MIA").

The Chairman of the AC, Mr Tan Yew Kim is not the Chairman of the Board and is an Independent Director.

The Board through the AC oversees the process and quality of the financial reporting, including reviewing and monitoring the integrity of the financial statements and the appropriateness of the Company's accounting policies to ensure accuracy, adequacy and completeness of the report, as well as in compliance with the relevant accounting standards.

The AC's roles and operations are documented in the TOR, which is published on the Company's corporate website at www.mesbbhd.com.

During the financial year, the AC has reviewed and discussed with Management the financial performance of the Group, risk management and internal control and financial reporting, including quarterly financial results and annual financial statements before submission to Board. In addition, the AC met at least two (2) times with the External Auditors on their audit reviews of the annual financial statements of the Group.

Details of the activities carried out by the AC in 2018 are set out on pages 28 to 29.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 2: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

2. External Auditors

The AC has undertaken an annual assessment of suitability and independence of the External Auditors. In its assessment, the AC considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence of KPMG PLT ("KPMG"). Based on the assessment results, AC was satisfied with KPMG's performance, technical competency and audit independence and recommended the re-appointment of KPMG as the External Auditors for the financial year ending 31 March 2019. Such AC's recommendations were endorsed by the Board and will seek shareholders' approval at the Twenty-Third AGM.

Besides, the External Auditors has confirmed their independence in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants for the audit for the financial year ended 31 March 2018.

The External Auditors can be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with the role of the External Auditors. All engagements of the External Auditors to perform non-audit services require the AC's approval.

The Board maintains a close and transparent relationship with the External Auditors through its AC in seeking professional advice and ensuring the Group's financial statements comply with applicable financial reporting standards.

The External Auditors report their findings, including any other matters of concern arising from the audits of the Company and its subsidiaries. The AC will then report to the Board on matters that necessitate the Boards' attention.

The AC meets with the External Auditors without the presence of Executive Directors and/or Management of the Company to enquire any extraordinary matters that should be brought to the attention of the AC.

3. Internal Audit Function

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance and the need to put in place a system of internal controls within the Group to safeguard the shareholders' interests and the Group's assets as well as managing the risks.

The Board, through the assistance of AC, reviews the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management. The Board also oversees Management in the design, implementation and monitoring of the risk management and internal control systems, and Management shall confirm to the Board on the effectiveness of these systems.

In this regard, the Company has outsourced to an independent professional firm to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems. Follow-up audits are performed by Internal Auditors to review the status and effectiveness of management actions on the findings and the Internal Auditors reports directly to the AC.

The Internal Auditors will update the AC on the Group's internal audit activities by tabling the Internal Audit Reports to the AC.

For the financial year ended 31 March 2018, the Board, with assurance from the CEO, considered the risk management and internal control systems effective and adequate. No significant areas of concern that may affect the financial, operational and compliance controls.

Besides, AC undertakes an annual assessment of the suitability and performance of the Internal Auditors. The AC, in its assessment has considered several factors, which included adequacy and resources of the Internal Auditors, quality control processes, the professional staff assigned to the audit, independence and objectivity of the Internal Auditors, discussion on audit scope, plan and fees and communication from the Internal Auditors.

Further details of the internal audit functions are set out in the Statement on Risk Management and Internal Control of this Annual Report.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 2: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

4. Risk Management and Internal Control Framework

The Board has delegated to the RMC with the responsibility to review the risk management and internal control system of the Group for ensuring that risks are identified and monitored. The RMC has in turn required Management to design and implement a risk management and internal control system to manage the Group's material business risks on an ongoing basis, and Management shall confirm to the Board on the effectiveness of these systems at least annually.

The Board, through the RMC with the assistance of the Internal Auditors has conducted annual risk assessment and evaluation. Each head of division unit of the Group sets its strategic objectives, identify specific risk and assess the effectiveness of its risk management actions and internal control measures to help ensure the risks that it faces are addressed by controls which have been or will be implemented.

Risk Management Framework deals with the management and oversight of material business risks and provides the guiding principle for Management in the identification and managing of risks across the Group, and within individual business units of the Group.

Details of the main features of the Company's risk management and internal controls framework are further elaborated in the Statement on Risk Management and Internal Control.

