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MESB
BERHAD
199501008356 (337554-D)

2019
ANNUAL REPORT

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MESB
BERHAD
199501008356 (337554-D)

MESB BERHAD
Registration No.: 199501008356 (337554-D)

CONTENTS

NOTICE OF THE TWENTY-FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting of MESB Berhad will be held at Level 2, Hotel Sri Petaling, 30, Jalan Radin Annum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Thursday, 19 December 2019 at 9:30 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial period ended 30 June 2019 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 Clause 97 of the Constitution of the Company:

   (i) Encik Saffie Bin Bakar — **Ordinary Resolution 1**

   (ii) Mr. Lee Kok Heng — **Ordinary Resolution 2**

3. To approve the payment of Directors' Fees of RM156,250 for the financial period ended 30 June 2019. — **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 RM37,000 for the period from 20 December 2019 until the next Annual General Meeting. — **Ordinary Resolution 4**

5. To re-appoint Messrs 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 Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposal")** — **Ordinary Resolution 6**

   "THAT subject always to the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, approval 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(a) of the Circular to Shareholders dated 30 October 2019, provided that such arrangements and/or transactions are:

   (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-Fourth 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. **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("New Proposal")** **Ordinary Resolution 7**

"THAT subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval 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(b) of the Circular to Shareholders dated 30 October 2019, provided that such arrangements and/or transactions are:

(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.

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,

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

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 New 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."

8. **Continuing in Office as Independent Non-Executive Directors**

(i) "THAT subject to the passing of Ordinary Resolution 1, 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." **Ordinary Resolution 8**

(ii) "THAT authority be and is hereby given to Mr. Tan Yew Kim, 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." **Ordinary Resolution 9**

9. **Authority to Issue and Allot Shares** **Ordinary Resolution 10**

"THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from Bursa Malaysia Securities Berhad 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 per centum (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 Malaysia Securities Berhad."

10. To transact any other 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 30th day of October 2019

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

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. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

2. A member shall be entitled to appoint not more than two (2) proxies 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 not more than two (2) proxies 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. The instrument appointing a proxy must be deposited at Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.), 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

6. 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.

7. The Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the meeting is on 12 December 2019.

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 Sections 248 and 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**

Encik Saffie Bin Bakar and Mr. Lee Kok Heng are standing for re-election as Directors of the Company and being eligible have offered themselves for re-election at this 24th Annual General Meeting. The profile of the retiring Directors is set out in the Profile of Directors on pages 32 to 35 of the Annual Report 2019.

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

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

(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 24th Annual General Meeting for the following payment to the Directors:-

- Ordinary Resolution 3 on payment of Directors' fees for the financial period ended 30 June 2019; and
- Ordinary Resolution 4 on payment of Directors' Remuneration (excluding Directors' Fees) for the period from 20 December 2019 until the next Annual General Meeting ("Relevant Period").

The payment of the Directors' Fees in respect of the financial period ended 30 June 2019 will only be made if the proposed Ordinary Resolution 3 has been passed at the 24th Annual General Meeting pursuant to Clause 105 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 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 Ordinary Resolution 4 has been passed at the 24th 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.

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

The Audit Committee ("AC") has 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 has in turn reviewed the recommendation of the AC and recommended the same to be tabled to the shareholder for approval at the 24th Annual General Meeting.

(v) **Ordinary Resolutions 6 and 7**
- Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (collectively known as "the Proposals")

The proposed Ordinary Resolutions 6 and 7, 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 Proposals is set out in the Circular to Shareholders dated 30 October 2019.

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

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

(vi) **Ordinary Resolutions 8 and 9**
- Continuing in Office as Independent Non-Executive Directors

The Nomination Committee and the Board had assessed the independence of Encik Saffie Bin Bakar and Mr. Tan Yew Kim, who have served as the Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, and has recommended them to continue in office as the Independent Non-Executive Directors of the Company based on the following justifications:

a. they 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, and thus, they would be able to provide check and balance and bring an element of objectivity to the Board;

b. they were 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. they have devoted sufficient time and attention to their professional obligations for informed and balanced decision making by actively participated in board discussion and provided an independent voice to the Board; and

d. they have exercised due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the best interest of the Company and the shareholders.

In line with Practice 4.2 of the Malaysian Code on Corporate Governance ("MCCG"), the Company would seek for the shareholders' approval through a two-tier voting process as described in the Guidance to Practice 4.2 of the said MCCG to retain Encik Saffie Bin Bakar, who has served as an Independent Non-Executive Director for more than twelve (12) years.

(vii) **Ordinary Resolution 10**
- Authority to Issue and Allot Shares

The proposed Ordinary Resolution 10, 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 total number of issued shares 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 been 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.

CORPORATE **INFORMATION**

DIRECTORS

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

Tan Yew Kim
(Independent Non-Executive Director)

Lee Kok Heng
(Independent Non-Executive Director)

Loke Lee Ping
(Chief Executive Officer cum Executive Director)

Chua Jin Kau
(Executive Director)

AUDIT COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

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

CORPORATE OFFICE

Lot 1903A, 1st Floor, Jalan KPB7
Kawasan Perindustrian Kg. Baru Balakong
43300 Seri Kembangan, Selangor
Tel. No .: 03 - 8961 8818
Fax. No.: 03 - 8961 8810
Email: mesb@mesbbhd.com
Website: www.mesbbhd.com

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
(formerly known as Symphony Share Registrars Sdn. Bhd.)
11th Floor, Menara Symphony, No. 5,
Jalan Prof. Khoo Kay Kim, Seksyen 13
46200 Petaling Jaya, Selangor
Tel. No.: 03 - 7890 4700
Fax. No.: 03 - 7890 4670

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 : Consumer Products & Services
Stock short name : MESB
Stock Code: 7234

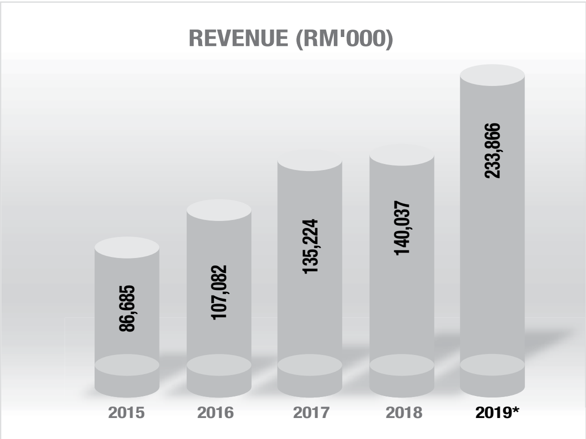
SUBSIDIARIES

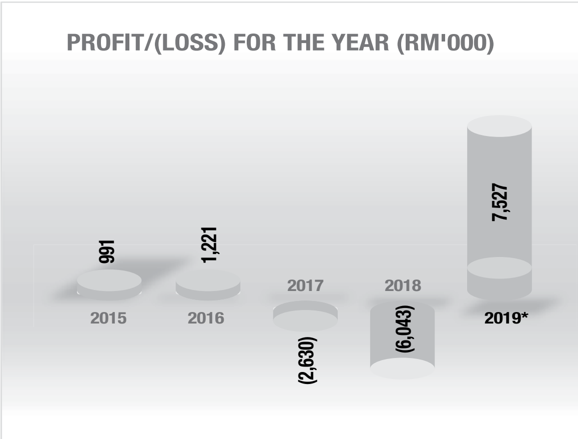
Miroza Leather (M) Sdn. Bhd.
Active Fit Sdn. Bhd.
MESB Capital & Development Sdn. Bhd.
Crystal United Sdn. Bhd.

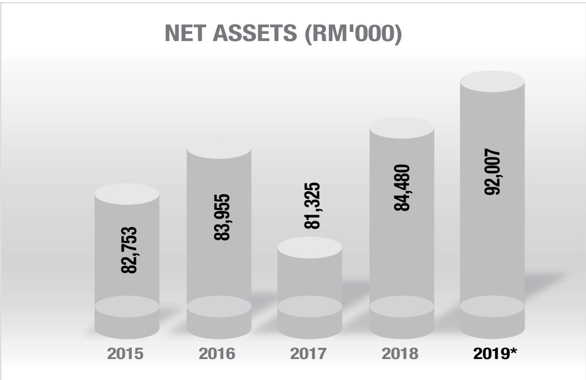
GROUP **FINANCIAL HIGHLIGHTS**

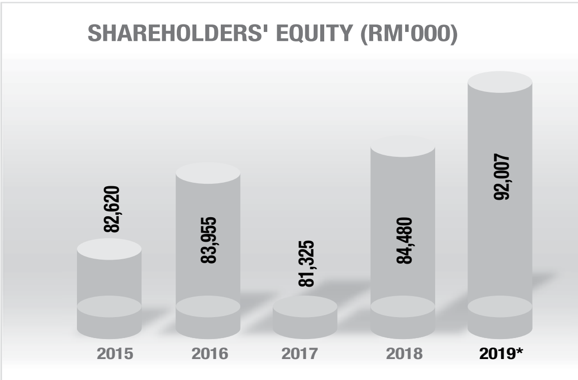
RM'000 (unless otherwise stated)

		FOR THE FINANCIAL YEAR ENDED 31 MARCH			FOR THE FINANCIAL PERIOD ENDED 30 JUNE
	2015	**2016**	**2017**	**2018**	**2019***
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Revenue	86,685	107,082	135,224	140,037	**233,866**
Profit/(Loss) for the year/period	991	1,221	(2,630)	(6,043)	**7,527**
Profit/(Loss) attributable to owners of the Company	1,250	1,335	(2,630)	(6,043)	**7,527**
Earnings/(Loss) per share (sen)	1.98	2.12	(4.17)	(8.39)	**9.19**
STATEMENT OF FINANCIAL POSITION					
Total assets	107,176	130,263	133,393	129,635	**157,835**
Total liabilities	24,423	46,308	52,068	45,155	**65,828**
Net assets	82,753	83,955	81,325	84,480	**92,007**
Shareholders' equity	82,620	83,955	81,325	84,480	**92,007**
CASH POSITION					
Cash and Cash Equivalents	30,471	17,980	26,779	26,597	**21,779**









* On 23 August 2018, the Group and the Company had changed their financial year end from 31 March to 30 June. Accordingly, the financial statements of the Group and of the Company for the financial period ended 30 June 2019 cover a fifteen-month period.

MANAGEMENT DISCUSSION **AND ANALYSIS**

Investment in customer growth and maintaining product quality are keys to the creation of long term shareholders' value of the Company.

WHO WE ARE

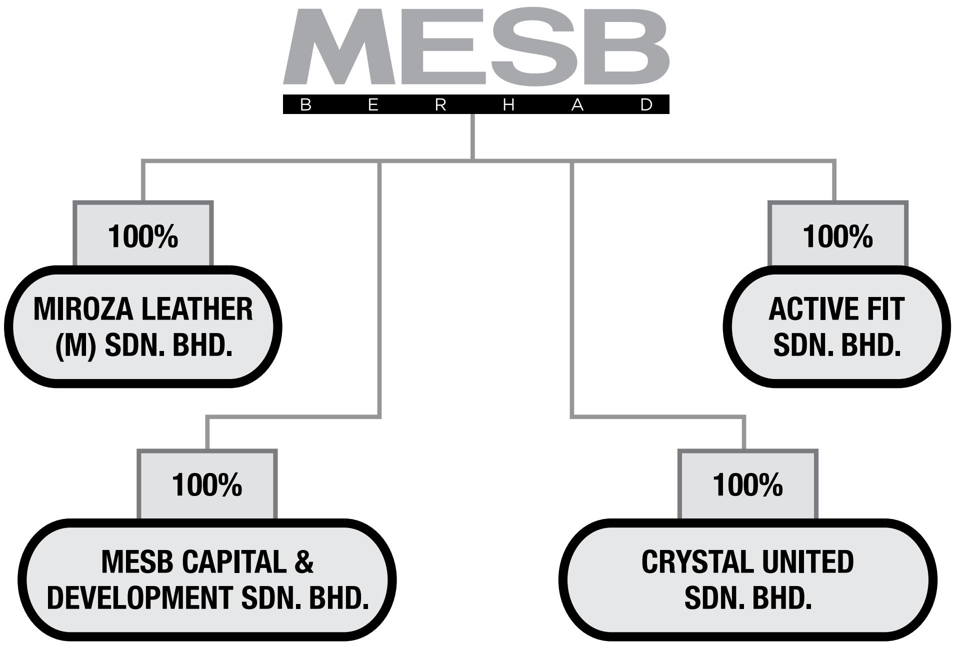
MESB Berhad was incorporated on 28 March 1995. The Company is principally an investment holding company and its subsidiaries are engaged in trading and retailing of leather products, apparels and accessories.

MESB Group has two (2) reportable segments: the Investment Holding segment which is engaged in investment holding activities, and the Retail segment which is involved in the trading and retailing of leather products, apparels and accessories. The leather product line includes bags, wallets and other leather accessories for men and women. Apparels product line includes ranges for men, childrens and babies. The retail segment offers a broad portfolio of fashion brands including Pierre Cardin, Alain Delon, Crocodile, Jeep, Louis Feraud, Giossardi, Giamax, Tocco Toscano, J is for Jeep Brand and Ducati.

The Group's retailing segment maintains its licensing and distribution agreements with international licensors and partners. We also have an own brand. Our products are distributed on consignment basis at leading departmental stores in Malaysia as well as on outright sale basis to other retailers. Our handbags, small leather goods products and other accessories are also available for sale at our own boutiques and e-commerce site at www.miroza.com.my.

As at 30 June 2019, we have over 700 consignment counters at leading departmental stores throughout Malaysia, such as Sogo, Isetan, AEON, Parkson, Metrojaya, The Store and Pacific Group. Currently, we have 9 boutiques, which are operating at Velocity Mall, IOI City Mall, The Mines Shopping Mall, Aeon Bukit Mertajam, Melawati Mall, Sunway Pyramid Mall, Mitsui Outlet and two (2) in SACC Mall.

CORPORATE STRUCTURE



OUR VISION

To be the Leading Fashion Retailer for men, women and children in Malaysia. We want to create added value for our customers, employees and shareholders as well as for the society and communities at large via enhancing customer experience, profitability and sustainability.

OUR MISSION

To build reputation and satisfaction in our products.

FINANCIAL PERFORMANCE

On 23 August 2018, The Group and the Company changed their financial year end from 31 March to 30 June. Accordingly, the financial statements of the Group and of the Company for the financial period ended 30 June 2019 cover a fifteen-month period as compared to a twelve-month period for the previous financial year ended 31 March 2018. Notwithstanding the different comparative period, we have achieved improvements in financial performance despite the challenging retail market environments and continuing difficult economic backdrop.

FINANCIAL SUMMARY

RM'000 (unless otherwise stated)

Group	**For Financial Period Ended 30 June 2019 ("FPE2019")**	**For Financial Year Ended 31 March 2019 ("FYE2018")**
Statement of Profit or Loss and Other Comprehensive Income		
Revenue	**233,866**	140,037
Profit/(Loss) for the period/year	**7,527**	(6,043)
Profit/(Loss) attributable to owners of the Company	**7,527**	(6,043)
Basis earnings/(loss) per ordinary share (Sen)	**9.19**	(8.39)

	As at 30 June 2019	**As at 31 March 2018**
Statement of Financial Position		
Total assets	**157,835**	129,635
Total liabilities	**65.828**	45,155
Total equity	**92,007**	84,480
Equity attributable to owners of the Company	**92,007**	84,480

Management Discussion and Analysis (cont'd)

FINANCIAL SUMMARY (CONT'D)

The Group's revenue for FPE2019 was RM233.87 million, representing an increase of 67% compared to RM140.04 million in FYE2018. The Group also recorded a higher profit before tax of RM10.49 million in FPE2019 as compared a loss before tax of RM5.41 million in FYE2018. The Group's retailing segment was a key driver of the Group's performance.

The profit before tax includes the effect of (i) depreciation of property, plant and equipment and investment properties of RM2.32 million in FPE2019 and RM1.85 million in FYE2018, (ii) interest expense of RM2.42 million in FPE2019 and RM1.59 million in FYE2018, and (iii) inventories write-down of RM0.84 million in FPE2019 and RM1.86 million in FYE2018.

Basic earnings per ordinary share in FPE2019 stood at 9.19 sen as compared to basic loss per ordinary share of 8.39 sen in FYE2018.

SEGMENTAL PERFORMANCE

The Group's retailing segment's revenue increased markedly in FPE2019 due to the Group's expansion of its retailing segment in ready-to-wear products. In addition, the retail segment improved its operational performance by stepping up sales efforts and implementing efficiency improving measures. These efforts have resulted in the Group's retailing segment recording of strong segment revenue and profit before interest and tax of RM233.81 million and RM13.57 million respectively.

For investment holding segment, a segment revenue of RM0.05 million and loss before interest and tax of RM0.66 million were recorded in FPE2019.

FINANCIAL POSITION

The strong financial performance has strengthened the Group's statement of financial position, with shareholders' funds of RM92.01 million and total assets stood at RM157.84 million as at 30 June 2019. The net asset per share grew from RM1.03 per share as at 31 March 2018 to RM1.12 per share as at 30 June 2019.

CASH FLOWS

	RM'000	
Group	**FPE2019**	**FYE2018**
Net cash used in operating activities	(6,999)	(4,218)
Net cash used in investing activities	(3,859)	(2,459)
Net cash from financing activities	2,023	3,133
Net decrease in cash and cash equivalents	(8,835)	(3,544)

For FPE2019, cash flows used in operating activities totalled RM7.00 million, compared to RM4.22 million in FYE2018.

Net cash used in investing activities increased to RM3.86 million in FPE2019 mainly due to an increase in fixed deposits pledged of RM1.13 million.

Net cash generated from financing activities totalled RM2.02 million in FPE2019, derived mainly from the net drawdown of bankers' acceptances of RM4.83 million, less repayment of term loans of RM2.71 million.

Management Discussion and Analysis (cont'd)

CAPITAL EXPENDITURE

The Group's capital expenditure primarily comprised purchase of plant and equipment. For the financial period ended 30 June 2019, the total capital expenditure was RM2.50 million (FYE2018: RM2.07 million).

BUSINESS OVERVIEW

Sustainable growth remains a priority for the Group and we will continue to explore suitable brands and businesses internally, through collaborations or acquisitions, to add value to our operations, including increasing our product offerings and scaling our infrastructure to support our retail business. We have added 169 new consignment counters during FPE2019 and about 80 consignment counters were taken over from the former licensees via the licencing agreement in early year of 2018. This strategy positioned our brands even closer to the customers and resulted in the growth of the retailing segment. At the same time, the Group faced difficulties in some areas that have slowed us down, such as rising operation costs and the challenging industry market. Our business landscape requires skills and resources to continuously adapt and seize new opportunities, particularly the ability to address the pressures impacting the customer confidence, understand changing needs of consumers and their behaviours. The landscape is changing not just in the context of customer experience, but also stiff competition with the other local and foreign retailers.

Alongside this, we assess the viability of each sale counters periodically and expect to close approximately 5 to 10 consignment counter by the end of the next financial year. This aims to decrease and ultimately eliminate losses, reduce and mitigate risk and improve the overall performance of the businesses. Besides, we also plan for renegotiations and refurbishing the existing outlets to ensure our brands' portfolio is the best fit for the retail market. Nevertheless, there are about 20 new consignment counters which we plan to open in the coming financial year, where most of the new outlets will be in the nationwide department stores. In addition, we expect to see the full effect of revenue from new brands of children, babies and men's product lines, which were kicked off in year 2017/2018.

We have already established several brand names and yet are just at the beginning of an exciting journey. Each brand has the potential to grow. In FPE2019, we acquired approximately RM15.00 million new inventory for launching new licenced products throughout the selected departmental stores in Malaysia. This approach has expanded our products offering and further increased the apparel and accessories market shares as well as increased economies of scale in procurement and more importantly, made our brands more accessible to consumers and brought more choices for them.

We note that our customers are game changers and to meet their expectations and needs, we constantly evaluate the market to ensure our business remain competitive in the retail industry. The merchandising teams work closely with the marketing teams, as well as with the vendors and suppliers, to review and discuss market trends, sales results and the popularity of our latest products. We believe that our sensitivity to the needs of customers, coupled with the flexibility of our purchasing capabilities and our continual monitoring of the retail market, enables to keep ahead of the competition.

In FPE2019, we have placed more emphasis on building brand images and awareness for exclusive merchandise through launching event, media coverage, marketing campaign and roadshow at several shopping malls in Kuala Lumpur and Selangor.

Management Discussion and Analysis (cont'd)

RISK AND EXPOSURE

We believe that our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges that are beyond our control.

New risk factors emerge from time to time and it is not possible to predict the impact of all these factors on our business model, financial condition or results of operations. Hence, there is no assurance that we will be able to manage the risks in accordance with our expectations, which may result in an adverse impact to our business and financial results.

