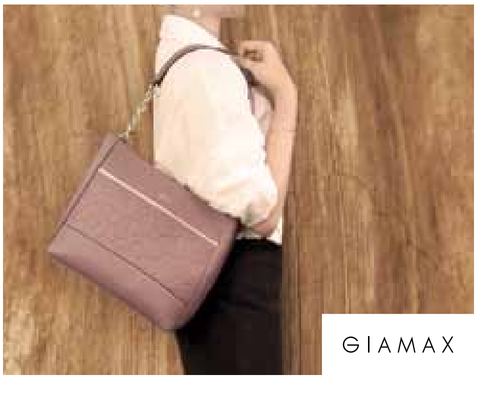
ANNUAL REPORT 2020

MESB BERHAD

199501008356 (337554-D)



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MESB
BERHAD
199501008356 (337554-D)

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NOTICE OF THE TWENTY-FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fifth (25th) Annual General Meeting of MESB Berhad will be held at Level 2, Espira Sri Petaling (formerly known as Hotel Sri Petaling), 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Thursday, 17 December 2020 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 year ended 30 June 2020 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) Mr. Chua Jin Kau ***ORDINARY RESOLUTION 1***

   (ii) Mr. Tan Yew Kim ***ORDINARY RESOLUTION 2***

3. To approve the payment of Directors' Fees of RM96,000 for the financial year ended 30 June 2020. ***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 RM42,000 for the period from 18 December 2020 until the conclusion of 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 resolutions with or without modifications:

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

   (i) "THAT authority be and is hereby given to Encik Saffie Bin Bakar, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." ***ORDINARY RESOLUTION 6***

   (ii) "THAT subject to the passing of Ordinary Resolution 2, 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 7***

Notice of the Twenty-Fifth Annual General Meeting (cont'd)

7. **Proposed Amendment to the Company's Constitution ("Proposed Amendment")**

SPECIAL RESOLUTION 1

"THAT the proposed amendment to the following Clause of the Company's Constitution, be and is hereby approved:-

Existing Clause 15 - Issue of Securities	**Proposed Clause 15 - Issue of Securities**
Subject to the Listing Requirements, the Act, the Central Depositories Act and/or the Rules and notwithstanding the existence of a resolution pursuant to Section 75 of the Act, the Company must ensure that it shall not issue any shares or convertible Securities if those shares or convertible Securities, when aggregated with any such shares or convertible Securities issued during the preceding **12** months, **exceeds 10% of the value of the issued shares** (excluding treasury shares) **of the Company**, except where the shares or convertible Securities are issued with the prior approval of the Members in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible Securities that may be issued by the Company, if the Security is a convertible Security, each such Security is counted as the maximum number of shares into which it can be converted or exercised.	Subject to the Listing Requirements, the Act, the Central Depositories Act and/or the Rules and notwithstanding the existence of a resolution pursuant to **Sections 75 and 76** of the Act, the Company must ensure that it shall not issue any shares or convertible Securities if **the total number of** those shares or convertible Securities, when aggregated with **the total number of** any such shares or convertible Securities issued during the preceding **twelve (12)** months, **exceeds the percentage threshold on the total number of issued shares as prescribed in the Listing Requirements or modified by the Exchange** (excluding treasury shares), except where the shares or convertible Securities are issued with the prior approval of the Members in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible Securities that may be issued by the Company, if the Security is a convertible Security, each such Security is counted as the maximum number of shares into which it can be converted or exercised.

THAT the Directors of the Company be and are hereby authorised to assent to any conditions, variations, modifications and/or amendments as may be required by any relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the Proposed Amendment for and on behalf of the Company.

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

Notice of the Twenty-Fifth Annual General Meeting (cont'd)

8. **Authority to Issue and Allot Shares** ***ORDINARY RESOLUTION 8***

   "THAT subject always to the passing of the Special Resolution 1, 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 Sections 75 and 76 of the Companies Act 2016 to issue and allot not more than twenty percent (20%) 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 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."