PRINCIPLE 3: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Communication with the Stakeholders

The Company respects the rights of the shareholders and seeks to facilitate the effective exercise of those rights by ensuring that the Company communicates timely and transparently with its shareholders. The primary channels of communication with the shareholders of the Company are through published annual reports, various timely announcements, periodic disclosures made during the financial year and the release of financial results on the quarterly basis to Bursa Securities.

In addition, the Board has identified Encik Saffie Bin Bakar as the Senior Independent Non-Executive Director, to whom all concerns from the shareholders or investors may be conveyed.

The corporate website also serves as another channel of communication for the shareholders, the investors and the general public. Information such as announcements made to Bursa Securities as well as documents such as Board Charter, WP and Code of Conduct can be obtained from the corporate website at www.mesbbhd.com.

2. Conduct of General Meetings

The AGM provides an opportunity for the shareholders to seek and clarify any issues pertaining to the Group and to have a better understanding of the Group's activities and performance. Both individuals and institutional shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. The Board is always available to meet members of the press after the AGM.

The notice of AGM together with the Annual Report are dispatched to the shareholders at least twenty-eight (28) days prior to the meeting date. Sufficient notice period is given to the shareholders in order for them to schedule their time to attend the Company's AGM.

All the members of the Board will be present at the AGM to provide better opportunity for the shareholders to engage in person with each Board member. In view of good corporate governance practice, the Notice of the Twenty-Third AGM was issued at least 28 days before the AGM date. For the convenience of the shareholders, the Board endeavors to ensure the venue of the general meetings is in Kuala Lumpur, which has sufficient parking and is accessible by public transport. This will not hinder the shareholders or their proxies from attending the general meetings.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE 3: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

3. Poll Voting

Pursuant to Paragraph 8.29A of the MMLR, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. At least one (1) independent scrutineer must be appointed to validate the votes cast at the general meeting.

The poll voting process at the general meeting will be conducted in accordance with the provisions of the Constitution of the Company.

At the Twenty-Second AGM held on 27 September 2017, all resolutions set out in the Notice were voted by way of poll. The Company would be conducting the voting by poll on all proposed resolutions tabled during the Twenty-Third AGM which will be held on 27 September 2018. An independent scrutineer will be appointed to validate the votes cast at the said AGM.

4. Effective Communication and Proactive Engagement

At the AGM, Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company. The Chairman of the Board and its Board Committees as well as the CEO are available to respond to shareholders' queries concerning the Company and the Group. The External Auditors will also be invited to attend the AGM and assist the Board in addressing relevant queries made by the shareholders.

From the Company's perspective, the AGM also serves as a forum for Directors and CEO to engage with the shareholders personally to understand their needs and seek their feedback. The Board welcomes questions and feedback from the shareholders during and at the end of shareholders' meeting and ensures their queries are responded in a proper and systematic manner.

The Chairman ensures that a reasonable time is provided to the shareholders for discussion at the meeting before each resolution is proposed.

The summary of key matters discussed at AGM will be made public at the Company's corporate website.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the financial statements of the Group and of the Company are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affair and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured adoption of applicable approved accounting standards; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company maintain proper accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure that the financial statements have complied with the requisite requirements.

The Directors also have the general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

This statement is made in accordance with the resolution of the Board dated 10 July 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code of Corporate Governance 2017 (“MCCG 2017”) requires listed companies to maintain a sound system of internal controls to safeguard shareholders’ investment and the assets of the Company and its subsidiaries (“the Group”).

Pursuant to Paragraph 15.26(b) of Bursa Malaysia Securities Berhad’s Listing Requirements, the Board of Directors (“the Board”) is pleased to present the Statement on Risk Management and Internal Control of MESB Berhad.

RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group’s risk management and system of internal control, which includes the review of adequacy and effectiveness of the established policies, procedures and controls to ensure that the Group’s assets and shareholders’ interest are safeguarded.

However, the Board recognises that any system of internal control has its inherent limitations. It is designed to manage rather than to eliminate risks that may hinder the achievement of the Group’s corporate and business objectives. In addition, the effectiveness of an internal control system may vary over time due to the ever changing circumstances and conditions. Consequently, the system can only provide a reasonable rather than absolute assurance against material misstatement or loss.

ASSURANCE FROM MANAGEMENT

The Board received reasonable assurance from the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) that the existing risk management and internal control systems are operating adequately and effectively, in all material aspects, to meet the Group’s objectives.