The following risks are material risks which we consider 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. Some of our competitors may be significantly larger and more diversified than us and may have significantly greater financial, technological, manufacturing, sales, marketing and distribution resources than we do. 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 mitigate these risks by continuously reviewing our business strategies, formulating responses and taking pre-emptive actions against these risks to ensure that such risks are comprehended, monitored and, to the furthest extent possible, mitigated.

Brand and Customer Loyalty Risks

In nearly all of our product categories, we face brand and price-based competitions. Our products must provide value and/or quality to our consumers, particularly during periods of economic uncertainty. Consumers may not buy our products if relative differences in value and/or quality between our products and competitors' products are negligible. If consumers prefer competitors' brands, we could lose market share or even shift our product mix to lower margin offerings, which could have a material effect on our business and consolidated financial position and on the consolidated results of our operations and profitability.

Our 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' needs and satisfaction are highly important to the success of our branding efforts.

We must maintain close relationship with customers and our business partners to satisfy the customers' needs as well as to manage relationship with the licensors by putting long-term arrangements in place in relation to termination and renewal.

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.

RISK AND EXPOSURE (CONT'D)

Seasonal (cont'd)

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.

Strategic Investments

The Group's strategy is to focus upon earnings growth through organic growth, acquisitions and entry into new markets. The Group is prepared to take measured risks to acquire brands and innovation. These opportunities may not materialise or deliver the benefits or synergies expected and may present new management risks and social and compliance risks.

The Group seeks to mitigate these risks through proactively monitoring the market to identify suitable acquisition targets, due diligence, careful investment and integration planning and continuing monitoring and management post-acquisition.

Recruiting Qualified Personnel

We depend on the skills and continued service of key personnel, including our experienced management team in achieving our strategic and business objectives. We compete with other companies both within and outside of our industry for talented personnel, and we may lose key personnel or fail to attract, recruit, train, develop and retain other talented personnel. Although we offer an attractive and performance-oriented remuneration package to the key personnel, we may not be able to retain the services of such individuals and replace them in the future.

Any such loss, failure or negative perception with respect to these individuals may adversely affect our business or financial results.

The Group mitigates this risk through appropriate remuneration policies and succession planning.

Information Systems

With the increased importance of information systems to our operating activities, disruptions in such systems due to computer viruses and other factors could have a negative impact on our operating activities, results of operations and financial condition.

We have implemented a number of preventive and security measures to mitigate the risks of threats to our networks and data. If necessary, we collaborate with third-party service providers to implement reasonable security measures to protect the critical data.

Financial Risk

Our financial results and equity are influenced by a number of financial risks, including interest rate, foreign exchange, liquidity and credit risks. Financial risks and financial risk management are described in detail in Note 21 to the financial statements.

The cost of sales of our retailing segment is influenced by foreign exchange rates, particularly the royalty payments to licensors denominated in foreign currencies, where fluctuations in foreign exchange rates may adversely affect our results of operations and financial condition.

We seek to mitigate currency risks, where appropriate, through fixed currency rate arrangements. However, we cannot fully anticipate all of our foreign currency exposures and cannot ensure that these measures will fully eliminate the impact of foreign exchange rate fluctuations.

Management Discussion and Analysis (cont'd)

RISK AND EXPOSURE (CONT'D)

External Risk

Our business is influenced by the global economy and economic conditions in the country which we operate in. We are affected by downward economic trends in Malaysia where such economic conditions could cause a decline in consumer spending and subsequently reduce demand for our products and services, which could adversely affect our business, financial condition, and results of operations.

The Group monitors the level of its exposure continuously and take appropriate actions to mitigate the consequences of any decline in demand in our markets.

Third Party Risk

Our merchandise is sourced from independent third-party suppliers, whereby the suppliers are responsible for the entire manufacturing process including the delivery in a timely and efficient manner. External suppliers may not have sufficient capacity to meet all of our needs. Increased costs in labour, materials, travelling and transportation may cause a sharp rise in their prices, thereby increase our purchase costs and may affect our results of operations.

We generally maintain multiple sources of supply and work closely with our suppliers to avoid supply-related problems. Such problems, including productions, qualities, shortage and delays, may still occur, which could harm our business, financial condition and results of operations. This multiple-supplier strategy and managing the suppliers' contracts through their performance and capabilities require specialist skills, flexibility as well as diversification of risk.

DIVIDEND/WARRANT

No dividend has been declared for the financial period ended 30 June 2019.

There is no formal dividend policy, and payment of 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.

Nevertheless, the Company had on 2 January 2018, issued 40,950,000 2017/2022 Warrants to all entitled shareholders of the Company on the basis of one (1) free Warrant for every two (2) existing ordinary shares held in the Company. The Warrants were listed on the Main Market of Bursa Malaysia Securities Berhad on 5 January 2018. The Warrants are constituted under a Deed Poll executed on 13 December 2017 and each Warrant entitles the registered holder the right at any time during the exercise period from 2 January 2020 to 30 December 2022 to subscribe in cash for one new ordinary share of the Company at an exercise price of RM0.30 each.

PROSPECT

We continue to expect that 2020 will be a tough year for our core business: a year in which we will experience similar challenges to those of 2019. The uncertainties in economic and the business landscape has become increasingly unpredictable, including commodity prices, foreign exchange volatility, weak consumer spending as well as rapidly changing retail enviroment. These factors continue to add to the Group's business uncertainty in the coming financial year.

Our main focus going forward is to secure growth in our retailing business as fast as we can. We will continue to expand our retail business. The numerous products launched are expected to contribute further positive development of our sales. In general, we expect the fundamental economic confidence in our industry to remain intact. Our achievements in this financial period provided the confidence that the retail business will be able to continue to grow sustainably.

SUSTAINABILITY **STATEMENT**

ABOUT THIS REPORT

Our Sustainability Statement ("SS") focuses on the Group's sustainability practices in which we focus and highlight more on the economic, environmental, and social ("EES") impacts of our activities and initiatives. We are committed to creating a positive and enduring social impact through our sustainability initiatives that support our business, the environment and the communities which we operate in. This year will be our first attempt to comply with Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad (" Bursa Securities") on sustainability reporting. We focus on those areas where we can drive the biggest change and mapping out our route forward to embed sustainability throughout our business operations. Also, throughout this statement, we demonstrate our full commitment to integrating sustainability practices and preparing this statement pursuant to the MMLR, Sustainability Reporting Guide and guided with guidelines issued by Global Reporting Initiative ("GRI").

REPORTING STANDARDS

The report was developed with reference to Bursa Securities's Sustainability Reporting Guide. This report has also been prepared in accordance with the "core" option of the GRI Standards.

This includes adhering to the GRI Principles for defining the report's content:

- **Stakeholder Inclusiveness** – Being responsive to stakeholder expectations and interest.
- **Sustainability Context** – presenting performance in the wider sustainability context.
- **Materiality** – focusing on issues where we can have the greatest impact and that are most important to our business stakeholders.
- **Completeness** – including all information that is of significant EES impact to enable stakeholders to assess the Company's performance.

REPORTING SCOPE AND BOUNDARIES

The Group's SS 2019 has been prepared in accordance with the GRI Standards. This SS covers the reporting period from 1 April 2018 to 30 June 2019. Our focus for this year is relating to reviewing our material sustainability topics that covers EES. The content of this report is based on the material topics that we have identified. Our scope and boundaries cover all our entities and operations in Malaysia. The Group is being advised by an external consultant to assist on the sustainability reporting enhancement and to support comprehensive sustainability efforts across the Group moving forward.

OUR APPROACH TO DRIVING SUSTAINABILITY

Sustainability is an endless journey of continuous improvement. We will always be exploring what we can do to deliver long-term change and sustainable value. Our goal is to continuously learn from our experience and from our stakeholders about how we can manage the sustainability matters to create long term value.

SUSTAINABILITY STRATEGY

Our corporate purposes is to develop and supply products with minimal environmental impact to create value not only for shareholders, but for customers, employees, suppliers and the wider community. This purpose-led approach to growing our business for sustainable future.

Sustainability Statement (cont'd)

SUSTAINABILITY STRATEGY (CONT'D)

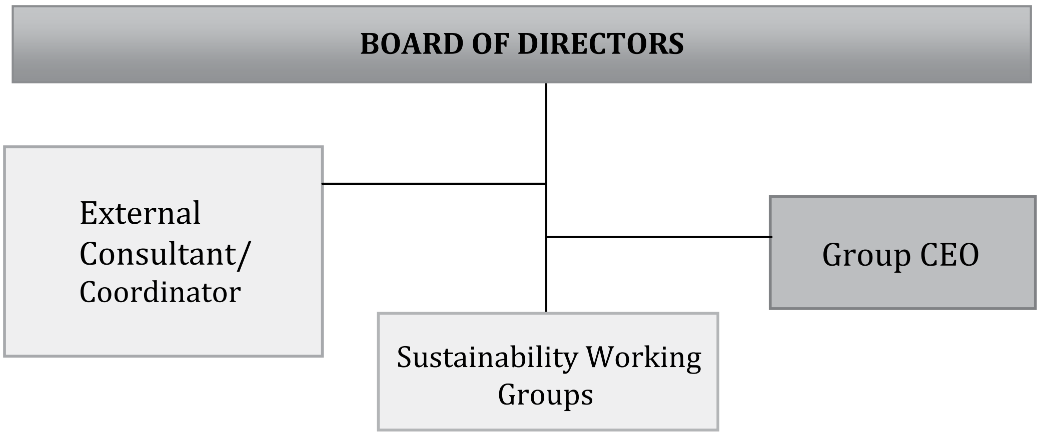
In conformity with the Group Strategy, the sustainability targets are adjusted according to the current need for action.

We are in planning process to measure and report the Company impact of the group business activities across social, environmental and economic dimensions to achieve sustainable targets through long-term value creation.

GOVERNANCE OF THE SUSTAINABILITY

Being a Public Listed Company, the Company complies with the high standards of corporate governance ("CG") practices and is being closely monitored under the leadership of our Board of Directors, as guided by the Malaysian Code on CG. In line with sustainability, the Board has the ultimate responsibility to ensure that the sustainability efforts are embedded in the strategic direction of the Company. The Board has dedicated Sustainability Committee Workgroup ("SCW"), which chaired by the Chief Executive Officer ("CEO") to be responsible for the Group's sustainability matters including to provide advice and assistance to the Board in monitoring the decisions and actions of management in achieving the Group's goal to be a sustainable organisation. The governance of our sustainability agenda is a process that is important to the Group as it enables the business to effectively embed sustainability. Good governance structures also ensure that we are consistently aligned to our principles and standards. Demonstrating its commitment from the top, the Company's sustainability agenda is governed by a SCW.

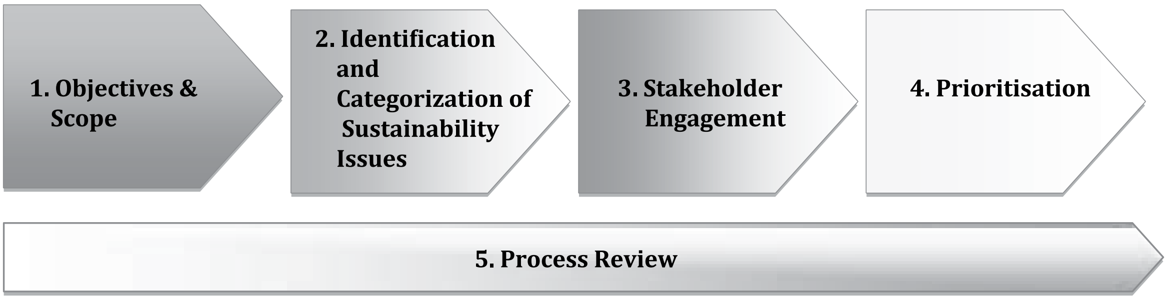
ORGANISATION STRUCTURE FOR SUSTAINABILITY



STRATEGIES AND DIRECTIONS

Despite the challenging operating environment, the Group continues to practice prudence and stay focused on delivering quality growth, while being watchful of emerging risks. We are committed to integrating the sustainability matter into our business in a manner to balance our impacts on the environment and society, which we operate in.

OUR MATERIALITY ASSESMENT PROCESS



1. Objectives & Scope

The Group undertook a materiality study within the top management and middle management to determine the objectives and scope of the sustainability reporting. Our scope and boundaries covers all our entities and operations in Malaysia.

2. Identification of Relevant Sustainability Matters

The process initiated with sustainability issues relevant to the Group and its stakeholders. In generating the list, the Group assesses the operating environment and emerging trends affecting our sector and conducted study across a broad range of references to identify the relevant sustainability issues. The references include Bursa Securities's Sustainability Reporting Guide and Toolkits, and international standards such as the GRI Standards.

Moving forward, we plan to undertake a review of material factors and sustainability matters in order to ensure that our understanding of both the current and future risks and opportunities facing our markets is adequately addressed, as well as to gather stakeholder perspectives and ensure we are responding to their needs. As we update our material factors, we will continue to evolve our management approach to ensure that we are addressing them in a holistic and integrated manner. This may involve developing new policies and procedures, implementing various initiatives, measures and action plans, setting indicators as well as to establish a proper mechanism to capture, analyse and report sustainability data and information.

Sustainability Statement (cont'd)

OUR MATERIALITY FACTORS

As we monitor, manage and report on a wide variety of issues, key to our approach is focusing our resources on material sustainability risks and opportunities that are associated with each material factor. Understanding our key priorities allows us to set our time, resources and investment to the best use.

The materiality process involved several steps including:

- Identification of potential material topics by reviewing GRI aspects, benchmarking against key corporate peers and analysing past reports, which reflects the feedback from customers, community representatives and employees generally.
- Inventory of aspects and topics most important to external stakeholders, customers and their supply chain vendors, based upon requests, surveys and ongoing engagement during the reporting period.

The materiality factors are based on the priority of the organisation.

Key Materiality

Material Factors	Description	What Are The Risk	What Are The Opportunities
Competition	The Group is exposed to competition within the industry	Failure to respond to the market trends and conditions, will easily lose market share and potentially impact the business and financial performance of the Group.	• Innovative products and develop new brands and mix products could be offered to the customers as to improve on our core value • Regional partnerships and collaborations • Expand market opportunities through licensing
Market Stability	A well-facilitated business, supported by an effective and balanced regulatory framework that provides adequate levels of customer's protection while facilitating business efficiency and innovation, is imperative for the continued growth and development of our business.	Any event – such as breaches in regulation, lack of effective CG practices – that undermines integrity or stability will influence stakeholder confidence and possibly participation in the market	• Having a robust approach to ensure the integrity and stability of the market serves to engender trust and confidence, which in turn encourages participation and growth • Fostering a strong CG and sustainability culture will also drive long-term value, both in the market and within Bursa Securities

Combining the views from stakeholders and the Group's Management from the preliminary materiality process, the materiality table has been derived to show the different levels of importance of the sustainability matters. The below factors will be further enhanced in the coming years.

Sustainability Statement
(cont'd)

OUR MATERIALITY FACTORS (CONT'D)

Significant Material Factors

		Factors	Why Material	Managing Materiality
MATERIALITY	Very Important	Optimisation/ Resources	To help the Group become efficient and effective.	Taking the necessary measures that all our staffs and resources are being optimised.
		Market Condition	Market condition affects all businesses in every industry.	Our business very much depends on the market condition where we conduct market study prior to engaging in any business.
		Safety	Impact on safety of workforce to avoid workplace injuries and customers to ensure safety of products.	Implement safety practices to reduce and prevent risks at workplace. Perform safety and quality control of the products, according to the product's specification and standards.
		Quality	To meet customers' expectations.	Collect information to identify customer needs and evaluate the feedbacks from stakeholders and people we are doing business with.
		Customer Satisfaction	It is important for us to benchmark ourselves and to collaborate closely with customers to achieve mutual success.	We perform sale trend analysis as well as interact with customers and others stakeholders to improve customer experience.
		Reputation	To get a more realistic picture of how the business is actually being perceived by others.	We take initiatives to enhance our reputation by providing balanced reporting. Establish Code of Conduct, policies and procedures that provide information about what is acceptable behavior and what is not.
		Procurement	It ensures the stable, sustainable procurement and supply of resources.	We always on the lookout for best quality and good pricing to be competitive.
		Corporate Governance	To ensure that the Group protects the members, officers and management.	Governance is conducted according to various regulations and sub committees. The board oversees the governance based on a quarterly review of management reporting.
		Customer Privacy	It is important to build customer trust and loyalty.	We take necessary measures to protect the customer's privacy by having our staff trained on this matter.
		Business Model	Business model plays a vital role in challenging market condition of the market and business.	The Management actively review on the business model.

Sustainability Statement (cont'd)

OUR MATERIALITY FACTORS (CONT'D)

Significant Material Factors (Cont'd)

		Factors	Why Material	Managing Materiality
MATERIALITY	Very Important	Product Mix	To have a variety of products that will fit each customer's needs.	In order to be highly competitive we take the initiatives to create a variety of segments.
		Business Ethics/Code	Maintaining business ethics is our core values.	We proactively promote and positively reinforce good behaviours to the employees.
		Social Media	The use of social media boosts visibility among potential customers and improves awareness about our brand.	We engage e-commerce providers and social media to promote our products and services.
		Local Environment Impact	It safeguards the environment impact.	We encourage any sustainable practices and industry standards.
	Important	Business Mix	Diversification is part of our business model to stay sustainable.	We always on lookout for synergy businesses which creates a better value to our core business.
		Political Stability	It has a wide impact on the economy.	We always work with the government of the day.
		Climate Change	Climate change would affect people and business.	We manage this by promoting waste reduction and recycling activities in our operation.

3. Our Stakeholders Engagement

Our interaction involves a large number of different stakeholder groups and this kind of engagement is important to ensure we can identify, prioritise and address material matters and be adoptive in our business strategies. The business and functional units are empowered to interact with their respective stakeholders on their chosen platforms. All issues raised by stakeholders are brought to the attention of the Management Meetings by the respective business and functional units. Ongoing engagements where applicable are carried out on a regular basis as they are integral to our business development, relationships with stakeholders and commitment to sustainability.

Our key stakeholders are outlined in the below table, along with the forms of engagement and key topics of interest that we seek to address.