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

BY ORDER OF THE BOARD

TAN KOK SIONG (SSM PC NO. 202008001592 [LS 0009932])
TAN BEE HWA (SSM PC NO. 202008001174 [MAICSA 7058049])
Company Secretaries

Kuala Lumpur
Dated this 30th day of October 2020

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 proportions of his holdings to be represented by each proxy.

5. If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.

Notice of the Twenty-Fifth Annual General Meeting (cont'd)

6. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Boardroom Share Registrars Sdn. Bhd. of 11th Floor, Menara Symphony, No. 5, Jalan Professor 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.

7. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.

8. The date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the meeting is on 11 December 2020.

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

Mr. Chua Jin Kau and Mr. Tan Yew Kim are standing for re-election as Directors of the Company and being eligible have offered themselves for re-election at this 25th Annual General Meeting ("AGM"). The profile of the retiring Directors is set out in the Profile of Directors on pages 30 and 31 of the Annual Report 2020.

(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 25th AGM for the following payment to the Directors:-

- Ordinary Resolution 3 on payment of Directors' fees for the financial year ended 30 June 2020; and
- Ordinary Resolution 4 on payment of Directors' Remuneration (excluding Directors' Fees) for the period from 18 December 2020 until the conclusion of the next AGM ("Relevant Period").

The payment of the Directors' Fees in respect of the financial year ended 30 June 2020 will only be made if the proposed Ordinary Resolution 3 has been passed at the 25th AGM 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 25th AGM. The Board is of the view that it is just and equitable for the Directors to be paid such payment as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period as stated herein.

Notice of the Twenty-Fifth Annual General Meeting (cont'd)

(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 therefore approved the AC's recommendation on the re-appointment of KPMG PLT as the external auditors of the Company be put forward for the shareholders' approval at the 25th AGM.

(v) **Ordinary Resolutions 6 and 7**
- 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 Malaysia Securities Berhad ("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.

(vi) **Special Resolution 1**
- Proposed Amendment to the Company's Constitution

Bursa Securities has on 16 April 2020, issued a letter on the additional temporary relief measures to listed corporation, which included a higher general mandate limit under paragraph 6.03 of the Main Market Listing Requirements for new issuance of securities from the existing 10% limit to 20% limit of the total number of issued shares (excluding treasury shares) ("20% General Mandate").

The 20% General Mandate will enable the Company to raise funds quickly and efficiently during this challenging time, to ensure the long-term sustainability and interest of the Company and the shareholders.

The Special Resolution 1, if passed, will align the Constitution of the Company with the measure allowed or empowered by Bursa Securities from time to time.

This Special Resolution 1 shall be passed by a majority of not less than 75% of members entitled to vote in person or by proxy at the 25th AGM.

Notice of the Twenty-Fifth Annual General Meeting (cont'd)

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

The Company wishes to renew the mandate on the authority to allot and issue shares pursuant to Sections 75 and 76 of the Act at the 25th AGM of the Company ("General Mandate").

The Company has also obtained the mandate from the members at the last AGM held on 19 December 2019 ("Previous Mandate"). As at the date of this Notice, no new shares in the Company were issued pursuant to the Previous Mandate and accordingly, no proceeds were raised.

Bursa Securities has from its letter dated 16 April 2020 empowered the Company to issue new securities up to 20% of the total number of issued shares (excluding treasury shares) until 31 December 2021 ("Extended Utilisation Period") ("20% General Mandate").

The Board would like to procure approval for the 20% General Mandate, inclusive of the Extended Utilisation Period, pursuant to Section 76(4) of the Act, from its shareholders at the 25th AGM of the Company.

The purpose to seek the 20% General Mandate is to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion without convening a general meeting as it would be both time and cost-consuming to organise a general meeting merely for such purpose. The 20% General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares, for purpose of funding its business plans, current and/or future investment project(s), working capital, repayment of borrowings and/or acquisitions.

The 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next AGM or at the end of the Extended Utilisation Period, i.e. by 31 December 2021.