RISK MANAGEMENT FRAMEWORK

The respective heads of department of the Group are responsible for the process of identifying, evaluating and managing risks of their departments. Significant risks identified and the corresponding implementation of internal controls are discussed at monthly head of department (“HOD”) meetings attended by the CEO, Executive Director and senior management of the Group.

The results of the discussions are tabled at the Risk Management Committee (“RMC”) and Board meetings to ensure relevant decisions and actions are taken in maintaining an acceptable level of risk tolerance.

The Board has put in place a Risk Management Framework within the Group to ensure an on-going process of identifying, evaluating, monitoring and managing the significant risk exposures inherent in its business operations.

The Board also recognises and acknowledges that the development of an appropriate risk management framework and effective internal control system is an on-going process.

The Board is assisted by RMC who has the overall responsibility for overseeing the risk management activities and recommending to the Board for approval of appropriate risk management procedures and assessment methodologies across the Group during their meetings carried out on 29 November 2017 and 28 February 2018. The Risk Management Framework was reviewed and amended to enhance the risk assessment process and the said framework has been adopted by the Board on 28 February 2018.

During the financial year, a risk assessment exercise guided by the Risk Management Framework was undertaken to review the level of strategic risk, operational risk, compliance risk and financial risk of the Group. The report on the outcome of the assessment exercise was tabled during the Risk Management Committee and the Board meetings held on 28 May 2018. The Board is of the view that the risk management and internal control systems in place are adequate and effective in safeguarding the shareholders’ investment and the Group’s assets.

Statement on Risk Management and Internal Control (Cont'd)

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional firm which reports directly to the Audit Committee. Internal auditors are required to table their Risk-based Internal Audit Plan to the Audit Committee for review and approval to ensure adequate coverage. Findings of the internal audit were discussed primarily with the respective heads of department ("HODs") before being presented to the Audit Committee and followed by communication to the respective HODs for necessary actions. In addition, the Audit Committee also reviewed the adequacy, competency, independence, authorities and resources of internal audit function during the financial year.

During the financial year, the internal auditors reviewed, among others, the following business areas within the Group in accordance with the Internal Audit Plan:

- (a) Procurement to Payment; and
- (b) Inventory Management.

The results of the reviews have been submitted for the Audit Committee's review and deliberation.

The costs incurred on the internal audit function for the financial year ended 31 March 2018 was RM79,000.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Other key elements of internal control include:

- the Audit Committee holds quarterly meetings to deliberate on internal control weaknesses identified and follow up on the implementation of management action plans in response to internal auditors' findings and recommendations.
- the Audit Committee and the Board review the Group's performance, financial results and cash flows quarterly.
- budgets involving operational, financial and capital expenditure requirements are prepared annually and approved by the Board.
- sales and purchases plans are prepared annually and revised when necessary.
- the CEO and CFO meet with the respective HODs at least monthly to deliberate and discuss on the following matters:
 - financial performance, business initiative, management and operational issues, and improvement on any weaknesses.
 - sales performance and stock procurement.
- sales and purchases plans are prepared annually and revised when necessary. The respective HODs meet with CEO and CFO at least monthly to discuss and monitor the sales performance and stock procurement.
- defined organisational structure with clear line of responsibility and delegation of authority to ensure proper identification of accountability and segregation of duties.
- the RMC meets on 29 November 2017, 28 February 2018 and 28 May 2018 to update and deliberate any risk elements and risk management activities.

Statement on Risk Management and Internal Control (Cont'd)

CONCLUSION

The Board continues to take measures to strengthen the control environment and processes. For the financial year ended 31 March 2018, the Board is of the opinion that there was no major weaknesses in the system of risk management and internal controls which resulted in material losses, contingencies or uncertainties up to the date of approval of this statement.

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this statement on Risk Management and Internal Control. The review was performed in accordance with Audit and Assurance Practice Guidance (“AAPG”) 3 (previously Recommended Practice Guide 5 (Revised)), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants. Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate. AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

During the financial year, the Company raised a sum of RM9.20 million through Private Placement of 12,600,000 new ordinary shares, which represents 30% of the total number of issued shares of the Company, for working capital and business expansion purposes.