Stakeholder Group	Engagement approach	Engagement focus/Objectives
Customers	▪ After sale services ▪ Products and goods in compliance with standards, reasonable quality and on time delivery ▪ In store information	▪ Department meeting and updates ▪ Policies ▪ Assortment and pricing strategy ▪ Branding

Sustainability Statement (cont'd)

3. Our Stakeholders Engagement (Cont'd)

Our key stakeholders are outlined in the below table, along with the forms of engagement and key topics of interest that we seek to address. (Cont'd)

Stakeholder Group	Engagement approach	Engagement focus/Objectives
Employees	▪ Interactive technology ▪ Performance and remuneration review ▪ Compliance with employment rules and regulations ▪ Code of conduct ▪ Awareness of safe working environment ▪ Knowledge and skills enhancement ▪ Employees induction programs and appraisal ▪ Warehouse standard operating procedure ▪ Securities measures	▪ Career progression, employee development needs ▪ Safety at workplace ▪ Dialogue and engagement ▪ Training and attachment programmes ▪ Performance evaluation and management ▪ Products training ▪ Encouragement of attendance rate ▪ Enhancement of job specialisation ▪ Monitoring of inventory variances ▪ Improve communication ▪ Security measures
Suppliers & Business Partners	▪ Code of Ethics ▪ Request for Proposal ▪ Supplier Evaluations and selection ▪ Periodic review for new/ existing purchases/ engagements ▪ Transparent engagement process ▪ Timely payment ▪ Professional and transparent procurement process ▪ Specific knowledge and skills ▪ Meetings ▪ Transporters Performance Evaluation	▪ Development of a supplier profile ▪ Evaluation of the supplier profile ▪ An action plan (for suppliers with no grievance) ▪ Ongoing monitoring and evaluation ▪ Procurement process, terms and practices ▪ Evaluation of resuming trading relationship ▪ Regular updates and discussions with key suppliers on products, engagements and business environments ▪ Supplier assessment review ▪ Monitoring of transporters overall performance
Regulators & Government Authorities	▪ Compliance with local authorities, government bodies/agencies and regulatory requirements ▪ Meetings ▪ Policies ▪ Regulatory compliance training and updates ▪ Authorisation and license to operate	▪ Comply with all the requirements, rules and regulations ▪ Regular engagements ▪ Interpretation of laws / legislations / guidelines ▪ Continuous engagement through formal and informal events ▪ Direct consultation ▪ Best practices ▪ Branding and reputation

Sustainability Statement (cont'd)

3. Our Stakeholders Engagement (Cont'd)

Our key stakeholders are outlined in the below table, along with the forms of engagement and key topics of interest that we seek to address. (Cont'd)

Stakeholder Group	Engagement approach	Engagement focus/Objectives
Community	▪ Sponsorship and donations ▪ CSR activities and programmes ▪ Corporate website	▪ Responsible corporate citizen which gives back to the community ▪ Responsible for the livelihood of the surrounding community ▪ Creating jobs to the communities in area of our operations
Media	▪ Meetings ▪ Advertising ▪ Media interviews ▪ Immediate notification of financial releases and material developments ▪ Timely and transparent communication ▪ Online and offline media campaigns	▪ New developments and updates for public knowledge and awareness ▪ Continuous and meaningful communications ▪ Long term engagements ▪ Branding awareness ▪ Media interview ▪ Events ▪ Advertising engagement ▪ Events promotion
Economic Shareholders & the Investment Community	▪ Annual Reports ▪ Bursa Announcements ▪ Investor Relations ▪ Annual General Meetings/Extraordinary General meetings ▪ Corporate Website ▪ Sustainability reports ▪ Responsible corporate governance ▪ Financial results and annual report ▪ Timely and transparent reporting	▪ Corporate Governance ▪ Company website updates ▪ Timely and transparent reporting ▪ Effective communication of information on Group's products, management, corporate governance and financial results ▪ Disclosure of Investor Relationship contact details ▪ Engage in open dialogue through understand and respect each other's views and concerns ▪ Collaborating on issues of mutual interest
Talent	▪ Continuous learning, education and training programmes ▪ Employee engagement initiatives	▪ Efficiency & Effectiveness ▪ Leadership Skills ▪ Fair and attractive remuneration package ▪ Time & Staff Management
Environment	▪ Product Recycle ▪ Save energy and waste ▪ Defective Goods Checking ▪ Warehouse Safety Regulation	▪ Repacking of return goods ▪ Defective goods sorting & resale ▪ Promote environmental awareness ▪ Safety Regulations measures

4. Prioritisation of Material Sustainability Matters

The Group has undertaken a stakeholder prioritisation and engagement process to engage with its stakeholders. These include ongoing efforts to engage with stakeholders in the usual course of business through the day-to-day operations, as well as specific engagements carried out to seek stakeholders' feedback. The outcome of these engagements was considered in the course of the Group's materiality assessment. As part of the process in conducting the materiality assessment of sustainability matters, the Group has conducted the specific engagement process as follows:

- To determine the key stakeholders with whom the Group should engage, the Group carried out assessments to identify key stakeholders based on each stakeholder's influence and dependence on the Group.
- To gain an insight into these key stakeholders' concerns, interests and expectations, the Group conducted discussions including on-going sessions throughout the year to gauge stakeholders' concerns pertaining to the list of sustainability matters identified.
- Where applicable, the Group also took into account feedbacks from other stakeholder groups, gathered through various channels and through the ongoing engagements during the course of conducting its business operation.

5. Process Review

The materiality process is undertaken as a key component of the Group's journey towards identifying the material sustainability matters. The CEO has reviewed and approved the processes and outcome of the materiality process including the Group's materiality which guides the Group in addressing and managing its material sustainability matters in its business operations.

ECONOMIC

WHISTLEBLOWING POLICY AND PROCEDURES

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 employees 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.

CODE OF CONDUCT AND ETHICS

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.

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.

CORPORATE GOVERNANCE AND COMPLIANCE

The Company, guided by the Malaysian Code on Corporate Governance, has been proactive in promoting good corporate governance and ensures that the principles and best practices of good governance are applied throughout the Group. Details of our corporate governance framework and practices are elaborated in the Corporate Governance Report available in Bursa Malaysia Securities's website.

Sustainability Statement (cont'd)

RISK MANAGEMENT

An integral part of good corporate governance, a comprehensive Risk Management framework enables the Group to proactively identify, communicate and manage risks and exposures in an integrated, systematic and consistent manner. In driving risk awareness, decision-making and business processes are put through prudent risk assessment. Fraud and corruption risk have been identified as material to ensure sustainability.

OUR SUPPLY CHAIN

Sustainability in supply chain has been increasingly recognised as an important aspect in corporate responsibility. In making responsible sourcing decisions, the Group has started to explore putting in place an appropriate approach to consider suppliers' EES credentials in the lifecycle of supply chain.

For existing vendors and suppliers, the Group is in the process of advising selected suppliers to share and affirm their commitment towards EES. The Group is cognizant that there is still much to improve on managing sustainability in supply chain, and will continue to collaborate with its current and new suppliers and vendors to work towards enhanced sustainability practices with respect to EES matters.

COMMITMENT TO QUALITY

The Group has the policies, procedures and best practices in place to deliver products and services of outstanding quality. Furthermore, regular reviews, process improvements and quality control assessments are ensuring that our processes remain in compliance and are continually enhanced.

CUSTOMER SATISFACTION

Customer satisfaction and engagement was identified as one of the most important material issues in the marketplace dimension across all our divisions. Knowing exactly what customers expect from us improves our bottom line and strengthens our brands and reputation in the long term. Customer satisfactions are formed based on information received from customers, frontline employees, sales analysis and past experience with the product.

The results generated provides insights into customer expectations that enable us to develop and deliver better products and services.

CUSTOMER RELATIONSHIP

The strength of customer relationships also affects 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.

BUSINESS CONDUCT

Acting responsibly and with integrity is important to every corporate entity. As a public listed company, we shall ensure our footprints reflect transparency, integrity and sustainability.

SAFETY AND HEALTH

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.

ENVIRONMENTAL

We are mindful of the environmental impact of our activities by taking simple steps to improve energy efficiency, reduce waste and water use in our operations and take simple steps to improve energy efficiency, reduce waste and water use. The Group will continue to develop effective environment initiatives to reduce their environment impact.

On the other hand, the industry we are in have extensive direct and indirect impacts on the environment.

WATER MANAGEMENT & CONSUMPTION

We promote the water saving practices among employees and adopting water-efficient technologies and equipment wherever possible. The water consumed at our head office is obtained from the municipal water supply. We have taken small steps to control the water usage to be in line with the sustainability efforts, namely:

- Slow the flow. Adjusting water pressure/outflow for toilets, wash basins, pantry, throughout our head office building.
- Seek the Leak. Conducting checks and fixing leaks immediately, where possible.

The Water usage below is presented for the Head Office. The date presented below is representative of our first attempt to consolidate the water and electricity consumption statistics in the head office.

ENERGY MANAGEMENT

We understand that the energy management is essential for combating climate change and for lowering an organisation's overall environmental footprint. Our electricity supply is from the local supply and we aim to minimise the energy usage in our head office by implementing the following efforts:

- A lighting schedule across key areas in our head office to switch off lights during certain hours of least use;
- Maintenance and replacement of electrical equipment and light fittings to maximise energy efficiency;
- Usage of energy saving instruments and appliances; or
- Switching off the electrical appliances in office and pantry when they are not required.

WASTE MANAGEMENT

The Group acknowledges that the environmental impact of paper usage is significant. The Group's approach to waste management is to avoid unnecessary paper consumption and waste generation, where possible and appropriate, in order to reduce the wastage.

The Group has always looked at ways to reduce paper usage, so that less waste. Generally the Group practises the following on the paper management:

- Reducing paper – by encouraging avoiding printing and photocopying and emphasising on paperless and electronic mode. In addition to this, practise double sided printing or reduce the size to have the best economical usage of papers;
- Place small stickers on printers reminding people to save papers and encourage paperless;
- Reusing – by printing on the other side of the printed papers;
- Recycle – recycle the wastes by having separate bins for paper and general wastes.

Environment	2017 RM	2018 RM	2019 RM
ELECTRICITY			
Total Consumption – Office and warehouse	59,499	63,313	89,299
Total Consumption – Worker Hostel	404	707	695
WATER			
Total Consumption – Office and warehouse	144	404	492
Total Consumption – Worker Hostel	6	225	113

Sustainability Statement
(cont'd)

SOCIAL

TALENT

In our business, our people are our most important asset. Happy, productive and motivated employees would in turn provide a great customer experience, with the formidable competition regionally, the key to survival is retaining and growing our talents to be future ready and resilient to face new challenges in the constantly changing business environment.

WORKPLACE

Our employees play a vital role in the success and sustainability of our Company. We strive to create a work environment that is conducive and supportive, as we continue to improve on our organisational structure, processes and employee mindset to help take us to greater heights.

1. Safe, Healthy and Conducive Work Environment

The Group places great emphasis on safety and health aspects of its employees while maintaining a comfortable and conducive work environment through the following initiatives:

- Ensuring a safe workplace with 24 hours' security surveillance;
- Constant updating and promoting the awareness of safety precautions and health issues;
- Maintaining a workplace that is free from theft, violence, harassment, intimidation and other unsafe and disruptive influences due to internal and external conditions.

2. Training and Development

Employees are a vital component of the Group's business. Their performance, commitment and loyalty to the job are critical not only in achieving the Group's goals and objectives but most important for its long-term survival and sustainability. In this respect, we continues to build and upgrade our employees to ensure that they can realize their full potential with the following efforts:

- Engage in external training workshops for employees on both technical related skills and soft management skills;
- Participate in external trainings and activities to broaden the knowledge base and exposure of its employees to keep abreast on new developments in their respective field of expertise;
- New employees will participate in new employees' orientation as well as on-site visit to get clear insights into the Group's operations and its wide range of products;

3. Creating a Sustainable Workforce

Under our succession and talent management initiatives, a phase of talent profiling was successfully carried out where key staff were identified have been briefed on their areas of development and strengths that they should leverage on, in order to achieve their maximum potential.

4. Employee Engagement

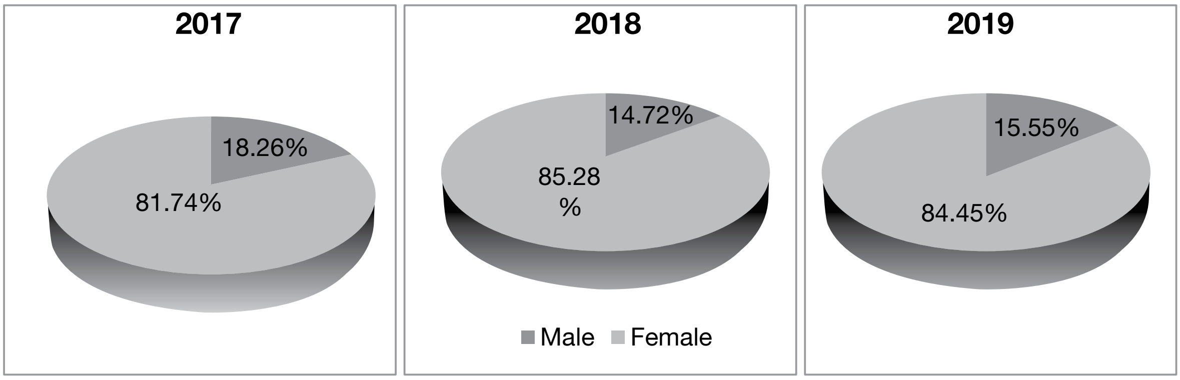
Celebrating successes and festivals together is part of our culture. Meetings are held with Head of Departments to share organisational information and news, and to show our appreciation towards staff achievements.

5. Rewards and Performance Management

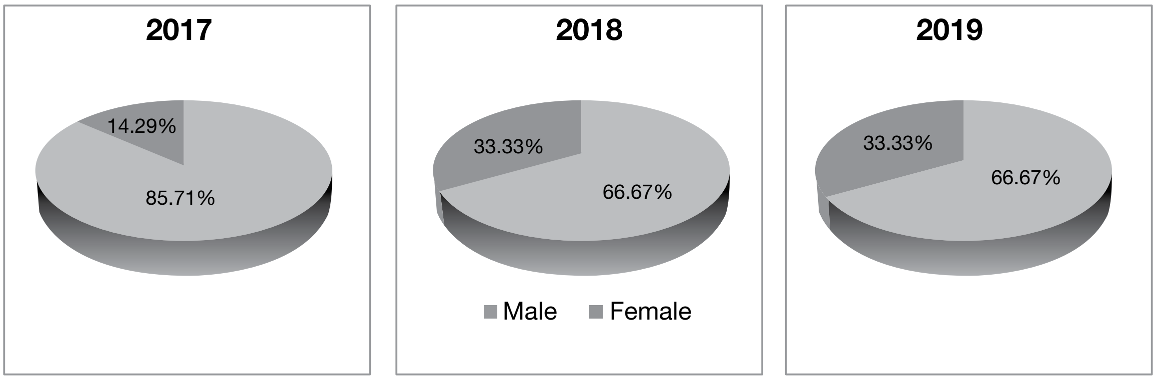
Formal and informal recognition have been put in place to ensure there are rewards for the motivation and sustenance of a harmonious working environment.

The following sustainability graphs are illustrated based on the social segment in the organisation.

Employment Diversity in Terms of Gender

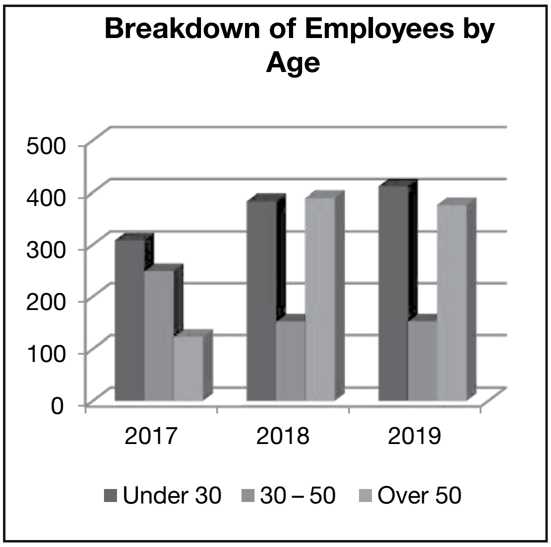


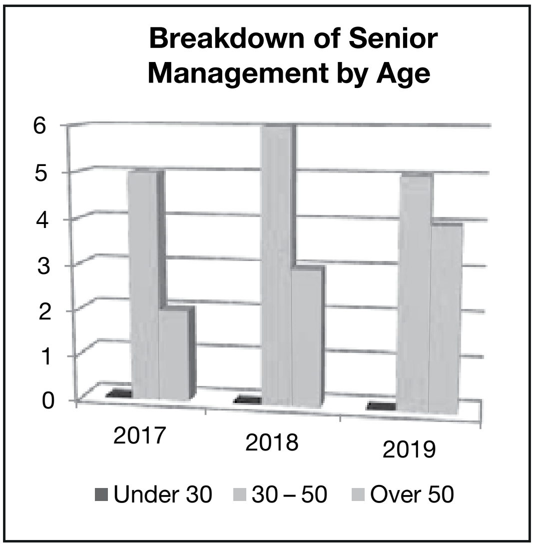
Breakdown of Senior Management by Gender



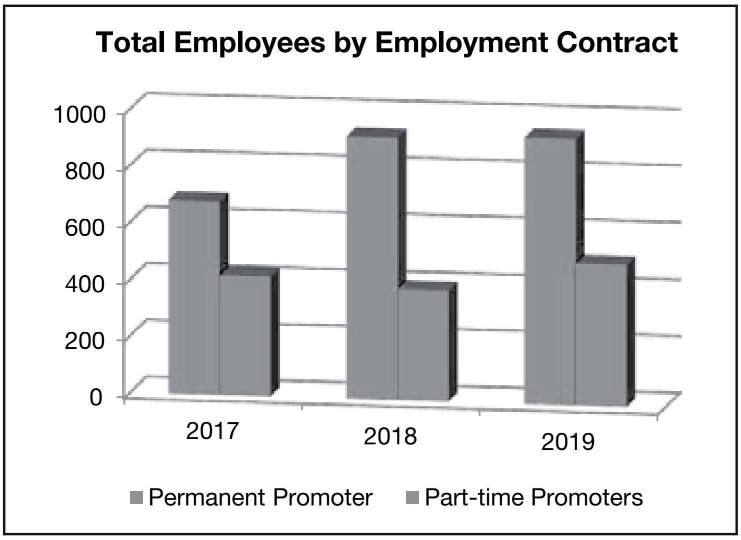
Sustainability Statement
(cont'd)

Employee Diversity in Terms of Age





Employment by Contract



COMMUNITY

We are aware of the importance of economic inclusiveness of the community, where we operate in.

Throughout our value chain, we require an extensive number of workers and service providers to support our businesses, which in turn helps create job opportunities. During the period, the Group has hired more than 1,400 local employees and paid annual salaries of approximately of RM42 million. Additionally, we work with hundreds of local business partners and suppliers. Our aim is to improve million livelihoods in communities directly connected to our business activities.

We are working to improve our efforts in supporting less fortunate members of our community through financial aids and donations.

LOOKING AHEAD

This is our first Sustainability Statement, and although we have made some development towards formalising sustainability within our business, we recognise that we still have room for enhancement, both in terms of initiatives undertaken and our reporting structure. As we continue on our sustainability journey, our ultimate goal is to build a sustainable business for generations to come. To achieve this, we will continually keep abreast of developments in our industry, actively and regularly engage our stakeholders, build upon our existing sustainability framework, and seek to further embed sustainable practices within our businesses so as to improve our overall sustainability performance.

Moving forward, we will enhance the materiality factors and metrics and targets to measure issues that are material to our business and move towards benchmarking our progress against international standards of reporting.

As we look to the future, it is our hope that we will continue to introduce new and exciting quality for our customers, enrich our local communities, create value for our stakeholders, and be an organisation that people will be proud to associate with.

PROFILE OF **DIRECTORS**

SAFFIE BIN BAKAR JMN, SMP, AMP, PJK

Chairman/Senior Independent Non-Executive Director

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

Encik Saffie was appointed to the Board on 19 March 2004 and subsequently was appointed as the Chairman of the Board on 29 February 2016. He is currently the Chairman of Nomination and Remuneration Committee of the Company and was designated as the Senior Independent Non-Executive Director of the Company, to whom concerns of shareholder may be directed.

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 42 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 ("SEPU"). 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 ("SRDP"), which was funded by the Economic Planning Unit ("EPU") 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 ("CACD") of the Institute of Internal Auditors Malaysia ("IIAM") and also the Co-Chairman of the Special Task Forces to Facilitate Business ("PEMUDAH") for Perlis State.

He is also a member of several organisations, including an Associate Member of Certified System Investigator ("CSI") World Headquarters, Singapore, a member of Malaysian Institute of Corporate Governance ("MICG") and Malaysia Crime Prevention Foundation ("MCPF"). He is also a life member of Malaysian Drug Prevention Association and a Central Committee Member of Malaysian Exporters Association ("MEXP").

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

Between 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

- 40 years of age
- Male
- Malaysian
- Member of Risk Management 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 in IT software development since 2000 until 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 retail industry for more than ten (10) years as well as the complete business strategy and corporate development.

TAN YEW KIM

Independent Non-Executive Director

- 61 years of age
- Male
- Malaysian
- Chairman of Audit Committee
- Member of Nomination and Remuneration 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

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

- 61 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 and any public sanction or penalty imposed by the regulatory bodies during the financial period.

3. **Conflict of Interests**

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

4. **Attendance at Board Meetings**

   The details of attendance of the Directors at the Board Meetings during the financial period are set out on page 49 of this Annual Report.

5. **Directorship in other public companies**

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

KEY SENIOR **MANAGEMENT'S 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

- 50 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

- 53 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.

ONG CHONG THAI

General Manager

- 51 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, distributions and marketing of the Division.

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. He graduated with Bachelor Degree in Economics, University of Malaya.

Key Senior Management's Profile (cont'd)

LOO YEW CHEONG
General Manager

- 55 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, distributions 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.

LEONG YEW HOU
General Manager

- 46 years of age
- Male
- Malaysian

Mr Leong Yew Hou was appointed as General Manager of Men's Apparel Division in 2018 to oversee the brand management, operations, distribution and marketing of the Division. He also leads the warehouse team and responsible for the warehouse operations and logistics support of the Group's retailing division.

He has more than 20 years of experience in sales and supply chain management in apparel industry. Prior to joining the Group, he served in similar roles with leading apparel retail companies. He graduated with Bachelor Degree in Economics, University of Malaya.

ANG AEI NEE
Human Resources and Administration Manager

- 45 years of age
- Female
- Malaysian

Ms Ang Aei Nee joined the group in April 2017 as a Human Resources and Administration Manager. She has more than 20 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.

Key Senior Management's Profile (cont'd)

NG KOK HUI

Advertising and Promotion Manager

- 49 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's Profiles:

1. None of the members of the key senior Management have relationships with any Director and/or major 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 period ended 30 June 2019.

3. None of the members of the key senior Management have any conflict of interests in any business arrangement involving the 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 period ended 30 June 2019 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 ("MCCG").