After having considered all aspects of the 20% General Mandate, the Board is of the opinion that the adoption of the 20% General Mandate would be in the best interest of the Company and its shareholders, on the following basis:-

- The interest of the Company as well as its long-term shareholders should be in congruence on the issue of long term sustainability of the Company as only a business operation with healthy and sufficient working capital could generate positive returns to the Company and its shareholders.
- Given the outbreak of the Coronavirus Disease (Covid-19) pandemic and the subsequent imposition of the Movement Control Order by the Malaysian Government to contain the Covid-19, the economy of the Country have been severely affected. The additional fund raising flexibility through the 20% General Mandate will enable the Company, should it required to do so, to meets its funding requirements for working capital and operational expenditure, expeditiously and efficiently, without burdening the shareholders with a separate general meeting during this challenging period.
- The Extended Utilisation Period accorded by Bursa Securities has eased the cash flow planning of the Company should the Company require additional bridge funding for the execution of its business plan or the business contingency plans to mitigate against the financial impact of Covid-19, without burdening the shareholders with another round of fund raising exercise.

MEASURES TO MINIMISE RISK OF COVID-19

In order to minimise the risk of community spread of COVID-19, the Company will be taking the following precautionary measures at the Twenty-Fifth Annual General Meeting of the Company ("25th AGM"):-

1. Shareholders are required to register ahead of the 25th AGM to allow the Company to make the necessary arrangements in relation to the meeting to accommodate the meeting participants. Kindly pre-register your physical attendance at the 25th AGM, by providing the below details by email to zulkernaen.samad@boardroomlimited.com:-

    - Full Name;
    - CDS account number;
    - Identity Card or Passport number; and
    - Contact number (optional – for better co-ordination).

    After verifying your registration against the Record of Depositors as at 11 December 2020, the Company's Share Registrar will send you an email on or after 14 December 2020 to approve or reject your registration to attend physically at the meeting venue.

    If you have any questions in relation to the pre-registration, you may contact the Company's Share Registrar via Tel No. 03 - 7890 4741;

2. All attendees will be required to undergo a temperature check and make a health declaration;

3. Any person who has fever or exhibits flu-like symptoms and/or with a body temperature of above 37.5°C, will not be permitted to attend the 25th AGM;

4. Wearing a face mask in advance and throughout the 25th AGM proceedings is required; and

5. There will be no door gift and refreshment served at the 25th AGM.

On the seating arrangement and number of individuals to be present at the venue, the Company will observe the directives, safety and precautionary requirements as prescribed by the Malaysian Government, the Ministry of Health, the Malaysian National Security Council, and other relevant authorities to curb the spread of COVID-19 are abide by.

We strongly encourage members to appoint the Chairman of the 25th AGM as their proxy to attend and vote at the 25th AGM.

To vote on any or all of the resolutions at the 25th AGM, you are encouraged to send in your votes in advance by proxy and appoint the Chairman as your proxy. The proxy form is attached to the Notice of AGM.

If you have any questions in relation to any item of the Agenda of the 25th AGM, you may send them in advance via email to eric@miroza.com.my

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate and comply with any requirements or recommendation of any government agencies from time to time.

Shareholders are advised to check the Company's website or announcements from time to time for latest updates on the status or changes to the 25th AGM's arrangement.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19.

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
(CEO 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 Darul Ehsan
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.
11th Floor, Menara Symphony, No. 5
Jalan Professor Khoo Kay Kim, Seksyen 13
46200 Petaling Jaya, Selangor Darul Ehsan
Tel. No .: 03 - 7890 4700
Fax. No .: 03 - 7890 4670

COMPANY SECRETARIES

Tan Kok Siong
[SSM PC No. 202008001592 (LS 0009932)]
Tan Bee Hwa
[SSM PC No. 202008001174 (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
Maybank Islamic 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.