The details of the status of utilisation of proceeds raised as at 30 June 2018 were as follows:

Purposes	Proposed Utilisation (RM'000)	Utilisation of balance during the financial year (RM'000)	Remaining balance (RM'000)	Intended Timeframe for Utilisation
Working Capital	2,498	2,498	–	Within 6 months from the completion of the Proposed Private Placement
Business Expansion	6,500	3,311	3,189 ⁽ⁱ⁾	Within 12 months from the completion of the Proposed Private Placement
Expenses relating to the Private Placement	200	168	32 ⁽ⁱⁱ⁾	Within 1 month from the completion of the Proposed Private Placement
Total	9,198	5,977	3,221	

(i) the balance proceeds is expected to be fully utilised within the intended timeframe.

(ii) the balance of unutilised proceeds will be utilised for working capital.

2. NON-AUDIT FEES

For the financial year under review, the non-audit fees incurred by the Company and its subsidiaries to the External Auditors/ Internal Auditors were as below:-

External Auditors	Services rendered	Group (RM)
a. KPMG	- Review of Statement on Risk Management and Internal Control	5,000
Internal Auditors	Services rendered	Group (RM)
b. SL Ling & Co.	- Risk Management exercise - Internal audit exercise	29,000 50,000
		79,000

Additional Compliance Information (Cont'd)

3. VARIATION IN RESULTS

There were no variance of 10% or more between the audited results for the financial year ended 31 March 2018 and the unaudited results previously announced.

4. PROFIT GUARANTEE

There was no profit guarantee received by the Company and its subsidiary companies during the financial year ended 31 March 2018.

5. MATERIAL CONTRACTS INVOLVING THE INTERESTS OF THE CHIEF EXECUTIVE WHICH IS NOT A DIRECTOR OR MAJOR SHAREHOLDERS' INTERESTS

Other than the recurrent related party transactions of a revenue or trading nature as disclosed under related party disclosures set out in Note 23 of the audited financial statements, there were no other material contracts entered into by the Company and/or its subsidiary companies including the Directors', Chief Executive's or major shareholders' interests, which was still subsisting at the end of the previous financial year or which were entered into since the end of the previous financial year.

6. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF A REVENUE OR TRADING NATURE

At the Twenty-Second Annual General Meeting ("AGM") of the Company held on 27 September 2017, the Company obtained the shareholders' general mandate to allow the Group to enter into RRPT with a person who considered as a Related Party as defined under Paragraph 10.09(1) of the Main Market Listing Requirements ("MMLR") of the Bursa Malaysia Securities Berhad ("Shareholders' Mandate").

In accordance with Section 3.1.5 of Practice Note No. 12 of the MMLR, the details of the RRPTs conducted during the financial year ended 31 March 2018 pursuant to the Shareholders' Mandate are disclosed as follows:-

Parties transacting with the Group	Transacting company within the Group	Nature of transactions	§ Actual value from 27 September 2017 (date of last AGM) up to 10 July 2018 (RM'000)	Estimated value of transactions as disclosed in preceding year's circular (RM'000)
MX Too Sdn. Bhd. ("MX Too")	Miroza Leather (M) Sdn. Bhd. ("Miroza")	Sale of leather products and apparels from Miroza to MX Too on an out-right basis.	2	1,500

Additional Compliance Information (Cont'd)

6. RECURRENT RELATED PARTY TRANSACTIONS (“RRPT”) OF A REVENUE OR TRADING NATURE (CONT'D)

Parties transacting with the Group	Transacting company within the Group	Nature of transactions	§ Actual value from 27 September 2017 (date of last AGM) up to 10 July 2018 (RM'000)	Estimated value of transactions as disclosed in preceding year's circular (RM'000)
Roncato Sdn. Bhd. (“Roncato”)	Miroza	Sale of leather products and apparels from Miroza to Roncato under consignment basis (The nature of sales is based on the standard consignment agreement, whereby the terms and conditions for the consignment sales are similar for all unrelated customers).	+ 485	4,000
Branded Platform Sdn. Bhd. (“Branded Platform”)	Miroza	Sale of leather products and apparels from Miroza to Branded Platform.	+ 1,454	2,200
MX Too	Miroza	Purchase of luggage, travelling bags and others from MX Too.	+ 1	1,000

Notes:

+ This figure was reported up to June 2018 as the consignment reports for July 2018 will only be received and processed in the month of August 2018.

§ None of the actual values of the above RRPT had exceeded the estimated value by 10% or more.