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 six (6) times during the financial period under review. The Chief Executive Officer ("CEO"), Chief Financial Officer, Internal Auditors, External Auditors and Management 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	6/6
Saffie Bin Bakar	6/6
Lee Kok Heng	6/6

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

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.

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.

Audit Committee Report (cont'd)

INTERNAL AUDIT FUNCTION

The Group has appointed an independent professional Internal Audit firm, namely Smart Focus Group Sdn Bhd ("Smart Focus Group"). The Internal Audit Function is headed by Ms. T.Kanageswari, who is a Professional Member of the Institute of Internal Auditors Malaysian (IIA). She has vast experience and exposure in the Internal Audit field. She was assisted by a team of Internal Auditors for all the assignments during the period under review. Smart Focus Group's engagement team personnel have affirmed to AC that in relation to the Group, they were free from any relationships or conflict of interest which could impair their objectivity and independence.

The internal audit activities were reported directly to the AC based on the approved annual Internal Audit Plan. The approved annual Internal Audit Plan is designed to cover entities across all level of operations within the Group.

The Internal Audit firm appointed by the Company is independent of activities related to business operations and performs its duties in accordance with standards set by relevant professional bodies, namely Institute of Internal Auditors.

Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilising a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the AC.

The fee incurred for the Internal Audit function during the financial period is approximately RM47,000.

During the financial period, the following activities were carried out by the Internal Auditors in the discharge of their responsibilities:

(i) Review the system of internal controls of the various business operating units;
(ii) Recommend improvements to the existing systems of internal controls;
(iii) Follow up on implementation and disposition of audit findings and recommendation;
(iv) Ascertain the extent to which the Company's and the Group's assets are accounted for and safeguarded from losses of all kinds;
(v) Identify opportunities to improve the operations of and processes in the Company and the Group; and
(vi) Identification of risks and implementation of recommendations to mitigate the risks.

The AC and the Board agree that the internal audit review was done in accordance with the audit plan and the coverage is adequate.

The AC and the Board are satisfied with the performance of the outsourced Internal Auditors and have in the interest of greater independence and continuity in the Internal Audit function, taken the decision to continue with the outsourcing of the Internal Audit function.

RISK MANAGEMENT & INTERNAL CONTROL

The Board is fully aware of its overall responsibility of continually maintaining a sound system of internal control, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Group's assets. The internal control system is designed to identify the risks to which the Group is exposed to and mitigate the impacts thereof to meet the particular needs of the Group.

As an effort to enhance the system of internal control, the Board and the Risk Management Committee ("RMC") together with the assistance of external professional Internal Audit firm undertake to review the existing risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the AC and the Board to strengthen and improve current management and operating style in pursuit of best practices.

RISK MANAGEMENT & INTERNAL CONTROL (CONT'D)

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given on the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

During the financial period under review, the RMC had met two (2) times. The composition and the attendance record of the RMC members were as follow:-

Name of RMC members	No. of meetings attended
Lee Kok Heng *(Chairman / Independent Non-Executive Director)*	2/2
Saffie Bin Bakar *(Senior Independent Non-Executive Director)*	2/2
Tan Yew Kim *(Independent Non-Executive Director)*	2/2
Loke Lee Ping *(CEO cum Executive Director)*	2/2
Chua Jin Kau *(Executive Director)*	2/2

Information on the Group's internal control is presented in the Statement on Risk Management and Internal Control set out on pages 55 to 57 of this Annual Report.

SUMMARY OF ACTIVITIES

The following activities were carried out by the AC during the financial period 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 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 30 June 2020 at the forthcoming Annual General Meeting ("AGM").

Audit Committee Report (cont'd)

SUMMARY OF ACTIVITIES (CONT'D)

External Audit (cont'd)

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) Reviewed and discussed the audit status and key audit areas arising from the audit of the financial statements for the financial period ended 30 June 2019 with the External Auditors and Management.
e) Held two private discussions with the External Auditors on 29 August 2019 and 10 October 2019 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 period ended 30 June 2019.
b) Reviewed and deliberated the internal audit reports of the Company's subsidiaries namely, Miroza Leather (M) Sdn. Bhd. and Active Fit Sdn. Bhd. during the financial period under review, which detailed the observations, audit findings, audit recommendations and management responses thereto. 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 period and discussed the results of the audits performed and key issues arising from the Group internal audit carried out.

Related Party Transactions

a) Reviewed the related party transaction and recurrent related party transaction during the financial period, to ensure compliance with MMLR, entered in the best interest of the Group, were fair and reasonable and on normal commercial terms and not detrimental to the interest of the Company and its minority shareholders.
b) 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.

Other Matters

Reviewed and recommended to the Board for approval, the AC Report and Statement on Risk Management and Internal Control for inclusion in the 2019 Annual Report.

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 ("MCCG") 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 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 Company and its subsidiaries ("the Group"). The Board adheres to the principles and guidelines of the MCCG 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

1.1 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 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.

The Board is committed to ensure that good corporate governance is practised throughout 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 ensure orderly and effective discharge of the Board's function and responsibilities, the Board has delegated specific responsibilities to the respective committees of the Board all of which operate within their defined terms of reference. The respective Chairman of the Board Committees will report to the Board on key issues deliberated by the Board Committees in order to develop effective communication.

Apart from the responsibility of the Board Committees, the chief officers and other senior management are also delegated with certain authority to enable them to effectively discharge their responsibilities on the day-to-day operation of the Group.

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.

Corporate Governance Overview Statement (cont'd)

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

PART I - BOARD RESPONSIBILITIES (Cont'd)

1.1 Board Roles and Responsibilities (Cont'd)

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.

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 fulfil 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 Group conducts its business.

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

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

PART I - BOARD RESPONSIBILITIES (Cont'd)

1.3 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.

1.4 Board Process and Access to Information

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

Every Director has unhindered access to the advice and dedicated support services of the Company Secretaries as well as to all information within the Group.

The Board collectively, and each Director individually, has the right to seek independent professional advice in furtherance of their duties, at the Company's expense subject to the approval by the Board.

A set of Board papers on the matters to be deliberated are made available to Directors prior to each Board and Board Committee Meetings to enable the Directors to obtain further information, where necessary and enable them to deliberate issues raised during Board and Board Committee meetings more effectively. Additionally, Management was also invited to brief and report in meetings of the Board and Board Committees.

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.

1.5 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.

1.6 Whistleblowing 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.

Corporate Governance Overview Statement (cont'd)

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

PART I - BOARD RESPONSIBILITIES (Cont'd)

1.7 Board Committees

The Board Committees are set up to manage specific tasks for which the Board is responsible within clearly-defined Terms of Reference. This ensures that the members of the Board can spend their time more efficiently while the Board Committees are entrusted with the authority to examine particular issues.

The Board has established the following Board Committees:

- Audit Committee ("AC")
- Risk Management Committee ("RMC")
- Nomination Committee ("NC")
- Remuneration Committee ("RC")

On 10 October 2019, the NC and RC were merged and a new committee known as Nomination and Remuneration Committee ("NRC") was set up.

The Terms of Reference of the relevant Board Committees are available on the Company's website at www.mesbbhd.com.

The membership of each Board Committee as at 30 June 2019 is set out in the below table:-

Committee Compositions	AC	RC	NC	RMC
Saffie Bin Bakar *(Chairman / Senior Independent Non-Executive Director)*	**Member**	**Member**	**Chairman**	**Member**
Tan Yew Kim *(Independent Non-Executive Director)*	**Chairman**	**Member** (Appointed on 29 August 2019)	**Member**	**Member**
Lee Kok Heng *(Independent Non-Executive Director)*	**Member**	**Chairman**	**Member**	**Chairman**
Loke Lee Ping *(CEO cum Executive Director)*	**N/A**	**Member** (Resigned on 29 August 2019)	**N/A**	**Member**
Chua Jin Kau *(Executive Director)*	**N/A**	**N/A**	**N/A**	**Member**

1.8 Composition of Board

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 requirement of Practice 4.1 of the MCCG as more than half of its members are Independent Directors.

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 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.

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

PART I - BOARD RESPONSIBILITIES (Cont'd)

1.9 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.

The NC (prior to the merger as NRC) assesses the independence of the Independent Non-Executive Directors annually and based on the assessment for the financial period ended 30 June 2019, the Board is generally satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors, and their ability to bring independent and objective judgement to board deliberations.

PART II - BOARD COMPOSITION

1.1 Tenure of Independent Directors

The Board takes note that the MCCG recommends that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years unless shareholders' approval is obtained to retain such Director as an Independent Non-Executive Director. If the Board continues to retain the Independent Non-Executive Director after the twelfth (12) years, the Board should seek annual shareholders' approval through a two-tier voting process.

The Company does not have tenure limits for Independent Directors and the Board is of the opinion that the ability of an Independent Director to exercise his/her independence and objective judgment in Board deliberations shall not be a function of his/her length of service as an Independent Director.

During the financial period under review, the NC has reviewed and recommended to the Board for Encik Saffie Bin Bakar and Mr Tan Yew Kim, who have served the Company for the tenure of more than twelve (12) years and nine (9) years respectively to continue to serve as an Independent Director of the Company, subject to annual shareholders' approval in accordance to the Practice 4.2 of the MCCG.

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

1.2 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.

Corporate Governance Overview Statement (cont'd)

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

PART II - BOARD COMPOSITION (Cont'd)

1.3 Board Appointment and Re-appointment Process

The NC is tasked by the Board to make independent recommendations for appointments to the Board. The 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.

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.

The NC has considered the assessment of Saffie Bin Bakar and Lee Kok Heng, the Directors standing for re-election and collectively agreed that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors.

1.4 Annual Assessment

The Board reviews and evaluates its own performance and the performance of the Board Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual Director Self-Assessment and an Assessment of Independence of the Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committees and the Chairman's roles and responsibilities. As for the Individual Director Self-Assessment, the assessment criteria include contribution to interaction, quality of input, understanding of role and time commitment.

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

In addition, the NC reviews and evaluates the performance of the Chief Financial Officer ("CFO") on an annual basis.

The NC also reviewed the term of office and performance of the AC and each of its members. The NC and Board were satisfied with the performance and effectiveness of the AC.

Based on the above assessments, the NC was satisfied with the existing Board composition and was of the view that the Directors and Board Committees of the Company had discharged their responsibilities in a commendable manner and had performed competently and effectively. All assessments and evaluations carried out by the NC in the discharge of its functions were properly documented.

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

PART II - BOARD COMPOSITION (Cont'd)

1.5 Time Commitment

The Board is expected to meet at least four (4) times annually with additional meetings to be convened when necessary. 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. The attendance record of the Directors at Board Meetings during the financial year is set out below:

Name of Directors	Designation	No. of Meetings Attended
Saffie Bin Bakar	Chairman/ Senior Independent Non-Executive Director	7/7
Tan Yew Kim	Independent Non-Executive Director	7/7
Loke Lee Ping	CEO cum Executive Director	7/7
Lee Kok Heng	Independent Non-Executive Director	7/7
Chua Jin Kau	Executive Director	7/7

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.

1.6 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.

The NC assessed the training requirement of the Directors annually and each of the Directors is advised to attend at least one (1) workshop or seminar during each financial year. During the financial period ended 30 June 2019, the Directors have attended the following training programmes:-

No.	Directors	Seminar/Forum/Course
1.	Saffie Bin Bakar	➢ Robotics & Automation – Tools to become Industry 4.0 Ready. ➢ National Investment. ➢ Forum and the Launching Ceremony of the National Policy on Industry 4.0 by Prime Minister of Malaysia. ➢ The Annual Report of Tomorrow – Guide to Forward-Looking Information. ➢ Visual Artificial Intelligence of Things (AIoT). ➢ Sarawak State Business Potential. ➢ Opportunities and Risks of Digitalisation in the Fourth Industrial Revolution. ➢ Strategic Planning.

Corporate Governance Overview Statement (cont'd)

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

PART II - BOARD COMPOSITION (CONT'D)

1.6 Directors' Training (Cont'd)

No.	Directors	Seminar/Forum/Course
2.	Tan Yew Kim	➢ "Percukaian Kebangsaan 2018" ➢ Understanding Public Ruling 2017 & 2018- Compliance and Latest Updates. ➢ Audit of Inventories & Audit Methodology. ➢ ISQC 1 Policies & Procedures and Audit Approach & Methodology. ➢ Tax Deductible Expenses- Principals and Latest Developments. ➢ Strategic Planning.
3.	Lee Kok Heng	➢ Strategic Planning.
4.	Loke Lee Ping	➢ Demystifying the Diversity Conundrum: The Road to Business Excellent. ➢ Companies of the Future- The Role of Boards. ➢ Leadership Greatness in Turbulent Time: Building Corporate Longevity. ➢ Getting More Out of Digital Marketing. ➢ Sustainability Engagement Series for Directors/Chief Executive Director. ➢ Strategic Planning.
5.	Chua Jin Kau	➢ Demystifying the Diversity Conundrum: The Road to Business Excellent. ➢ Companies of the Future- The Role of Boards ➢ Leadership Greatness in Turbulent Time: Building Corporate Longevity. ➢ Getting More Out of Digital Marketing ➢ Sustainability Engagement Series for Directors/Chief Executive Director. ➢ Strategic Planning.

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

1.1 Remuneration Policy

During the financial period ended 30 June 2019, the Board has adopted the Remuneration Policy for the Directors and Senior Management. The overall objective of the Remuneration Policy is to align and balance the interests of the Company's Board of Directors, the Senior Management, the Group and its shareholders, and to attract, motivate and retain qualified members of the Board of Directors and the Management in order to support the achievement of strategic long-term and short-term goals of the Group as well as to promote value creation for the benefit of the shareholders.

The Remuneration Policy can be obtained from the corporate website at www.mesbbhd.com.

Corporate Governance Overview Statement (cont'd)

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

PART III - REMUNERATION (Cont'd)

1.1 Remuneration Policy (Cont'd)

Executive Directors and Senior Management

The RC (prior to the merger as NRC) reviews and recommends the remuneration package of the Executive Directors and senior management for the Board's deliberation and it is the responsibility of the Board as a whole to approve the total remuneration package of the Executive Directors, giving due consideration the individual performance, responsibility and sustainable development of the Group, and shall take into account the size and complexity of the business.

Independent non-executive directors

The Company's independent non-executive directors are remunerated with fees in accordance with the experience, responsibility and time commitment.

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 financial period under review, the RC has reviewed the remuneration packages of Directors and senior Management, which consist of salaries, bonuses and benefit-in-kind, such as company car. Thereafter, the remuneration reports were tabled to the Board for consideration and approval. In addition, the Company will seek shareholders' approval for Directors' Fees and allowances of the Non-Executive Directors for the financial period ended 30 June 2019 endorsed by the Board at the forthcoming AGM.

Details of the emoluments received and receivable by the Directors of the Group during the 15-month period ended 30 June 2019 are as follows:-

	Salary, bonus and allowance (RM'000)	Statutory contribution plans (RM'000)	Benefit-in-kind (RM'000)	Fees (RM'000)	Total (RM'000)
Executive Directors					
Loke Lee Ping	310	36	7	20	373
Chua Jin Kau	91	5	6	20	122
Total (A)	**401**	**41**	**13**	**40**	**505**
Independent and Non-Executive Directors					
Saffie Bin Bakar	13	0	0	39	52
Lee Kok Heng	13	0	0	39	52
Tan Yew Kim	13	0	0	39	51
Total (B)	**39**	**0**	**0**	**116**	**155**
Total (A) + (B)	**440**	**41**	**13**	**156**	**650**

Corporate Governance Overview Statement (cont'd)

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").

In compliance with practice 8.1 of the MCCG, 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.

Details of the activities carried out by the AC in the financial period ended 30 June 2019 are set out on pages 41 to 42 of this Annual Report.

2. External Auditors

The Board has established a transparent relationship with the external auditors through the AC, which has been accorded the authority to communicate directly with the external auditors. The auditors in turn are able to highlight matters which require the attention of the Board to the AC in terms of compliance with the accounting standards and other related regulatory requirements.

The AC undertakes annual assessment of the suitability and independence of the External Auditors. The factors considered by the AC in its assessment include, adequacy of professionalism and experience of the staff, the resources of the external auditors, fees, independence, and the level of non-audit services rendered to the Group.

The AC had on 29 August 2019 conducted an assessment in the suitability and independent of the External Auditors, KPMG PLT. Having assessed their performance, the AC is satisfied with the competence and independence of the external auditors and had recommended to the Board, the re-appointment of the External Auditors upon which the shareholders' approval will be sought at the forthcoming AGM of the Company.

3. Internal Audit Function

The internal audit function is independent of the operations of the Group and is outsourced to a competent consulting firm to provide its services to meet with the Group's required service level.

Internal Auditor reports directly to the AC. Internal Auditors conducts regular review and appraisals of the effectiveness of the governance, risk management and internal control system within the Group. The Internal Auditor will also be required to assist the Group in enhancing its existing risk management framework and adopting a risk-based approach. The assessment of the internal audit is reported periodically to the AC. The recommendations arising from the internal audit and its implementations would be monitored.

For the financial period ended 30 June 2019, the Board, with assurance from the CEO, CFO and other Senior Management, 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.

Corporate Governance Overview Statement
(cont'd)

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

3. Internal Audit Function (Cont'd)

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.

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 Board recognises the importance of being transparent and accountable to the Company's stakeholders and acknowledges that the continuous communication between the Company and stakeholders would facilitate mutual understanding of each other's objectives and expectiations. As such, the Board consistently ensures the supply of clear, comprehensive and timely information to stakeholders via various disclosures and announcements, including annual report, quarterly and annual financial results, which provide investors with up-to-date financial information of the Group. All announcements made, annual report and other information about the Company are available on the Company's website at www.mesbbhd.com which shareholders, investors and the public may access.

Corporate Governance Overview Statement (cont'd)

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

2. Conduct of General Meetings

The AGM is the principal forum for shareholder dialogue, allowing shareholders to review the Group's performance via the Annual Report and question the Board for clarification.

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. The Notice of the Twenty-Third AGM was issued by the Company on 31 July 2018, effectively giving shareholder at least 28 days to review the Annual Report for any questions they might wish to raise in the AGM. 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.

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. An independent scrutineer will 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-Third AGM held on 27 September 2018, 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-Fourth AGM which will be held on 19 December 2019. 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.

This statement is made in accordance with the resolution of the Board dated 10 October 2019.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance ("MCCG") requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the assets of the Company and its subsidiaries ("the Group"). Paragraph 15.26(b) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR") requires Directors of listed companies to include a statement in their Annual Reports on the state of their internal controls. Set out below is the Board's Statement On Risk Management and Internal Control.

BOARD RESPONSIBILITY

The Board is committed to ensuring the existence of an appropriate risk management policy and sound, efficient and effective system of internal control to safeguard shareholders' investment and the Group's assets. The Board ensures the effectiveness of the system through periodic reviews. As there are limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate risks that may impede the achievement of the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

CONTROL ENVIRONMENT

The Group has an organisation structure that is aligned to business requirements. The internal control mechanism is embedded in the various work processes at appropriate levels in the Group. The Board is accountable for ensuring the existence and effectiveness of internal control and provides leadership and direction to senior management on the manner the Group controls its businesses, the state of internal control and its activities. In developing the internal control systems, consideration is given to the overall control environment of the Group, assessment of financial and operational risks and an effective monitoring mechanism.

The main elements in the system of internal control framework include:

- An organisation structure in the Group with formally defined lines of responsibility and delegation of authority;
- Documentation of written policies and procedures for operational areas, such as procurement, inventory management and information technology;
- Review of quarterly financial results by the Board and the Audit Committee ("AC");
- Active participation and involvement by the Chief Executive Officer ("CEO") and the Executive Director in the day-to-day running of the business operations; and
- Review of internal audit reports and findings by the AC.

INTERNAL AUDIT

The Board is fully aware of the importance of the internal audit function, and has engaged an independent professional firm to provide independent assurance to the Board and AC in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

The internal audit adopts a risk based approach and prepares its audit plan based on the risk profiles from the risk assessment of the Group. Scheduled internal audits are carried out based on the annual audit plan approved by the AC. The internal audit reports are presented in the AC meetings accordingly.

During the period under review, internal audit reviews were carried out by the Internal Audit team to address the related internal control weaknesses. Significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal control were reported to AC and the Board for deliberation.

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

INTERNAL AUDIT (CONT'D)

The Internal Audit ("IA") also periodically reports on the activities performed, key strategic and control issues observed to the AC. The AC assessed the effectiveness, performance and independence of the IA annually. IA continues to adopt the risk-based audit plan to ensure the programmes carried out are prioritised based on the Group's key risks and core or priority areas.