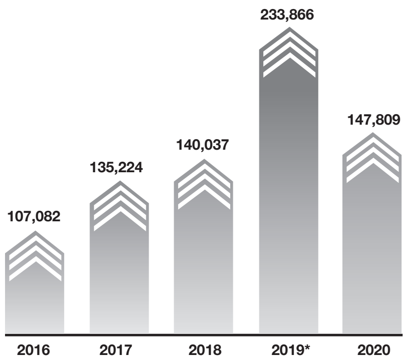
GROUP FINANCIAL HIGHLIGHTS

RM'000 (unless otherwise stated)

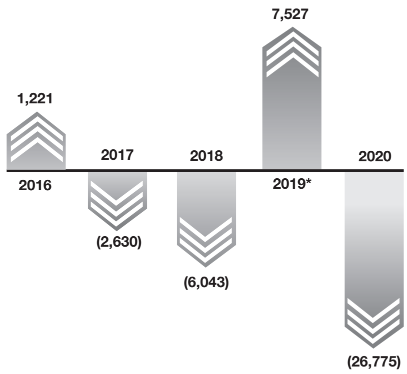
	FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016	FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017	FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018	FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019*	FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Revenue	107,082	135,224	140,037	233,866	**147,809**
Profit/(Loss) for the year/period	1,221	(2,630)	(6,043)	7,527	**(26,775)**
Profit/(Loss) attributable to owners of the Company	1,335	(2,630)	(6,043)	7,527	**(26,775)**
Earning/(Loss) per share (sen)	3.18	6.26	(8.39)	9.19	**(30.71)**
STATEMENT OF FINANCIAL POSITION					
Total assets	130,263	133,393	129,635	157,835	**132,960**
Total liabilities	46,308	52,068	45,155	65,828	**63,818**
Net assets	83,955	81,325	84,480	92,007	**69,142**
Shareholders' equity	83,955	81,325	84,480	92,007	**69,142**
CASH POSITION					
Cash and cash equivalents	17,980	26,779	26,597	21,779	**32,323**

* 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 financial period ended 30 June 2019 cover a fifteen-month period.

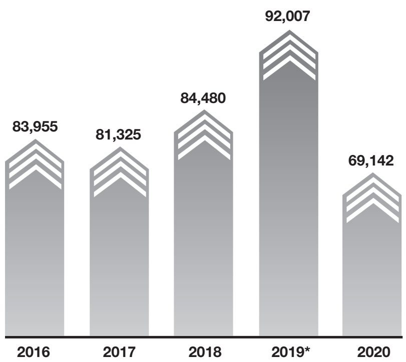
REVENUE (RM'OOO)



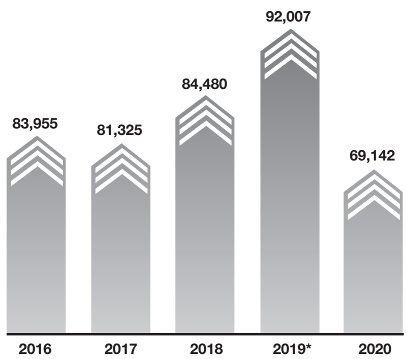
PROFIT/ (LOSS)FOR THE YEAR (RM'000)



NET ASSETS (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT US

MESB Berhad is an investment holding company, incorporated on 28 March 1995. The core business of the Group is in retail sector, specialising in design, source, distribution and marketing apparels, leather products and related accessories for men, women, children and babies. The Group's operations are located throughout Malaysia and employs nearly 1,280 staff.

The Group comprises licensed and in-house brands which are sold at more than 750 consignment counters in major departmental stores throughout Malaysia. These are AEON, Parkson, The Store, Isetan, Sogo, Metrojaya Robinsons and Billion. Retail brands marketed by the Group include:

- Pierre Cardin, Alain Delon, Crocodile, Jeep, Louis Feraud, Giossardi, Giamax, Tocco Toscano, J is for Jeep Brand and Ducati.

The Group also operates seven (7) boutiques located at Velocity Mall, IOI City Mall, The Mines Shopping Mall, Aeon Bukit Mertajam, Melawati Mall, Mitsui Outlet and SACC Mall.

Besides, the Group offers a wide range of products at its main e-commerce site, www.miroza.com.my and leading e-commerce platforms, such as Lazada and Shopee.

The Group operates its business in two distinct segments: Investment Holding and Retailing. These segments are based on related products, customer industries and marketing methods. The Retailing segment derives revenues from the sales of apparel, leather products and related accessories to consumers through consignments and outright sales basis, whilst the Investment Holding segment derives income from the holding of investments.