The Internal Audit function has reviewed the state of internal control on various operations within the Group based on the information provided by the management and line managers. The internal audit reviews were performed based on sample selections on the following areas during the period:

- Inventory and Consignment Counter Management
- Accounts & Finance – Accounts Receivable

All reports from the internal audit reviews carried out were submitted and presented to the AC with the feedback and agreed corrective actions to be undertaken by management. Subsequently, the progress of these corrective actions was monitored and verified by IA on a regular basis and submitted to the AC.

INFORMATION AND COMMUNICATION

While management has full responsibility in ensuring the effectiveness of internal control which it establishes, the Board of Directors has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to enquire information and clarifications from management as well as to seek inputs from the AC, external and internal auditors, and other experts at the expense of the Group.

RISK MANAGEMENT

The Board has an established ongoing process for identifying, evaluating and managing the significant risks encountered by the Group in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. Risk management is an integral part of the business operations and this process goes through a review process by the Board. Discussions have been conducted during the year involving different levels of management to identify and address risks faced by the Group. These risks were summarised and included in the Group's risk management report. The Group has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial period under review and up to the date of approval of this statement for inclusion in the Annual Report. This is to ensure that all risks are adequately addressed at various levels within the Group.

The Risk Management Committee, supported by the Internal Auditor, provides an independent assessment of the effectiveness of the Group's Enterprise Risk Management ("ERM") policy and reports to the Board. The Group's risk assessment process involves systematically identifying, analysing, measuring, monitoring and reporting on the risks that may affect the achievement of its business objectives. Based on the risk assessment performed, the major risks to which the Group is exposed to are strategic, operational, regulatory, financial, market, technological, products and reputational risks.

The ERM process is based on the following principles:
- Consider and manage risks enterprise-wide;
- Integrate risk management into business activities;
- Manage risk in accordance with the Risk Management framework;
- Tailor responses to business circumstances; and
- Communicate risks and responses to management

All identified risks are displayed on a 1 to 3 risk matrix based on their risk ranking to assist management in prioritising their efforts and appropriately managing the different classes of risks. There is no dedicated ERM department, however the CEO and Chief Financial Officer ("CFO") work closely with the Group's senior management to continuously strengthen the risk management initiatives within the Group so that it responds effectively to the constantly changing business environment and is thus able to protect and enhance shareholder value.

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

ASSURANCE FROM MANAGEMENT

The Board has also received assurance from the CEO, CFO and other Heads of Department that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, 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 ("MIA") for inclusion in the annual report of the Group for the financial period ended 30 June 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

The Board is pleased to report that there were no major internal control weaknesses identified during the financial period under review, nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Group's Annual Report. The Board is of the view that the existing system of the internal control is adequate. Nevertheless, management continues to take measures to strengthen the control environment.

ADDITIONAL **COMPLIANCE INFORMATION**

1. UTILISATION OF PROCEEDS

The Company had on 9 October 2017 announced completion of the private placement of 12,600,000 new ordinary shares of RM0.73 each in MESB to independent third party investors ("Private Placement"). Subsequently, the period of time for the utilisation of the balance of the proceeds from the Private Placement was extended as announced on 5 October 2018.

As at 30 June 2019, the total proceeds of RM9,198,000 derived from the Private Placement had been fully utilised by the Company.

2. NON-AUDIT FEES

For the financial period 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 PLT	- Review of Statement on Risk Management and Internal Control	5,000

Internal Auditors	**Services rendered**	**Group (RM)**
b. Smart Focus Group Sdn. bhd.	- Risk Management exercise	15,000
	- Internal audit exercise	32,000
		47,000

3. VARIATION IN RESULTS

There were no variance of 10% or more between the audited results for the financial period ended 30 June 2019 and the unaudited results previously announced.

4. 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 24 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.

Additional Compliance Information (cont'd)

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

At the Twenty-Third Annual General Meeting ("AGM") of the Company held on 27 September 2018, 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 period ended 30 June 2019 pursuant to the Shareholders' Mandate are disclosed as follows:-

Parties transacting with the Group	Transacting company within the Group	# Name of Interested Directors and/or Major Shareholders/ Persons Connected to them	Nature of transactions	Actual Values from 27 September 2018 (date of last AGM) up to 10 October 2019 (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")	<u>Major Shareholder</u> ▪ Angsana Inai Sdn. Bhd. ("Angsana Inai") <u>Persons Connected</u> ▪ Teoh Hwa Peng ▪ Tan Sok Gim	Sale of apparels and leather products from Miroza to MX Too on an out-right basis.	14	1,500
Roncato Sdn. Bhd. ("Roncato")	Miroza		Sale of apparels and leather products from Miroza to Roncato (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).	651 (a)	4,000
Branded Platform Sdn. Bhd. ("Branded Platform")	Miroza		Sale of apparels and leather products from Miroza to Branded Platform	2,014 (a)	2,200
MX Too	Miroza		Purchase of luggage, travelling bags and others from MX Too.	26	1,000

Notes: -

(a) This figure was reported up to September 2019 as the consignment reports for October 2019 will only be received and processed in the month of November 2019.

(b) None of the Actual Values of the above RRPT had exceeded the estimated value by 10% or more.

Additional Compliance Information (cont'd)

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF A REVENUE OR TRADING NATURE (CONT'D)

(c) Details of the Interested Directors and/or Major Shareholders/Persons Connected to them are as follows:-

Angsana Inai
- Is a major shareholder of the Company.

Teoh Hwa Peng
- Is a major shareholder of the Company. He is deemed interested under Section 8 of the Act by virtue of his shareholdings in Angsana Inai.
- Is a spouse to Tan Sok Gim.
- Is a director and major shareholder of MX Too, Roncato and Branded Platform.

Tan Sok Gim
- Is a major shareholder of the Company. She is deemed interested under Section 8 of the Act by virtue of her shareholdings in Angsana Inai and shareholdings held by the spouse.
- Is a spouse to Teoh Hwa Peng.
- Is a director and major shareholder of MX Too, Roncato and Branded Platform.

6. CHANGE OF FINANCIAL YEAR END

On 23 August 2018, the Group and the Company changed their financial year end from 31 March to 30 June. Accordingly, the financial statements of the Group and of the Company for the financial period ended 30 June 2019 cover a fifteen-month period as compared to twelve-month period for the previous financial year ended 31 March 2018.

STATEMENT ON **DIRECTORS' RESPONSIBILITY**

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 financial position of the Group and of the Company as at 30 June 2019 and of their financial perfomance and cash flows for the financial period then ended.

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 of the Company to prevent and detect fraud and other irregularities.

MESB BERHAD
199501008356 (337554-D)

MESB BERHAD

Registration No.: 199501008356 (337554-D)

FINANCIAL **STATEMENTS**

DIRECTORS' **REPORT**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial period ended 30 June 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial period.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

CHANGE OF FINANCIAL YEAR END

The Group and the Company changed their financial year end from 31 March to 30 June. Accordingly, the financial statements of the Group and of the Company for the financial period ended 30 June 2019 cover a fifteen-month period as compared to a twelve-month period for the previous financial year ended 31 March 2018.

RESULTS

	Group RM'000	**Company RM'000**
Profit/(Loss) for the period attributable to owners of the Company	7,527	(96)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial period under review.

DIVIDENDS

No dividend was paid during the financial period and the Directors do not recommend any dividend to be paid for the financial period under review.

DIRECTORS OF THE COMPANY

Directors who served during the financial period until the date of this report are:

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

* *These Directors are also Directors of the Company's subsidiaries.*

Directors' Report (cont'd)

DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office at 30 June 2019 had any interest in the shares and warrants of the Company and of its related corporations during the financial period.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than legal fees paid to a firm in which a Director is a member as disclosed in Note 24 to the financial statements.

There were no arrangements during and at the end of the financial period which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

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

WARRANTS 2017/2022

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

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial period.

INDEMNITY AND INSURANCE COSTS

During the financial period, the total amount of indemnity sum insured and insurance premium paid for Directors and officers of the Group and of the Company were RM7,500,000 and RM18,000, respectively. There were no indemnity given to or insurance effected for auditors of the Group and of the Company.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

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

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial period and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial period, except for those disclosed in Note 26(a) to the financial statements.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial period ended 30 June 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial period and the date of this report.

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

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

SUBSEQUENT EVENTS

The subsequent events arising after 30 June 2019 are disclosed in Note 26 to the financial statements.

Directors' Report (cont'd)

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 17 to the financial statements.

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

Loke Lee Ping
Director

Chua Jin Kau
Director

Kuala Lumpur,

Date: 10 October 2019

STATEMENTS OF **FINANCIAL POSITION**
As At 30 June 2019

	Note	Group 30.6.2019 RM'000	Group 31.3.2018 RM'000	Company 30.6.2019 RM'000	Company 31.3.2018 RM'000
Assets					
Property, plant and equipment	3	6,477	6,380	–	–
Investment properties	4	2,757	2,836	–	–
Intangible assets	5	25,168	25,168	–	–
Investments in subsidiaries	6	–	–	43,430	37,340
Deferred tax assets	7	182	–	–	–
Total non-current assets		34,584	34,384	43,430	37,340
Inventories	8	54,650	36,399	–	–
Current tax assets		3,757	3,841	–	–
Trade and other receivables	9	42,389	27,023	2,030	3,589
Prepayments		676	1,391	–	–
Cash and cash equivalents	10	21,779	26,597	743	5,334
Total current assets		123,251	95,251	2,773	8,923
Total assets		157,835	129,635	46,203	46,263
Equity					
Share capital	11	51,240	51,240	51,240	51,240
Retained earnings/ (Accumulated losses)		40,767	33,240	(5,318)	(5,222)
Total equity attributable to owners of the Company		92,007	84,480	45,922	46,018
Liabilities					
Loans and borrowings	12	2,688	4,750	–	–
Deferred tax liabilities	7	–	47	–	–
Total non-current liabilities		2,688	4,797	–	–
Loans and borrowings	12	28,762	22,656	–	–
Trade and other payables	13	32,880	17,702	260	245
Current tax liabilities		1,498	–	21	–
Total current liabilities		63,140	40,358	281	245
Total liabilities		65,828	45,155	281	245
Total equity and liabilities		157,835	129,635	46,203	46,263

The notes on pages 74 to 131 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Period Ended 30 JUNE 2019

	Note	Group 1.4.2018 to 30.6.2019 RM'000	Group Year ended 31.3.2018 RM'000	Company 1.4.2018 to 30.6.2019 RM'000	Company Year ended 31.3.2018 RM'000
Revenue	14	233,866	140,037	–	–
Cost of sales		(90,530)	(63,451)	–	–
Gross profit		143,336	76,586	–	–
Other income		155	653	–	–
Selling and distribution expenses		(62,934)	(35,966)	–	–
Administrative expenses		(65,923)	(43,036)	(653)	(855)
Net loss on impairment of financial assets		(87)	(102)	(8)	–
Other expenses		(2,263)	(2,418)	–	(11,955)
Results from operating activities		12,284	(4,283)	(661)	(12,810)
Finance income	15	621	455	612	145
Finance costs	16	(2,419)	(1,585)	–	(14)
Net finance (costs)/income		(1,798)	(1,130)	612	131
Profit/(Loss) before tax	17	10,486	(5,413)	(49)	(12,679)
Tax expense	18	(2,959)	(630)	(47)	(2)
Profit/(Loss) and total comprehensive income/(loss) for the period/year		7,527	(6,043)	(96)	(12,681)
Profit/(Loss) attributable to:					
Owners of the Company		7,527	(6,043)	(96)	(12,681)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		7,527	(6,043)	(96)	(12,681)
Basic earnings/(loss) per ordinary share (sen)	19	9.19	(8.39)		

The notes on pages 74 to 131 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF **CHANGES IN EQUITY**
For The Period Ended 30 JUNE 2019

	Non-distributable **Share capital RM'000**	***Distributable*** **Retained earnings RM'000**	**Total equity RM'000**
Group			
At 1 April 2017	42,042	39,283	81,325
Issue of shares pursuant to the private placement	9,198	–	9,198
Loss and total comprehensive loss for the year	–	(6,043)	(6,043)
At 31 March 2018/1 April 2018	51,240	33,240	84,480
Profit and total comprehensive income for the period	–	7,527	7,527
At 30 June 2019	51,240	40,767	92,007
	Note 11		

The notes on pages 74 to 131 are an integral part of these financial statements.

STATEMENTS OF **CHANGES IN EQUITY**
For The Period Ended 30 JUNE 2019

Company	*Non-distributable* **Share capital RM'000**	*Distributable* **Retained earnings/ (Accumulated losses) RM'000**	**Total equity RM'000**
At 1 April 2017	42,042	7,459	49,501
Issue of shares pursuant to the private placement	9,198	–	9,198
Loss and total comprehensive loss for the year	–	(12,681)	(12,681)
At 31 March 2018/1 April 2018	51,240	(5,222)	46,018
Loss and total comprehensive loss for the period	–	(96)	(96)
At 30 June 2019	51,240	(5,318)	45,922
	Note 11		

The notes on pages 74 to 131 are an integral part of these financial statements.

STATEMENTS OF **CASH FLOWS**
For The Period Ended 30 June 2019

	Group		Company	
	1.4.2018 to 30.6.2019 RM'000	**Year ended 31.3.2018 RM'000**	**1.4.2018 to 30.6.2019 RM'000**	**Year ended 31.3.2018 RM'000**
Cash flows from operating activities				
Profit/(Loss) before tax	10,486	(5,413)	(49)	(12,679)
Adjustments for:				
Depreciation of investment properties	79	63	–	–
Depreciation of property, plant and equipment	2,245	1,783	–	–
(Gain)/Loss on disposal of property, plant and equipment	(5)	4	–	–
Impairment loss on amount due from a subsidiary	–	–	8	–
Impairment losses on investments in subsidiaries	–	–	–	11,955
Impairment losses on trade receivables	87	102	–	–
Finance costs	2,419	1,585	–	14
Finance income	(621)	(455)	(612)	(145)
Net unrealised loss/(gain) on foreign exchange	12	(164)	–	–
Property, plant and equipment written off	147	859	–	–
Write-down of inventories	839	1,861	–	–
Operating profit/(loss) before changes in working capital	15,688	225	(653)	(855)
Changes in inventories	(19,090)	7,854	–	–
Changes in trade and other receivables and prepayments	(14,738)	(6,164)	–	–
Changes in trade and other payables	15,166	(3,195)	15	(287)
Cash used in operations	(2,974)	(1,280)	(638)	(1,142)
Tax paid	(1,692)	(1,353)	(26)	(2)
Tax refunded	86	–	–	–
Interest paid	(2,419)	(1,585)	–	(14)
Net cash used in operating activities	(6,999)	(4,218)	(664)	(1,158)

Statements of Cash Flows For The Period Ended 30 June 2019 (cont'd)

	Note	Group 1.4.2018 to 30.6.2019 RM'000	Group Year ended 31.3.2018 RM'000	Company 1.4.2018 to 30.6.2019 RM'000	Company Year ended 31.3.2018 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment		(2,498)	(2,067)	–	–
Advances to subsidiaries		–	–	(4,539)	(3,588)
Change in deposits pledged		(1,996)	(866)	–	–
Interest received		621	455	612	145
Proceeds from disposal of property, plant and equipment		14	19	–	–
Net cash used in investing activities		(3,859)	(2,459)	(3,927)	(3,443)
Cash flows from financing activities					
Net drawdown/(repayment) of bankers' acceptances		4,827	(6,776)	–	–
Net (repayment)/drawdown of term loans		(2,705)	784	–	–
Proceeds from issue of share capital		–	9,198	–	9,198
Repayment of finance lease liabilities		(99)	(73)	–	–
Net cash from financing activities		2,023	3,133	–	9,198
Net (decrease)/increase in cash and cash equivalents		(8,835)	(3,544)	(4,591)	4,597
Cash and cash equivalents at 1 April		7,867	11,411	5,334	737
Cash and cash equivalents at 30 June/31 March	(i)	(968)	7,867	743	5,334

Statements of Cash Flows
For The Period Ended 30 June 2019
(cont'd)

(i) Cash and cash equivalents

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

		Group		Company	
	Note	1.4.2018 to 30.6.2019 RM'000	Year ended 31.3.2018 RM'000	1.4.2018 to 30.6.2019 RM'000	Year ended 31.3.2018 RM'000
Deposits placed with licensed banks	10	15,889	13,893	–	–
Less: Pledged deposits	10	(15,889)	(13,893)	–	–
		–	–	–	–
Cash and bank balances	10	5,279	12,540	132	5,170
Highly liquid investments with financial institutions	10	611	164	611	164
Bank overdrafts	12	(6,858)	(4,837)	–	–
		(968)	7,867	743	5,334

The notes on pages 74 to 131 are an integral part of these financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

MESB Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Lot 1903A, 1st Floor, Jalan KPB 7
Kawasan Perindustrian Kg. Baru Balakong
43300 Seri Kembangan, Selangor

Registered office
10th Floor, Menara Hap Seng
No. 1 & 3, Jalan P. Ramlee
50250 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial period ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6.

These financial statements were authorised for issue by the Board of Directors on 10 October 2019.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but have not been adopted by the Group and by the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108*, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

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

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 July 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019; and

- from the annual period beginning on 1 July 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and to the Company.

The initial application of the accounting standards, amendments or interpretations is not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

MFRS 16, ***Leases***

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group has completed a preliminary assessment and plans to adopt the modified retrospective approach. The Group elects to measure the right-of-use assets at amounts equal to the lease liabilities (measured at the present value of the remaining lease payments at the date of initial application).

Based on the preliminary assessment performed, the Group expects to recognise right-of-use assets and lease liabilities of approximately RM1,993,000 for its leases previously classified as operating leases. The Group does not expect the adoption of MFRS 16 to impact its ability to comply with the financial covenants imposed by its lenders. The estimated impact on initial application is based on assessment undertaken to date and the actual impact of adopting the standard may change until the Group presents its first financial statements of which the standard becomes effective.

Notes to the Financial Statements (cont'd)

1. BASIS OF PREPARATION (CONT'D)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements is discussed below:

(i) Impairment of intangible assets

Measurement of the recoverable amounts of cash-generating unit containing goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy as explained in Note 2(j)(ii) to the financial statements.

For the purposes of assessing impairment, goodwill is allocated to a cash-generating unit that is expected to benefit from the synergies of the business combination in which the goodwill arose.

Significant judgement is required in the estimation of the present value of future cash flows generated by the cash-generating unit, which involves uncertainties and is significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rate.

The recoverable amount of goodwill has been determined based on the value in use calculations. Based on the assessment, there was no impairment loss recognised in profit or loss for the financial period ended 30 June 2019 (31.3.2018: Nil).

The carrying amount of goodwill and estimates used in the value in use calculations are disclosed in Note 5.1 to the financial statements.

(ii) Write-down of inventories

The Group writes down the inventories in accordance with the Group's accounting policy. Judgement is required to assess the appropriate level of provisioning for items which may be ultimately sold below cost as a result of changing consumer demands and fashion trends.

Based on the assessment, the write-down of inventories recognised in profit or loss is amounting to RM839,000 (31.3.2018: RM1,861,000).

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial assets

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 27.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(iii) Transactions eliminated on consolidation

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

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Current financial period

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

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Previous financial year

A financial instrument was recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with the accounting policy applicable to the nature of the host contract.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial period

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(j)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

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

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

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial assets (Cont'd)

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

All financial assets were subject to impairment assessment (see Note 2(j)(i)).

Financial liabilities

Current financial period

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognition are also recognised in profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and of the Company were subsequently measured at amortised cost.

(iii) Financial guarantee contracts

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

Current financial period

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(iii) Financial guarantee contracts (Cont'd)

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts was classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract became probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	Over the lease period of 99 years
• Buildings	50 years
• Motor vehicles	5 years
• Office equipment, furniture and fittings	10 - 20 years
• Computers	2 - 4 years
• Renovation	5 - 10 years
• Warehouse equipment	5 years

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

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets (Cont'd)

(ii) Operating lease

Leases where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Intangible assets

(i) Goodwill

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

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired separately by the Group, which have indefinite useful lives, are measured at cost less any impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

(g) Investment properties

(i) Investment properties carried at cost

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

Investment properties are initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses, if any.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	Over the lease period of 99 years
• Buildings	50 years

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment properties (Cont'd)

(i) Investment properties carried at cost (Cont'd)

Depreciation method, useful life and residual values are reviewed at the end of each reporting period, and adjusted as appropriate.

Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

For investment properties carried at cost, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

(h) Inventories

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

The cost of inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits placed with licensed banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

(i) Financial assets (Cont'd)

Current financial period

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

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

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

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

The Group and the Company estimate the expected credit losses on trade receivables individually with reference to historical credit loss experience.

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

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

(i) Financial assets (Cont'd)

Previous financial year

All financial assets (except for investments in subsidiaries) were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence existed, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increased and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal was recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

(ii) Other assets (Cont'd)

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(m) Revenue and other income

(i) Revenue - sale of goods and commission earned

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Revenue and other income (Cont'd)

(i) Revenue - sale of goods and commission earned (Cont'd)

The Group transfers control of a good or services at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;

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

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

When the Group acts in a capacity of an agent rather than as the principal in a transaction, the revenue is recognised upon the sale of goods and is the net amount of commission earned by the Group.

(ii) Rental income

Rental income from investment properties is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(iii) Interest income

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

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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

(o) Income tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Income tax (Cont'd)

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

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

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using the tax rates enacted or substantially enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

(p) Earnings per ordinary share

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

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

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

(q) Operating segments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Contingencies

Contingent liabilities

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

(s) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

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

3. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land and buildings RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computers RM'000	Renovation RM'000	Warehouse equipment RM'000	Total RM'000
Group								
Cost								
At 1 April 2017		3,074	537	4,596	2,629	9,051	45	19,932
Additions		–	15	560	137	1,351	4	2,067
Disposals		–	–	(7)	–	(51)	–	(58)
Written off		–	–	(1,927)	(15)	(572)	–	(2,514)
Transfer to investment properties	4	(3,074)	–	–	–	–	–	(3,074)
At 31 March 2018/1 April 2018		–	552	3,222	2,751	9,779	49	16,353
Additions		–	137	626	48	1,660	27	2,498
Disposals		–	(15)	–	–	–	–	(15)
Written off		–	–	–	–	(393)	–	(393)
At 30 June 2019		–	674	3,848	2,799	11,046	76	18,443

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

	Note	Leasehold land and buildings RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computers RM'000	Renovation RM'000	Warehouse equipment RM'000	Total RM'000
Group								
Accumulated depreciation								
At 1 April 2017		673	208	1,290	2,590	5,788	4	10,553
Depreciation for the year		–	96	418	55	1,205	9	1,783
Disposals		–	–	(5)	–	(30)	–	(35)
Written off		–	–	(1,310)	(15)	(330)	–	(1,655)
Transfer to investment properties	4	(673)	–	–	–	–	–	(673)
At 31 March 2018/1 April 2018		–	304	393	2,630	6,633	13	9,973
Depreciation for the period		–	119	472	102	1,535	17	2,245
Disposals		–	(6)	–	–	–	–	(6)
Written off		–	–	–	–	(246)	–	(246)
At 30 June 2019		–	417	865	2,732	7,922	30	11,966
Carrying amounts								
At 1 April 2017		2,401	329	3,306	39	3,263	41	9,379
At 31 March 2018/1 April 2018		–	248	2,829	121	3,146	36	6,380
At 30 June 2019		–	257	2,983	67	3,124	46	6,477

Notes to the Financial Statements (cont'd)

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

	Computers RM'000	Motor vehicles RM'000	Total RM'000
Company			
Cost			
At 1 April 2017/31 March 2018/1 April 2018/ 30 June 2019	15	8	23
Accumulated depreciation			
At 1 April 2017/31 March 2018/1 April 2018/ 30 June 2019	15	8	23
Carrying amounts			
At 1 April 2017/31 March 2018/1 April 2018/ 30 June 2019	–	–	–

At 30 June 2019, the net carrying amount of leased motor vehicles of the Group was RM125,000 (31 March 2018: RM236,000). The leased motor vehicles secure lease obligations (see Note 12).

4. INVESTMENT PROPERTIES

	Note	Leasehold land RM'000	Buildings RM'000	Total RM'000
Group				
Cost				
At 1 April 2017		–	666	666
Transfer from property, plant and equipment	3	1,740	1,334	3,074
At 31 March 2018/1 April 2018/30 June 2019		1,740	2,000	3,740
Accumulated depreciation				
At 1 April 2017		–	168	168
Transfer from property, plant and equipment	3	338	335	673
Depreciation for the year		18	45	63
At 31 March 2018/1 April 2018		356	548	904
Depreciation for the period		22	57	79
At 30 June 2019		378	605	983
Carrying amounts				
At 1 April 2017		–	498	498
At 31 March 2018/1 April 2018		1,384	1,452	2,836
At 30 June 2019		1,362	1,395	2,757

Notes to the Financial Statements (cont'd)

4. INVESTMENT PROPERTIES (CONT'D)

	Group	
	30.6.2019 RM'000	**31.3.2018 RM'000**
Fair value		
Leasehold land and buildings	5,550	5,750

Investment properties are not occupied by the Group and are used either to earn rentals or for capital appreciation, or both. Included in the investment properties are certain commercial properties leased to third parties.

The investment properties have been pledged to a licensed bank as security for banking facilities granted to a subsidiary of the Group (see Note 12).

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

	Group	
	1.4.2018 to 30.6.2019 RM'000	**Year ended 31.3.2018 RM'000**
Rental income	90	18
Direct operating expenses:		
- income generating investment properties	(17)	(15)
- non-income generating investment properties	–	(2)

Level 3 fair value

The fair value of investment properties at the end of the reporting period was determined by the Directors by reference to the professional valuations carried out in April 2019 (31.3.2018: November/December 2017) which estimated the market value of the investment properties based on sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

5. INTANGIBLE ASSETS

	Goodwill RM'000	**Trademark RM'000**	**Total RM'000**
Group			
Cost			
At 1 April 2017/31 March 2018/1 April 2018/30 June 2019	25,190	500	25,690
Accumulated impairment loss			
At 1 April 2017/31 March 2018/1 April 2018/30 June 2019	(522)	–	(522)
Carrying amounts			
At 1 April 2017/31 March 2018/1 April 2018/30 June 2019	24,668	500	25,168
	Note 5.1	Note 5.2	

Notes to the Financial Statements (cont'd)

5. INTANGIBLE ASSETS (CONT'D)

5.1 Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The goodwill on consolidation arose from the acquisition of Miroza Leather (M) Sdn. Bhd. ("MLMSB"). Thus, the cash-generating unit ("CGU") to which the goodwill belongs has been identified as the operating entity.

The recoverable amount of MLMSB was based on its value in use, determined by discounting future cash flows to be generated by MLMSB based on the financial budgets approved by the Board of Directors and was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and a 5-year business forecast. The terminal value of the cash flow is calculated by applying a terminal growth rate of 2% (31.3.2018: 2%) which does not exceed the long-term average growth rate of the industry. Management believes that this perpetuity forecast period was justified due to the long-term nature of MLMSB's business.

- The anticipated annual revenue growth included in the cash flow projections is 3%-4.75% (31.3.2018: 3%-4%) which is based on the current market conditions and the average growth levels experienced over the past 3 years.

- A pre-tax discount rate of 12.24% (31.3.2018: 11.18%) was applied in determining the recoverable amount of the CGU. The discount rate was estimated based on the industry average weighted average cost of capital.

- The gross profit ("GP") margin in the cash flow projections was 62%-63% (31.3.2018: 59%-61%) which is based on the average GP margin experienced over the past 3 years.

Based on the impairment test undertaken, no impairment loss is required to be recognised.

The above estimates are particularly sensitive towards GP margin as a decrease of 1% in the GP margin applied would have resulted in an impairment loss of RM2,662,000 (31.3.2018: RM4,421,000).

5.2 Trademark

This represents intellectual rights and trademark pertaining to a brand acquired. This brand is also the cash-generating unit ("CGU") relating to the intellectual rights.

The trademark recognised by the Group has indefinite useful life and is not amortised. The indefinite useful life assessment was based on the assumption that continuous brand promotion and merchandising activities, and introduction of new designs from time to time are expected to maintain the value of the brand for an indefinite period of time.

5. INTANGIBLE ASSETS (CONT'D)

5.2 Trademark (Cont'd)

At the end of each reporting period, the useful life of this asset is reviewed by the management to determine whether events and circumstances continue to support indefinite useful life assessment of this asset. Such asset is tested for impairment in accordance with the Group accounting policy as stated in Note 2(j)(ii) to the financial statements.

The recoverable amount of the CGU was based on the value in use, determined by discounting future cash flows to be generated by the CGU based on the financial budgets approved by the Board of Directors and was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and a 5-year business forecast. The terminal value of the cash flow is calculated by applying a terminal growth rate of 2% (31.3.2018: 2%) which does not exceed the long-term average growth rate of the industry. Management believes that this perpetuity forecast period was justified due to long-term nature of the business in which the brand belongs.

- The anticipated annual revenue growth included in the cash flow projections is 3%-4.75% (31.3.2018: 3%-4%) which is based on the current market conditions and the average growth level experienced over the past 3 years.

- A pre-tax discount rate of 12.24% (31.3.2018: 11.18%) was applied in determining the recoverable amount of the CGU. The discount rate was estimated based on the industry average weighted average cost of capital.

- The GP margin in the cash flow projections was 66%-68% (31.3.2018: 65%-67%) which is based on the average GP margin experienced over the past 3 years.

Based on the impairment test undertaken, no impairment loss was required to be recognised.

The above estimates are particularly sensitive towards GP margin as a decrease of 1% in the GP margin applied would have resulted in an impairment loss of RM309,000 (31.3.2018: RM450,000).

6. INVESTMENTS IN SUBSIDIARIES

		Company	
		30.6.2019	**31.3.2018**
	Note	**RM'000**	**RM'000**
Unquoted shares, at cost	6.1	63,339	57,249
Less: Accumulated impairment losses	6.2	(19,909)	(19,909)
		43,430	37,340

Notes to the Financial Statements
(cont'd)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest	
			30.6.2019	**31.3.2018**
			%	**%**
Miroza Leather (M) Sdn. Bhd.	Malaysia	Trading and retailing of leather products and apparels	100	100
MESB Capital & Development Sdn.Bhd.	Malaysia	Investment holding	100	100
Crystal United Sdn. Bhd. ("CUSB")	Malaysia	Dormant	100	100
Active Fit Sdn. Bhd. ("AFSB")	Malaysia	Trading and retailing of casual apparels and accessories	100	100

6.1 Unquoted shares, at cost

	Note	Company 30.6.2019 RM'000	Company 31.3.2018 RM'000
At 1 April		57,249	57,249
Additions	6.1.1	6,090	–
At 30 June/31 March		63,339	57,249

6.1.1 During the financial period, the Company acquired 6,090,000 new ordinary shares in AFSB at RM1.00 per ordinary share as consideration for partial settlement of the amount owing by AFSB.

6.2 Accumulated impairment losses

	Note	AFSB RM'000	CUSB RM'000	Total RM'000
Company				
At 1 April 2017		7,053	901	7,954
Impairment losses recognised	(i)	11,947	8	11,955
At 31 March 2018/1 April 2018/ 30 June 2019		19,000	909	19,909

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

6.2 Accumulated impairment losses (Cont'd)

(i) Impairment testing for investment in AFSB

In the previous financial year, there was indication of impairment on investment in AFSB and consequently, the recoverable amount of investment in AFSB was estimated. The recoverable amount of investment in AFSB was based on its value in use, determined by discounting future cash flows to be generated by AFSB based on the financial budgets approved by the Board of Directors and was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and a 5-year business forecast. The terminal value of the cash flow was calculated by applying a terminal growth rate of 2% which did not exceed the long-term average growth rate of the industry. Management believed that this perpetuity forecast period was justified due to the long-term nature of AFSB's business.

- The anticipated annual revenue growth included in the cash flow projections was 3%-4% which was based on the current market conditions and management's revenue growth projections.

- A pre-tax discount rate of 11.18% was applied in determining the recoverable amount of the investment in AFSB. The discount rate was estimated based on the industry average weighted average cost of capital.

- The GP margin in the cash flow projections was 44%-47% which was based on the average GP margin experienced over the past 3 years.

Based on the impairment test undertaken, the recoverable amount of the investment in AFSB was estimated to be below the carrying amount. As a result, an impairment loss of RM11,947,000 was recognised.

7. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000
Group						
Property, plant and equipment	–	–	(213)	(213)	(213)	(213)
Inventories	318	64	–	–	318	64
Other deductible temporary differences	77	102	–	–	77	102
Tax assets/(liabilities)	395	166	(213)	(213)	182	(47)
Set off of tax	(213)	(166)	213	166	–	–
Net tax assets/ (liabilities)	182	–	–	(47)	182	(47)

Notes to the Financial Statements (cont'd)

7. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Unrecognised deferred tax assets

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

	Group	
	30.6.2019 RM'000	**31.3.2018 RM'000**
Property, plant and equipment	(596)	(552)
Inventories	480	1,831
Unabsorbed capital allowances	1,504	1,119
Unutilised tax losses	3,816	4,438
Other deductible temporary differences	1,031	202
`	6,235	7,038

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

Based on the provisions in the Finance Act 2018 (gazetted on 27 December 2018) which will be effective from year of assessment 2019, unutilised tax losses of the Group for a year of assessment can only be carried forward up to 7 consecutive years of assessment. As a transitional provision, the untilised tax losses of the Group up to year of assessment 2018 can be carried forward up to year of assessment 2025.

The other temporary differences do not expire under current tax legislation.

8. INVENTORIES

	Group	
	30.6.2019 RM'000	**31.3.2018 RM'000**
Trading merchandise	54,650	36,399

	Group	
	1.4.2018 to 30.6.2019 RM'000	**Year ended 31.3.2018 RM'000**
Recognised in profit or loss:		
- Inventories recognised as cost of sales	75,421	54,025
- Write-down of inventories	839	1,861

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

Notes to the Financial Statements (cont'd)

9. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000
Trade					
Trade receivables	9.1	39,858	25,924	–	–
Non-trade					
Amounts due from subsidiaries	9.2	–	–	2,029	3,588
Other receivables	9.3	1,541	134	–	–
Deposits		990	965	1	1
		2,531	1,099	2,030	3,589
		42,389	27,023	2,030	3,589

9.1 Included in trade receivables of the Group is an amount due from companies in which a former Director has significant financial interests of RM171,000 (31.3.2018: RM130,000). The amount is unsecured, interest free and subject to negotiated trade terms.

9.2 The non-trade amounts due from subsidiaries relate to interest-bearing advances to subsidiaries. Advances to subsidiaries are unsecured, subject to interest at 7.95% - 8.20% (31.3.2018: 7.95%) per annum and repayable on demand.

9.3 Included in other receivables of the Group as of 30 June 2019 is Goods and Services Tax ("GST") receivables from the Royal Malaysian Custom Department ("RMCD") in relation to excess input tax over output tax amounting to RM657,000.

9.4 Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and financial liabilities that have been set off for presentation purposes:

	Note	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount in the statement of financial position RM'000
Group				
30.6.2019				
Trade receivables		45,616	(5,758)	39,858
Trade payables	13	(32,288)	5,758	(26,530)
31.3.2018				
Trade receivables		32,735	(6,811)	25,924
Trade payables	13	(19,473)	6,811	(12,662)

10. CASH AND CASH EQUIVALENTS

	Note	Group 30.6.2019 RM'000	Group 31.3.2018 RM'000	Company 30.6.2019 RM'000	Company 31.3.2018 RM'000
Highly liquid investments with financial institutions	10.1	611	164	611	164
Deposits placed with licensed banks	10.2	15,889	13,893	–	–
Cash and bank balances		5,279	12,540	132	5,170
		21,779	26,597	743	5,334

10.1 Highly liquid investments with financial institutions

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

10.2 Deposits placed with licensed banks

The deposits placed with licensed banks are pledged as security for banking facilities granted to the Group (see Note 12).

11. SHARE CAPITAL

	Note	Group and Company Number of shares 30.6.2019 '000	Amount 30.6.2019 RM'000	Number of shares 31.3.2018 '000	Amount 31.3.2018 RM'000
Issued and fully paid:					
Ordinary shares					
At 1 April		81,900	51,240	42,000	42,042
Private placement	11.1	–	–	12,600	9,198
Share split	11.2	–	–	27,300	–
At 30 June/31 March		81,900	51,240	81,900	51,240

Ordinary shares

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

11.1 Private placement

On 9 October 2017, the Company issued 12,600,000 new ordinary shares to eligible investors at an issue price of RM0.73 per share via private placement.

11.2 Share split

On 27 December 2017, the Company subdivided its issued and paid-up share capital of 54,600,000 ordinary shares on the basis of every two (2) ordinary shares into three (3) ordinary shares, resulting in additional 27,300,000 ordinary shares.

Notes to the Financial Statements (cont'd)

11. SHARE CAPITAL (CONT'D)

11.3 Warrants 2017/2022

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

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

12. LOANS AND BORROWINGS

	Note	Group 30.6.2019 RM'000	Group 31.3.2018 RM'000
Non-current			
Term loans - secured	12.1	2,557	4,527
Finance lease liabilities	12.2	131	223
		2,688	4,750
Current			
Term loans - secured	12.1	1,604	2,339
Finance lease liabilities	12.2	71	78
Bank overdrafts - secured	12.3	6,858	4,837
Bankers' acceptances - secured	12.3	20,229	15,402
		28,762	22,656
		31,450	27,406

12.1 Term loans

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

Term loan	Number of monthly instalments	Monthly instalments RM	Effective dates of commencement of repayment	Group Amount outstanding 30.6.2019 RM'000	Group Amount outstanding 31.3.2018 RM'000
1	60	10,102	November 2013	–	76
2	60	64,131	March 2015	439	1,317
3	36	94,495	October 2015	–	568
4	60	40,670	November 2016	1,033	1,509
5	60	10,079	January 2017	278	396
6	60	60,758	April 2018	2,411	3,000
				4,161	6,866

The term loans of the Group at the end of the reporting period are secured by a pledge over the deposits placed with licensed banks of the subsidiaries (see Note 10) and are supported by corporate guarantees provided by the Company and personal guarantee by a former Director of a subsidiary.

Notes to the Financial Statements (cont'd)

12. LOANS AND BORROWINGS (CONT'D)

12.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 30.6.2019 RM'000	Interest 30.6.2019 RM'000	Present value of minimum lease payments 30.6.2019 RM'000	Future minimum lease payments 31.3.2018 RM'000	Interest 31.3.2018 RM'000	Present value of minimum lease payments 31.3.2018 RM'000
Group						
Less than one year	80	(9)	71	92	(14)	78
Between one and five years	139	(8)	131	227	(16)	211
More than five years	–	–	–	12	–	12
	219	(17)	202	331	(30)	301

12.3 Bank overdrafts and bankers' acceptances

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

(i) a first legal charge over the investment properties of the subsidiaries (see Note 4); and
(ii) a pledge over the deposits placed with licensed banks of the subsidiaries (see Note 10);

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

12.4 Reconciliation of movement of loans and borrowings to cash flows arising from financing activities

	At 1.4.2017 RM'000	Net changes from financing cash flows RM'000	At 31.3.2018/ 1.4.2018 RM'000	Net changes from financing cash flows RM'000	At 30.6.2019 RM'000
Group					
Term loans - secured	6,082	784	6,866	(2,705)	4,161
Finance lease liabilities	374	(73)	301	(99)	202
Bankers' acceptances - secured	22,178	(6,776)	15,402	4,827	20,229
	28,634	(6,065)	22,569	2,023	24,592

Notes to the Financial Statements (cont'd)

13. TRADE AND OTHER PAYABLES

	Note	Group 30.6.2019 RM'000	Group 31.3.2018 RM'000	Company 30.6.2019 RM'000	Company 31.3.2018 RM'000
Trade					
Trade payables	13.1	26,530	12,662	–	–
Non-trade					
Other payables	13.2	1,019	810	180	154
Accrued expenses		5,331	4,230	80	77
Amount due to a subsidiary	13.3	–	–	–	14
		6,350	5,040	260	245
		32,880	17,702	260	245

13.1 Included in trade payables as at 31 March 2018 was an amount due to companies in which a former Director has significant financial interests of RM349,000. The amount was unsecured, interest free and subject to negotiated trade terms.

13.2 Included in other payables as at 31 March 2018 was GST payable to the RMCD in relation to excess output tax over input tax amounting to RM192,000.

13.3 The non-trade amount due to a subsidiary was related to accrued interest on advances from a subsidiary. Advances from the subsidiary were unsecured, subject to interest of 7.92% per annum and repayable on demand.

14. REVENUE

	Note	Group 1.4.2018 to 30.6.2019 RM'000	Group Year ended 31.3.2018 RM'000
Sale of goods		222,469	133,774
Commission income from consignment sales		11,343	6,245
Revenue from contracts with customers	14.1	233,812	140,019
Other revenue			
Rental income		54	18
Total revenue		233,866	140,037

Notes to the Financial Statements (cont'd)

14. REVENUE (CONT'D)

14.1 Disaggregation of revenue

	Group	
	1.4.2018 to 30.6.2019 RM'000	Year ended 31.3.2018 RM'000
Major product lines		
Sale of apparels, leather products and others	233,812	140,019
Primary geographical markets		
Malaysia	232,732	139,495
Brunei	1,080	524
	233,812	140,019
Sales channels		
Directly to customers	9,966	8,513
Through departmental stores	223,846	131,506
	233,812	140,019
Timing of recognition		
At a point in time	233,812	140,019

14.2 Nature of goods

The following information reflects the typical transactions of the Group:

Nature of goods	Timing of recognition or method used to recognise revenue	Significant payment terms	Obligation for returns or refunds
Sale of goods and commission income from consignment sales	Revenue is recognised when the goods are accepted by the customers over the counter.	Credit period of 0 - 67 days from invoice date.	The Group allows returns only for exchange with new goods (i.e. no cash refunds are offered).