The Group's retailing segment has consignment agreements with departmental stores throughout Malaysia. Under these agreements, the third parties have the right to sell and distribute the consigned merchandise at their departmental stores. Most of the products sold under the licensed brand names are designed by the Group and manufactured by independent sources. The Group also sells products that are designed and manufactured by appointed suppliers.

Management Discussion and Analysis (cont'd)

CORPORATE STRUCTURE

MESB BERHAD
199501008356 (337554-D)

- 100% MIROZA LEATHER (M) SDN. BHD.
- 100% ACTIVE FIT SDN. BHD.
- 100% MESB CAPITAL & DEVELOPMENT SDN. BHD.

During the financial year ended 30 June 2020, Crystal United Sdn. Bhd., a dormant subsidiary of the Company, had on 15 June 2020 applied to the Companies Commission of Malaysia ("CCM"), for striking its name off from CCM pursuant to Section 550 of the Companies Act 2016.

OUR MISSION

Brand
Innovative and affordable fashion trends that appeal to consumer.

Business
Trailblazing marketing strategies that drive consistent performance to maintain its business relevance in the ever evolving markets.

Culture
Inspire to build dynamic work team that enjoys creativity, deep sense of belonging and healthy work ethic in a big family.

OUR VISION

To be a regional leader with an exceptional portfolio of brands that delivers quality products and total customer satisfaction.

Management Discussion and Analysis (cont'd)

FINANCIAL HIGHLIGHTS

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 prior financial period were made from 1 April 2018 to 30 June 2019, covering a period of 15 months. Therefore, the financial information and percentage changes shown below indicate the changes for twelve (12) months ended 30 June 2020 ("2020") as compared to fifteen (15) months ended 30 June 2019 ("2019").

Group Revenue

2020: RM147.81 million
2019: RM233.87 million

37 %

Group (loss)/profit before taxation

2020: (RM26.24 million)
2019: RM10.49 million

350 %

Basis (loss)/earnings per ordinary share (Sen)

2020: (30.71 SEN)
2019: 9.19sen

434 %

Group (loss)/profit for the year/period

2020: (RM26.78 million)
2019: RM7.53 million

456 %

Group

	As at 30 June 2020 RM'000	As at 30 June 2019 RM'000
Statement of Financial Position		
Total assets	132,960	157,835
Total liabilities	63,818	65,828
Total equity	69,142	92,007
Equity attributable to owners of the Company	69,142	92,007

Management Discussion and Analysis (cont'd)

COVID-19 PANDEMIC

The outbreak and the impact of COVID-19 pandemic have had unprecedented implications on the financial performance and cash flow of the Group as well as its employees. The challenges and threats caused by the COVID-19 pandemic have not been encountered by the Group before. However, we are learning from the crisis to ensure that the Group adapts to the new normal. The main challenge that we are striving to address is to maintain the physical health of employees during the confinement and to mitigate the effect of COVID-19 pandemic on the Group's operations and businesses.

FINANCIAL REVIEW

As announced on 23 August 2018, the Group and the Company have changed its financial year end from March to June. Thus, the financial statements of 2019 were made from 1 April 2018 to 30 June 2019 covering a period of 15 months. As a result, the financial period ended 30 June 2019 do not correspond with any of its financial quarters covered by the interim financial reports of the current financial year ended 30 June 2020. Therefore, no comparative figures have been disclosed.

During the current financial year, the Group reported a revenue and loss before taxation of RM147.81 million and RM26.24 million respectively, which were mainly derived from the Group's retail segment.

On the back of the decline in revenue as a result of the COVID-19 pandemic, the Group reported a loss before taxation of RM26.24 million mainly due to the impairment losses on intangible assets in the retail segment amounting to RM25.17 million. The recognition of the aforesaid impairments was a consequence of the impact of COVID-19 pandemic. Nevertheless, excluding the aforementioned impairment losses, pre-tax losses of the Group for the current financial year ended 30 June 2020 was RM1.07 million.

The deterioration of the financial performance and the current economic environment caused by the COVID-19 pandemic have resulted in a slow forecasted revenue growth in the retailing segment in the coming years and indicated that a full impairment of the intangible assets is required in the financial year ended 30 June 2020.