15. FINANCE INCOME

	Group		Company	
	1.4.2018 to 30.6.2019 RM'000	Year ended 31.3.2018 RM'000	1.4.2018 to 30.6.2019 RM'000	Year ended 31.3.2018 RM'000
Interest income of financial assets calculated using the effective interest method that are at amortised cost	600	455	591	145
Other finance income	21	–	21	–
	621	455	612	145

Notes to the Financial Statements (cont'd)

16. FINANCE COSTS

	Group		Company	
	1.4.2018 to 30.6.2019 RM'000	Year ended 31.3.2018 RM'000	1.4.2018 to 30.6.2019 RM'000	Year ended 31.3.2018 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Advances from a subsidiary	–	–	–	14
- Bankers' acceptances	1,363	832	–	–
- Bank overdrafts	497	292	–	–
- Debts factoring	42	14	–	–
- Finance lease liabilities	18	19	–	–
- Term loans	499	428	–	–
	2,419	1,585	–	14

17. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	1.4.2018 to 30.6.2019 RM'000	Year ended 31.3.2018 RM'000	1.4.2018 to 30.6.2019 RM'000	Year ended 31.3.2018 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):				
Auditors' remuneration:				
- Audit fees				
KPMG in Malaysia	186	160	58	55
- Non-audit fees				
KPMG in Malaysia	5	5	5	5
Material expenses				
Depreciation of investment properties	79	63	–	–
Depreciation of property, plant and equipment	2,245	1,783	–	–
Impairment losses on investments in subsidiaries	–	–	–	11,955
Internal audit fee	47	79	–	–
Loss on disposal of property, plant and equipment	–	4	–	–
Net realised loss on foreign exchange	245	–	–	–
Net unrealised loss on foreign exchange	12	–	–	–
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provision Fund	4,061	2,586	14	10
- Wages, salaries and others	42,275	27,021	161	131
Property, plant and equipment written off	147	859	–	–
Rental expenses	3,815	2,595	–	–
Royalty expenses	14,048	8,634	–	–
Write-down of inventories	839	1,861	–	–

17. PROFIT/(LOSS) BEFORE TAX (CONT'D)

	Group		Company	
	1.4.2018 to 30.6.2019 RM'000	**Year ended 31.3.2018 RM'000**	**1.4.2018 to 30.6.2019 RM'000**	**Year ended 31.3.2018 RM'000**
Material income				
Gain on disposal of property, plant and equipment	(5)	–	–	–
Net realised gain on foreign exchange	–	(395)	–	–
Net unrealised gain on foreign exchange	–	(164)	–	–

18. TAX EXPENSE

	Group		Company	
	1.4.2018 to 30.6.2019 RM'000	**Year ended 31.3.2018 RM'000**	**1.4.2018 to 30.6.2019 RM'000**	**Year ended 31.3.2018 RM'000**
Current tax expense				
- Current year	3,079	531	47	–
- Under provision in prior year	109	84	–	2
Total current tax recognised in profit or loss	3,188	615	47	2
Deferred tax expense				
- Origination and reversal of temporary differences	(261)	37	–	–
- Under/(Over) provision in prior year	32	(22)	–	–
Total deferred tax recognised in profit or loss	(229)	15	–	–
Total income tax expense	2,959	630	47	2
Reconciliation of tax expense				
Profit/(Loss) before tax	10,486	(5,413)	(49)	(12,679)
Income tax calculated using Malaysian tax rate of 24%	2,517	(1,299)	(12)	(3,043)
Effect of deferred tax assets not recognised	(193)	1,419	–	–
Non-taxable income	–	(4)	–	(4)
Non-deductible expenses	494	452	59	3,047
Under provision in prior year	141	62	–	2
	2,959	630	47	2

Notes to the Financial Statements
(cont'd)

19. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 30 June 2019 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	1.4.2018 to 30.6.2019 RM'000	**Year ended 31.3.2018 RM'000**
Profit/(Loss) attributable to ordinary shareholders	7,527	(6,043)

	Group	
	30.6.2019 '000	**31.3.2018 '000**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 April	81,900	42,000
Effect of new ordinary shares issued via private placement (Note 11.1)	–	6,007
Effect of share split (Note 11.2)	–	24,004
Weighted average number of ordinary shares at 30 June/31 March (basic)	81,900	72,011

	Group	
	1.4.2018 to 30.6.2019 sen	**Year ended 31.3.2018 sen**
Basic earnings/(loss) per ordinary share	9.19	(8.39)

Diluted earnings/(loss) per ordinary share

Diluted earnings/(loss) per ordinary shares as at 30 June 2019 and 31 March 2018 were not presented as the effect of the Warrants issued is anti-dilutive

20. OPERATING SEGMENTS

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

- Retailing — involved in the trading and retailing of leather products, apparels and accessories.
- Investment holding — involved in investment holding.

20. OPERATING SEGMENTS (CONT'D)

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

Segment assets

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

Segment liabilities

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

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial period to acquire property, plant and equipment, investment properties and intangible assets other than goodwill.

Group	**Retailing RM'000**	**Investment holding RM'000**	**Total RM'000**
1.4.2018 to 30.6.2019			
Segment profit/(loss)	13,565	(660)	12,905
Included in the measure of segment profit/(loss) are:			
Revenue from external customers	233,812	54	233,866
Finance income	578	43	621
Write-down of inventories	(839)	–	(839)
Property, plant and equipment written off	(147)	–	(147)
Depreciation of property, plant and equipment	(2,245)	–	(2,245)
Depreciation of investment properties	–	(79)	(79)
Not included in the measure of segment profit/(loss) but provided to CODM:			
Finance costs	(2,419)	–	(2,419)
Tax expense	(2,903)	(56)	(2,959)
30.6.2019			
Segment assets	154,439	5,425	159,864
Included in the measure of segment assets is:			
Additions to non-current assets other than financial instruments and deferred tax assets	2,498	–	2,498

Notes to the Financial Statements
(cont'd)

20. OPERATING SEGMENTS (CONT'D)

Group	Retailing RM'000	Investment holding RM'000	Total RM'000
Year ended 31.3.2018			
Segment loss	(2,940)	(888)	(3,828)
Included in the measure of segment loss are:			
Revenue from external customers	140,019	18	140,037
Finance income	401	54	455
Write-down of inventories	(1,861)	–	(1,861)
Property, plant and equipment written off	(859)	–	(859)
Depreciation of property, plant and equipment	(1,783)	–	(1,783)
Depreciation of investment properties	–	(63)	(63)
Not included in the measure of segment loss but provided to CODM:			
Finance costs	(1,585)	–	(1,585)
Tax expense	(628)	(2)	(630)
31.3.2018			
Segment assets	121,115	12,108	133,223
Included in the measure of segment assets is:			
Additions to non-current assets other than financial instruments and deferred tax assets	2,067	–	2,067

Reconciliations of reportable segment profit or loss and assets

	Group	
	1.4.2018 to 30.6.2019 RM'000	**Year ended 31.3.2018 RM'000**
Profit or loss		
Total profit/(loss) for reportable segments	12,905	(3,828)
Finance costs	(2,419)	(1,585)
Consolidated profit/(loss) before tax	10,486	(5,413)

	Group	
Assets	**30.6.2019 RM'000**	**31.3.2018 RM'000**
Total assets for reporting segments	159,864	133,223
Elimination of inter-segment balances	(2,029)	(3,588)
Consolidated total assets	157,835	129,635

20. OPERATING SEGMENTS (CONT'D)

Geographical segments

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

Major customers

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

21. FINANCIAL INSTRUMENTS

21.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 30 June 2019 categorised as follows:

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

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
30.6.2019			
Group			
Financial assets			
Trade and other receivables*	41,732	41,732	–
Cash and cash equivalents	21,779	21,168	611
	63,511	62,900	611
Financial liabilities			
Trade and other payables	(32,880)	(32,880)	–
Loans and borrowings	(31,450)	(31,450)	–
	(64,330)	(64,330)	–
Company			
Financial assets			
Other receivables	2,030	2,030	–
Cash and cash equivalents	743	132	611
	2,773	2,162	611
Financial liabilities			
Other payables	(260)	(260)	–

* excludes GST receivable.

Notes to the Financial Statements (cont'd)

21. FINANCIAL INSTRUMENTS (CONT'D)

21.1 Categories of financial instruments (Cont'd)

The table below provides an analysis of financial instruments as at 31 March 2018 categorised as follows:

(a) Loans and receivables ("L&R")
(b) Financial liabilities measured at amortised cost ("FL")

	Carrying amount RM'000	L&R/ (FL) RM'000
31.3.2018		
Group		
Financial assets		
Trade and other receivables	27,023	27,023
Cash and cash equivalents	26,597	26,597
	53,620	53,620
Financial liabilities		
Trade and other payables*	(17,510)	(17,510)
Loans and borrowings	(27,406)	(27,406)
	(44,916)	(44,916)
Company		
Financial assets		
Other receivables	3,589	3,589
Cash and cash equivalents	5,334	5,334
	8,923	8,923
Financial liabilities		
Other payables	(245)	(245)

* excluded GST payable.

Notes to the Financial Statements
(cont'd)

21. FINANCIAL INSTRUMENTS (CONT'D)

21.2 Net gains and losses arising from financial instruments

	Group		Company	
	1.4.2018 to 30.6.2019 RM'000	Year ended 31.3.2018 RM'000	1.4.2018 to 30.6.2019 RM'000	Year ended 31.3.2018 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	21	–	21	–
Financial assets measured at amortised cost	600	–	591	–
Financial liabilities measured at amortised cost	(2,676)	(1,026)	–	(14)
Loans and receivables	–	251	–	145
Net loss on impairment of financial assets				
- Financial assets at amortised cost	(87)	–	(8)	–
- Loans and receivables	–	(102)	–	–
	(2,142)	(877)	604	131

21.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

21.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade receivables, which mainly comprise departmental stores where the Group sells its products through the consignment counters. The Company's exposure to credit risk arises principally from its advances to subsidiaries and financial guarantees given to banks for banking facilities granted to its subsidiaries, as well as to certain landlords and licensor in respect of lease agreements and licensing agreement entered into by the subsidiaries. There are no significant changes as compared to prior periods.

21. FINANCIAL INSTRUMENTS (CONT'D)

21.4 Credit risk (Cont'd)

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amount of credit impaired trade receivables is written off (either partially or fully) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

The trade receivables of the Group are not secured by any collateral or supported by any other credit enhancements. However, a significant portion of these trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

Concentration of credit risk

The exposure of credit risk for trade receivables by geographic region as at the end of the current and previous reporting periods is predominantly domestic.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days. The Group's debt recovery process is as follows:

a) Above 30 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored jointly by the Finance Department and Sales and Marketing Department; and

b) The Group will commence a legal proceeding against the customer who fails to pay after the Group initiates the debt recovery process.

The Group estimates the expected credit losses ("ECLs") on trade receivables individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these debtors have low risk of default.

Notes to the Financial Statements (cont'd)

21. FINANCIAL INSTRUMENTS (CON'D)

21.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the period.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2019.

		30.6.2019	
	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Group			
Current (not past due)	37,879	–	37,879
1 - 30 days past due	586	–	586
31 - 60 days past due	1,321	–	1,321
61 - 90 days past due	48	–	48
Past due more than 90 days	24	–	24
	39,858	–	39,858

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

	Group 30.6.2019 Trade receivables Credit impaired RM'000
Balance at 1 April 2018 as per MFRS 139/MFRS 9	153
Net remeasurement of loss allowance	87
Amounts written off	(240)
Balance at 30 June 2019	–

As at 30 June 2019, none of the trade receivables written off are still subject to enforcement activity.

Notes to the Financial Statements (cont'd)

21. FINANCIAL INSTRUMENTS (CON'D)

21.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The ageing of trade receivables as at 31 March 2018 was as follows:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
31.3.2018			
Not past due	20,029	–	20,029
Past due 1 - 60 days	5,610	(6)	5,604
Past due more than 60 days	438	(147)	291
	26,077	(153)	25,924

No allowance for impairment losses of trade receivables had been made for the remaining past due balances as the Group monitored the results and repayments of these customers regularly and was confident of the ability of the customers to repay the remaining balances.

The movement in the allowance for impairment losses of trade receivables during the financial year was:

	Group 31.3.2018 RM'000
At 1 April 2017	51
Impairment losses recognised	102
At 31 March 2018	153

The allowance account in respect of trade receivables was used to record impairment losses. Unless the Group was satisfied that recovery of the amount was possible, the amount considered irrecoverable was written off against the receivable directly.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group is of the view that the loss allowance is not material and therefore, it is not provided for.

21. FINANCIAL INSTRUMENTS (CONT'D)

21.4 Credit risk (Cont'd)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

For banking facilities granted to the subsidiaries, the maximum exposure to credit risk amounts to RM13,184,000 (31.3.2018: RM10,148,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period after deducting the value of collateral pledged.

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

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

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

Recognition and measurement of impairment loss

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

- The subsidiary is unlikely to meet its contractual obligation to the banks, landlords or licensor in full; or
- The subsidiary is continuously loss making and is having a deficit in shareholder's fund.

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

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

21. FINANCIAL INSTRUMENTS (CONT'D)

21.4 Credit risk (Cont'd)

Other receivables

Credit risks on other receivables are mainly arising from reimbursement receivable from the Group's licensor and deposits paid for boutiques, office building and warehouse rented. The licensor has acknowledged the reimbursement while the deposits will be received at the end of each lease term, where the Group manages the credit risk together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

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

Inter-company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

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

Recognition and measurement of impairment loss

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

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

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

Notes to the Financial Statements (cont'd)

21. FINANCIAL INSTRUMENTS (CONT'D)

21.4 Credit risk (Cont'd)

Inter-company balances (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

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

Company 30.6.2019	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Low credit risk	2,029	–	2,029
Credit impaired	8	(8)	–
	2,037	(8)	2,029

The movement in the allowance for impairment in respect of advances to subsidiaries during the period is shown below:

	Company 30.6.2019 Credit impaired RM'000
Balance at 1 April 2018 as per MFRS 139/MFRS 9	–
Net remeasurement of loss allowance	8
Balance at 30 June 2019	8

21.5 Liquidity risk

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

The Group maintains a level of cash and cash equivalents and banking facilities deemed adequate by the Directors to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

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

21. FINANCIAL INSTRUMENTS (CONT'D)

21.5 Liquidity risk (Cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
30.6.2019							
Non-derivative financial liabilities							
Trade and other payables	32,880	–	32,880	32,880	–	–	–
Finance lease liabilities	202	2.62 - 3.38%	219	80	68	71	–
Term loans - secured	4,161	*	4,676	1,872	1,339	1,465	–
Bank overdrafts - secured	6,858	**	6,858	6,858	–	–	–
Bankers' acceptances - secured	20,229	4.98 - 5.65 %	20,229	20,229	–	–	–
31.3.2018							
Non-derivative financial liabilities							
Trade and other payables	17,510	–	17,510	17,510	–	–	–
Finance lease liabilities	301	2.62 - 3.38%	331	92	82	145	12
Term loans - secured	6,866	*	7,952	2,800	1,989	3,163	–
Bank overdrafts - secured	4,837	**	4,837	4,837	–	–	–
Bankers' acceptances - secured	15,402	5.01 - 5.65 %	15,402	15,402	–	–	–

* represents lenders' cost of funds plus a margin of 1.00 – 1.50% per annum

** represents lenders' cost of funds plus a margin of 1.25 – 1.50% per annum

Notes to the Financial Statements (cont'd)

21. FINANCIAL INSTRUMENTS (CONT'D)

21.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000
Company				
30.6.2019				
Non-derivative financial liabilities				
Other payables	260	–	260	260
Financial guarantees	–	–	31,248	31,248
31.3.2018				
Non-derivative financial liabilities				
Other payables	245	–	245	245
Financial guarantees	–	–	26,846	26,846

21.6 Market risk

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

21.6.1 Currency risk

The Group is exposed to foreign currency risk on reimbursement receivable from the Group's licensor and royalty payments to licensors that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD") and Singapore Dollar ("SGD").

Risk management objectives, policies and processes for managing the risk

Exposures to foreign currency risk are monitored on an ongoing basis. The Group does not hedge its foreign currency risk exposures.

Exposure to foreign currency risk

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

	30.6.2019 Denominated in		31.3.2018 Denominated in	
	USD RM'000	SGD RM'000	USD RM'000	SGD RM'000
Group				
Other receivables	599	–	–	–
Trade and other payables	(6,389)	(33)	(3,319)	–
	(5,790)	(33)	(3,319)	–

Notes to the Financial Statements
(cont'd)

21. FINANCIAL INSTRUMENTS (CONT'D)

21.6 Market risk (Cont'd)

21.6.1 Currency risk (Cont'd)

Currency risk sensitivity analysis

A 10% (31.3.2018: 10%) strengthening of RM against the following currencies at the end of the reporting period would have increased post-tax profit or loss by the amount shown below. This analysis is based on the foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or Loss	
	1.4.2018 to 30.6.2019 RM'000	Year ended 31.3.2018 RM'000
Group		
USD	440	252
SGD	3	–

A 10% (31.3.2018: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currency to the amount shown above, on the basis that all other variables remain constant.

21.6.2 Interest rate risk

The Group's fixed deposits placed with licensed banks and its fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group does not have any specific policy to manage its interest rate risk as the Directors are of the opinion that the exposure to interest rate risk is not significant. Nonetheless, the Group adopts a practice to continuously seek alternative banking facilities which provide competitive interest rates to finance its working capital requirements.

21. FINANCIAL INSTRUMENTS (CONT'D)

21.6 Market risk (Cont'd)

21.6.2 Interest rate risk (Cont'd)

Exposure to interest rate risk

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

	Group		Company	
	30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000
Fixed rate instruments				
Financial assets	15,889	13,893	2,029	3,588
Financial liabilities	(20,431)	(15,703)	–	(14)
	(4,542)	(1,810)	2,029	3,574
Floating rate instruments				
Financial liabilities	(11,019)	(11,703)	–	–

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have (decreased)/increased post-tax profit or loss by the amounts shown below. This analysis is based on the interest rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables remain constant.

	Profit or loss			
	50 bp increase 1.4.2018 to 30.6.2019 RM'000	50 bp decrease 1.4.2018 to 30.6.2019 RM'000	50 bp increase Year ended 31.3.2018 RM'000	50 bp decrease Year ended 31.3.2018 RM'000
Group				
Floating rate instruments	(42)	42	(44)	44

21. FINANCIAL INSTRUMENTS (CONT'D)

21.7 Fair value information

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

The table below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Group										
30.6.2019										
Financial liabilities										
Finance lease liabilities	–	–	–	–	–	–	(207)	(207)	(207)	(202)
Term loans	–	–	–	–	–	–	(4,149)	(4,149)	(4,149)	(4,161)
31.3.2018										
Financial liabilities										
Finance lease liabilities	–	–	–	–	–	–	(311)	(311)	(311)	(301)
Term loans	–	–	–	–	–	–	(6,868)	(6,868)	(6,868)	(6,866)

Level 3 fair value

Valuation process applied by the Group for Level 3 fair value

For financial instruments not carried at fair value, the Group has applied discounted cash flows valuation technique using a rate based on the current market rate of borrowings of the Group at the reporting date in the determination of fair value within Level 3. The Directors have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair value.

22. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at the end of the reporting periods were as follows:

		Group	
	Note	30.6.2019 RM'000	31.3.2018 RM'000
Loans and borrowings	12	31,450	27,406
Total equity		92,007	84,480
Debt-to-equity ratio		0.34	0.32

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

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

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

i) MLMSB — To maintain a maximum gearing ratio of 1.25 times to comply with covenants of certain term loans, failing which, the banks may call an event of default.

ii) AFSB — To maintain a maximum gearing ratio of 2.00 times to comply with covenants of certain term loans, failing which, the banks may disallow declaration of dividend.

23. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	30.6.2019 RM'000	31.3.2018 RM'000
Less than one year	2,099	2,317
Between one and five years	933	1,707
	3,032	4,024

The Group leases a number of properties under operating leases. The leases typically run for a period between two and three years, with an option to renew the leases after that date.

Contingent rent recognised as an expense amounted to RM89,000 (31.3.2018: RM43,000).

Notes to the Financial Statements (cont'd)

24. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

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

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

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 9 and 13.

		Group		Company	
		1.4.2018 to 30.6.2019 RM'000	**Year ended 31.3.2018 RM'000**	**1.4.2018 to 30.6.2019 RM'000**	**Year ended 31.3.2018 RM'000**
A.	**Subsidiaries**				
	Net advances to subsidiaries	–	–	4,539	3,588
	Interest income	–	–	(570)	(92)
B.	**A firm in which a Director is a member**				
	Legal fees	1	–	–	–
C.	**Companies in which a former Director has significant financial interests**				
	Sale of goods (net of selling & distribution expenses)	(2,957)	(1,658)	–	–
	Royalty expense	–	36	–	–
	Purchase of goods	23	59	–	–
	Sub-licensing income	(63)	(45)	–	–
	Commission income	–	(6)	–	–
D.	**Key management personnel**				
	Directors				
	Directors' fee	156	125	156	125
	Directors' remuneration	440	319	55	48
	Post-employment benefits	41	33	–	–

The estimated monetary value of Directors' benefit-in-kind is RM13,000 (31.3.2018: RM13,000).

25. CHANGE OF FINANCIAL YEAR END

During the financial period, the Group and the Company changed their financial year end from 31 March to 30 June. Accordingly, the financial statements of the Group and the Company for the financial period ended 30 June 2019 cover a fifteen-month period as compared to a twelve-month period for the previous financial year ended 31 March 2018. Therefore, the comparative figures for the statements of profit or loss and other comprehensive income, statements of changes in equity, statements of cash flows and their related notes to the financial statements are not comparable.

26. SUBSEQUENT EVENTS

(a) Litigation

On 22 August 2019, the Company has been served with a Writ of Summons in relation to a claim filed by Zelleco Engineering Sdn. Bhd. ("ZESB"). The claim relates to a suit previously filed against Maintenance Engineering Sdn. Bhd. ("ME") for an outstanding amount of approximately RM5.2 million together with interest and cost thereon ("the sum"). The suit was initiated on 5 July 2011. Subsequently on 6 July 2012, ZESB obtained a judgement from the High Court whereby the High Court ruled that ME shall pay ZESB the sum.

ME was previously a wholly-owned subsidiary of the Company that was duly disposed on 22 March 2012 via an ordinary resolution of the shareholders. Pursuant to the Share Sale Agreement, the buyer had agreed to assume the liabilities as disclosed in the financial statements of ME and the contingent liabilities relating to the then ongoing legal proceeding between ME and ZESB upon the disposal by the Company.

ME was subsequently wound up by a third party on 18 June 2013. ZESB now alleges that the Company is liable for the sum.

The Company has filed its defence on 19 September 2019 and the matter is now pending for the case management on 17 October 2019. Based on the solicitors, the matter is currently at preliminary stage and they are not able to provide their opinion effectively as to the probable outcome. However, based on the instructions and documents given, the solicitors believe the Company has an even chance of defending the case.

(b) Proposed private placement

On 10 October 2019, the Company announced that it is proposing to undertake a private placement of new ordinary shares of up to 30% of the issued share capital of the Company to independent third party investor(s) to be identified at a later date ("the Proposed Private Placement").

The new ordinary shares issued via the Proposed Private Placement ("the Placement Shares") will rank *pari passu* in all aspects with the existing ordinary shares of the Company, except that they shall not be entitled to any dividends, rights, allotment and/or other distributions which may be declared, made or paid before the date of allotment of the Placement Shares.

The Company intends to utilise the proceeds raised from the Proposed Private Placement to fund the Group's working capital requirements and business expansion plan, and for repayment of the Group's short-term borrowings.

27. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the financial period, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

27.1 Impacts on financial statements

The adoption of MFRS 15 does not have any impact on the Group's and the Company's financial statements other than the additional disclosures required to be made in the financial statements. There is also no impact on the Group's and the Company's financial statements arising from the adoption of MFRS 9 apart from certain changes in classification as disclosed in Notes 21.1 and 27.2(b).

27.2 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9, if any, are recognised in retained earnings as at 1 April 2018. Accordingly, the information presented for the previous financial year ended 31 March 2018 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

ii) The determination of the business model within which a financial asset is held has been assessed based on the facts and circumstances that existed at the date of initial application.

27. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

27.2 Accounting for financial instruments (Cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 April 2018:

	Original classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM'000	Reclassification RM'000	Carrying amount under MFRS 9 RM'000	Note
Group						
Financial assets						
Trade and other receivables	Loans and receivables	Amortised cost	27,023	–	27,023	(i)
Cash and cash equivalents	Loans and receivables	Amortised cost	26,597	(342)	26,255	(i)
		Fair value through profit or loss	–	342	342	(ii)
			53,620		53,620	
Financial liabilities						
Trade and other payables*	Financial liabilities measured at amortised cost	Amortised cost	(17,510)	–	(17,510)	
Loans and borrowings	Financial liabilities measured at amortised cost	Amortised cost	(27,406)	–	(27,406)	
			(44,916)		(44,916)	

* excluded GST payable.

27. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

27.2 Accounting for financial instruments (Cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (Cont'd)

	Original classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139	Reclassification	Carrying amount under MFRS 9	Note
Company						
Financial assets						
Trade and other receivables	Loans and receivables	Amortised cost	3,589	–	3,589	(i)
Cash and cash equivalents	Loans and receivables	Amortised cost	5,334	(342)	4,992	(i)
		Fair value through profit or loss	–	342	342	(ii)
			8,923		8,923	
Financial liabilities						
Other payables	Financial liabilities measured at amortised cost	Amortised cost	(245)	–	(245)	

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables and cash and cash equivalents (except for those mentioned in part (ii) below) that were classified as loans and receivables under MFRS 139 are now reclassified as amortised cost. No transitioning effects were identified.

(ii) Reclassification from loans and receivables to fair value through profit or loss

Cash and cash equivalents consist of certain investments in money market whose contract terms do not give rise to cash flows that are solely payments of principal and interest. As a result, the carrying amount was reclassified from loans and receivables to fair value through profit or loss. The fair value gains were not material to be recognised.

27. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

27.3 Accounting for revenue

In the adoption of MFRS 15, the Group has not applied any practical expedients as permitted by the standard.

The following are the changes in revenue recognition policies arising from the adoption of MFRS 15:

Type of revenue	Previous year's revenue recognition	Current period's revenue recognition
Sale of goods and commission income from consignment sales	The Group previously recognised revenue when the goods were sold to customers over the counter, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised at the point provided that the revenue and the associated costs could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods. When the Group acted in a capacity of an agent rather than as the principal in a transaction, the revenue was recognised upon the sale of goods and was the net amount of commission earned by the Group.	The Group recognises revenue when (or as) it transfers control over a product to customer. An asset is transferred when (or as) the customer obtains control of the asset. When the Group acts in a capacity of an agent rather than as the principal in a transaction, the revenue is recognised upon the sale of goods and is the net amount of commission earned by the Group. Under MFRS 15, the point of recognition of revenue is similar to the previous year's revenue recognition.

There were no restatements required to revenue recognised arising from the adoption of MFRS 15.

STATEMENT BY **DIRECTORS**
Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 67 to 131 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2019 and of their financial performance and cash flows for the financial period then ended.

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

Loke Lee Ping
Director

Chua Jin Kau
Director

Kuala Lumpur,

Date: 10 October 2019

STATUTORY **DECLARATION**
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Lui Boo Hock**, the officer primarily responsible for the financial management of MESB Berhad, do solemnly and sincerely declare that the financial statements set out on pages 67 to 131 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lui Boo Hock, NRIC: 690410-10-5667, MIA CA 15939, at Kuala Lumpur in the Federal Territory on 10 October 2019.

Lui Boo Hock

Before me:
Samugam Vassoo
No. W632
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT **AUDITORS' REPORT**
TO THE MEMBERS OF MESB BERHAD
(Company No. 337554 - D)
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of MESB Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 131.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Independent Auditors' Report (cont'd)

Key Audit Matters

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

Impairment of goodwill	
Refer to Note 2(f) - Significant accounting policy: Intangible assets and Note 5 – Intangible assets	
The key audit matter	**How the matter was addressed in our audit**
At 30 June 2019, the Group's consolidated statement of financial position includes goodwill of RM24.67 million, arising from a cash-generating unit ("CGU"). Impairment of goodwill is considered to be a key audit matter due to the significance of the goodwill amount to the Group's consolidated statement of financial position and of the judgement involved in the assessment of the recoverable amount of the CGU by the Group. The recoverable amount is determined based on the value in use of the CGU. The judgemental areas include the future results of the CGU and the discount rates applied to the cash flow projections.	Our procedures included, amongst others: • We assessed the Group's assumptions and estimates used to determine the value in use of the CGU, including those relating to sales growth, cost, terminal growth and discount rates by corroborating the key market related assumptions to external data and budgeted forecast based on historical results; • We assessed the historical accuracy of the cash flow projections of the Group; • We assessed the sensitivity analysis prepared by the Group on key assumptions and estimates, i.e. sales growth, cost, discount rates and terminal growth in the cash flow projections; and • We considered the adequacy of the Group's disclosures in relation to the impairment assessment of goodwill.

Valuation of inventories	
Refer to Note 2(h) - Significant accounting policy: Inventories and Note 8 – Inventories.	
The key audit matter	**How the matter was addressed in our audit**
The Group sells leather products, apparels and accessories which are subject to changing consumer demands and fashion trends, therefore increasing the level of judgement involved in estimating inventory provisions (inventory amount as at 30 June 2019 is RM54.65 million). We have identified valuation of inventories as a key audit matter because the judgement made by the Group in determining an appropriate level of provisioning for items which may ultimately be sold below cost as a result of changing consumer demands and fashion trends involves expectations and plans for future sales.	Our procedures included, amongst others: • We assessed the basis for the inventory provisions and the consistency of provisioning with the Group policy; • We checked whether items in the inventory ageing report were classified within the appropriate ageing bracket; • We tested the provision calculations and determined that they appropriately took into account the ageing profile of inventories; and • We compared post year-end selling prices to determine if the inventories were stated at lower of cost and net realisable value. For items where there were no post year-end sales, we checked to the most recent sales during the year and the current recommended selling prices.

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

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Annual Report and, in doing so, consider whether the Annual Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Annual Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

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

Independent Auditors' Report (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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

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

Other Matter

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

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chan Chee Keong
Approval Number: 03175/04/2021 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 10 October 2019

LIST OF **PROPERTIES**
As At 30 June 2019

Location	Description/ Existing use	Tenure	Approximate Land/ Built-up area (square feet)	Age of Properties/ Buildings (Years)	Net Book Value As At 30/06/2019 (RM'000)	Date of revaluation
No. 63 Jalan 8/146 Bandar Tasik Selatan Jalan Sg. Besi 57000 Kuala Lumpur	6 storey shopoffice/ Office	Leasehold expiring on 29/06/2087	17,835	30	2,289	26/04/2019
Prangin Mall Komtar 33-1-48 Jalan Dr Lim Chwee Leong, Prangin Mall Komtar 10100 Pulau Pinang	Shop lot/ Office	Leasehold expiring on 09/06/2096	452	22	468	23/04/2019

ANALYSIS OF **SHAREHOLDINGS**
As At 1 OCTOBER 2019

Type of Securities	:	Ordinary Shares
Issued Share Capital	:	81,900,000 Ordinary Shares
Voting Rights	:	One (1) vote per ordinary share
Number of Shareholders	:	1,442

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares held	%
Less than 100	26	1.80	874	0.00
100 to 1,000	58	4.02	21,777	0.03
1,001 – 10,000	973	67.48	3,845,350	4.69
10,001 – 100,000	322	22.33	8,897,150	10.86
100,001 – less than 5% of issued shares	51	3.54	37,031,403	45.22
5% and above of issued shares	12	0.83	32,103,446	39.20
Total	**1,442**	**100.00**	**81,900,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

		No. of Shares			
		Direct Interest		Indirect Interest	
No.	Name	No. of Shares held	%	No. of Shares held	%
1.	Teoh Hwa Peng	23,998	0.03	18,411,148 [(1)]	22.48
2.	Tan Sok Gim	–	–	18,435,146 [(1)]	22.51
3.	Angsana Inai Sdn. Bhd.	18,411,148	22.48	–	–
4.	Konwa Industrial Sewing Machine (M) Sdn. Bhd.	7,271,550	8.88	–	–
5.	Lim Chin Hua Holdings Sdn. Bhd.	–	–	7,271,550 [(1)]	8.88
6.	Lim Chin Hua	–	–	7,271,550 [(1)]	8.88
7.	Lee Kuai Fong	–	–	7,271,550 [(1)]	8.88
8.	Ihsan Bin Osman	3,660,750	4.47	2,741,000 [(1)]	3.35

(1) Deemed interested by virtue of shareholdings held by the persons connected pursuant to Section 8 of the Companies Act 2016.

DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Name of Directors	No. of Shares held	%	No. of Shares held	%
Saffie Bin Bakar	–	–	–	–
Tan Yew Kim	–	–	–	–
Loke Lee Ping	–	–	–	–
Lee Kok Heng	–	–	–	–
Chua Jin Kau	–	–	–	–

Analysis of Shareholdings (cont'd)

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS

(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name	No. of Shares	%
1	Angsana Inai Sdn. Bhd.	18,411,148	22.48
2	Konwa Industrial Sewing Machine (M) Sdn. Bhd.	7,271,550	8.88
3	Eng Yee Koon	4,089,200	4.99
4	Yew Kuok Yee	3,804,406	4.65
5	Lee Sey Liang	3,694,000	4.51
6	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Wong Keng Kung*	3,146,000	3.84
7	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Heng Kear Huat*	2,455,500	3.00
8	RHB Capital Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ihsan Bin Osman*	2,442,250	2.98
9	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Gim Leong*	2,262,450	2.76
10	Teoh Teng Guan	2,000,100	2.44
11	Poh Thiam Seong	1,805,250	2.20
12	RHB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chong Kee Son*	1,560,700	1.91
13	Teoh Teng Guan	1,089,700	1.33
14	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Elena Binti Ihsan*	1,078,000	1.32
15	Tan Yun Harn	1,061,400	1.30
16	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Rezwan Bin Ihsan*	920,000	1.12
17	RHB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ihsan Bin Osman*	887,900	1.08
18	RHB Capital Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Siti Esa Binti Ab Rahim*	659,300	0.81
19	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Heng Kear Huat*	604,700	0.74
20	JF Apex Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Teow Wooi Huat*	600,000	0.73

Analysis of Shareholdings (cont'd)

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS (CONT'D)

(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name	No. of Shares	%
21	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Sak Kam Wah*	532,000	0.65
22	Lee Chee Beng	488,700	0.60
23	Amsec Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tay Eng Tong*	448,000	0.55
24	Tan Hock Kian	417,800	0.51
25	Lim Boon Kang	410,000	0.50
26	Lum Peng Leong	384,650	0.47
27	Lim Teik Beng	336,000	0.41
28	Ihsan Bin Osman	330,600	0.40
29	Thuraya Binti Hj Kassim	325,647	0.40
30	RHB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Bong Siak Kee*	319,500	0.39
		63,836,451	77.95

ANALYSIS OF **WARRANT HOLDINGS**
As At 1 OCTOBER 2019

Type of Securities	:	2017/2022 Warrants
Total No. of unexercised Warrants	:	40,950,000

ANALYSIS BY SIZE OF WARRANT HOLDINGS

Size of Holdings	No. of Warrant Holders	%	No. of Warrant Held	%
Less than 100	61	4.50	3,103	0.01
100 to 1,000	265	19.54	188,581	0.46
1,001 – 10,000	776	57.23	2,437,542	5.95
10,001 – 100,000	219	16.15	7,330,949	17.90
100,001 – less than 5% of issued warrant	31	2.29	8,816,450	21.53
5% and above of issued warrant	4	0.29	22,173,375	54.15
Total	**1,356**	**100.00**	**40,950,000**	**100.00**

LIST OF DIRECTORS' WARRANT HOLDINGS

	Direct		Indirect	
Name of Directors	**No. of Warrants Held**	**%**	**No. of Warrant Held**	**%**
Saffie Bin Bakar	–	–	–	–
Tan Yew Kim	–	–	–	–
Loke Lee Ping	–	–	–	–
Lee Kok Heng	–	–	–	–
Chua Jin Kau	–	–	–	–

LIST OF TOP THIRTY (30) WARRANT HOLDERS
(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name	No. of Warrants	%
1	Lee Sey Liang	9,315,400	22.75
2	Jia Teck Industries Sdn. Bhd.	6,857,700	16.75
3	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Gim Leong*	4,478,475	10.94
4	Lee Sey Liang	1,521,800	3.72
5	Lim Tong Liam	1,504,475	3.67
6	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Wong Weng Kung*	811,050	1.98
7	Inter-Pacific Equity Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Liang Tek Ling*	808,250	1.97
8	Ong Pei Boon	670,000	1.64

Analysis of Warrant Holdings (cont'd)

LIST OF TOP THIRTY (30) WARRANT HOLDERS (CONT'D)

(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name	No. of Warrants	%
9	Lee Heng Kai	589,100	1.44
10	Lim Tong Liam	493,900	1.21
11	Yong Siew Ngee	369,000	0.90
12	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ling Hwa Chai*	250,000	0.61
13	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chew Thian Kay*	211,000	0.52
14	Lew Siow Wah	200,000	0.49
15	Loo Beng Hock	200,000	0.49
16	RHB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lee Kuan Meng*	200,000	0.49
17	TA Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chan Kock On*	185,000	0.45
18	Wong Yuen Kiong	185,000	0.45
19	Lee Chee Beng	169,350	0.41
20	Citigroup Nominees(Asing) Sdn. Bhd. *Exempt an for OCBC Securities Private Limited*	150,000	0.37
21	Lee Pang Say	150,000	0.37
22	Teo Boon Tong	150,000	0.37
23	Sin Mei Ling	135,000	0.33
24	Seo Yee Leong	130,000	0.32
25	Wong Chun Meng	130,000	0.32
26	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Dato' Wong Weng Kung*	127,800	0.31
27	Lee Kok Hoong	126,375	0.31
28	Tey Ghee Kian	116,250	0.28
29	Lim Sai Fong	112,000	0.27
30	Kenanga Nominees (Tempatan) Sdn. Bhd. *Rosita Daud*	110,000	0.27
		30,457,925	74.40

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PROXY FORM

I/We, ______________________________________ NRIC No./Passport No./Registration No. __________________

of ____

being a member/members of MESB Berhad hereby appoint ____

NRIC No./Passport No.___________________________ of ____

____

*and/or failing him/her ___________________________ NRIC No./Passport No. ___________________________ of

____

or failing him/her, *the Chairman of the Meeting as *my/our proxy to vote for *me/us and on my/our behalf at the Twenty-Fourth Annual General Meeting of the Company to be held at Level 2, Hotel Sri Petaling, 30, Jalan Radin Annum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Thursday, 19 December 2019 at 9:30 a.m. and at any adjournment thereof.

Please indicate with (X) on how you want to cast your vote.

Item	Resolutions	For	Against
1.	To re-elect Encik Saffie Bin Bakar as a Director.		
2.	To re-elect Mr. Lee Kok Heng as a Director.		
3.	To approve the Directors' Fees for the financial period ended 30 June 2019.		
4.	To approve the payment of Directors' Remuneration for period from 20 December 2019 until the next Annual General Meeting.		
5.	To re-appoint the Auditors of the Company.		
6.	Proposed Renewal of Shareholders' Mandate.		
7.	Proposed New Shareholders' Mandate.		
8.	Continuing in Office as an Independent Non-Executive Director – Encik Saffie Bin Bakar.		
9.	Continuing in Office as an Independent Non-Executive Director – Mr. Tan Yew Kim.		
10.	Authority to Issue and Allot Shares.		

Dated this day of 2019

No. of Shares held	
CDS Account No.	
Contact No.	

....

Signature(s)/ Seal of Shareholder(s)

The proportion of my/our shareholding to be represented by my/our proxy/proxies is as follows:

First named proxy	%
Second named proxy	%
	100 %

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.

*Delete whichever is not applicable.

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. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
2. A member shall be entitled to appoint not more than two (2) proxies 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 not more than two (2) proxies 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. The instrument appointing a proxy must be deposited at Boardroom Share Registrars Sdn. Bhd. (formerly known as Symphony Share Registrars Sdn. Bhd.) 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
6. 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.
7. The Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the meeting is on 12 December 2019.

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Affix
Stamp

THE SHARE REGISTRAR
MESB Berhad
c/o Boardroom Share Registrars Sdn. Bhd.
(formerly known as Symphony Share Registrars Sdn. Bhd.)
11th Floor, Menara Symphony, No. 5
Jalan Prof. Khoo Kay Kim, Seksyen 13
46200 Petaling Jaya, Selangor

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