Segmental Performance

The retail segment incurred a loss of RM23.69 million in the current financial year as a result of the decline in revenue and accounting adjustments of the impairment losses on the intangible assets as elaborated above.

The business activities of the investment holding segment remained at a low level. During the current financial year, the investment holding segment reported a segment loss of RM0.72 million.

The overall business volume for all segments is expected to experience slower growth in the next financial year due to the current market environment and unprecedented challenges brought upon by the COVID-19 pandemic.

Cash Flows

For the financial year ended 30 June 2020, the net cash generated from operating activities was RM15.20 million, representing an increase of RM22.20 million, as compared to net cash used in operating activities of RM7.0 million in 2019. The increase in cash generated from operating activities was mainly due to the decrease in receivables.

Net cash used in financing activities declined to RM0.83 million (2019: RM2.02 million). The decrease was mainly due to the net repayment of bank borrowings and payments of lease liabilities following the first-time application of MFRS 16.

Financial Position

As at 30 June 2020, total assets were down by 15.76% to RM132.96 million, compared to RM157.84 million in the prior period, which was mainly driven by the one-off impairment losses on goodwill and other intangible assets.

Management Discussion and Analysis (cont'd)

RISK AND EXPOSURE

We operate in a rapidly changing and highly competitive business environment that involves substantial risks and uncertainties, including, but not limited to the risks identified. These risks could materially affect our business, financial condition, operating results and future performance. Additional risks that are not presently known to us or that we currently do not view as material may become material and impact our business operations in the future.

COVID-19 Pandemic

The risk arising from the interruption of operations is associated with the possible occurrence of extraordinary events beyond the Group's control, such as natural disasters and health crisis.

COVID-19 pandemic is a typical example. The COVID-19 crisis is an unforeseen disaster. The consequences of the COVID-19 pandemic on the Group's business and operations are complex. There is an unprecedented level of uncertainty about the economy and the Group's financial performance. Nevertheless, we have to prepare for what the future may hold.

The Group is monitoring closely on the development of COVID-19 and has adopted a series of measures to ensure the safety and well-being of the employees as well as to alleviate the impact of COVID-19 pandemic on the Group's financial performance and cash flow.

Information about the impact of COVID-19 pandemic on the Group has been disclosed in this report.

Competition

The fashion retail industry is highly competitive and evolving rapidly. We compete with domestic and foreign retailers, manufacturers and brand owners. In addition, the rising trend of digital channel creates transparency in pricing and product comparisons, which influence the customers' decision.

We believe that our retail business is well-positioned to compete in the fashion industry on the basis of style, quality, price and service. At the same time, we seek to improve our competitiveness by continuously analysing market information to anticipate unfavorable changes and to proactively adjust our marketing and sales strategies.

Brand and Loyalty

The Group faces the risk of not being able to promote its existing portfolio of brands and products to maintain its competitive edge.

There are seven factors that influence consumers' brand loyalty, which are brand name, product quality, price, style, store environment, promotion and service quality.

Brand loyalty is important, as it creates an effect of brand prioritisation in the minds of consumers and encourages customer loyalty.

We must maintain close relationship with customers and our business partners to satisfy the customers' needs. In addition, we also monitor our brands' performance to ascertain that the products and services are up to desired market standards.

Seasonal

Our business is subject to seasonal fluctuations and cyclical trends in consumer spending. Any factor that negatively impacts these selling seasons could have an adverse effect on our results of operations for the entire year and may build up high inventory levels.

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

Management Discussion and Analysis (cont'd)

RISK AND EXPOSURE (CONT'D)

Strategic Investments

The Group may face the risk of being unable to realise the growth opportunities and other expected benefits from acquisitions and investments. In addition, goodwill and other intangible assets arising from the acquisitions and business investments are subject to annual impairment test.

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 managing post-acquisition.

Recruiting Qualified Personnel

The main risks relating to human resources are those arising from potential dependence on key employees and retaining talented personnel.

Although we have an operational and managerial structure that is capable of ensuring the continuity of the business, if the existing relationship with some of these individuals were to be interrupted without proper and timely replacement, the competitiveness and growth prospects of the Group may be affected.

Information Systems

We rely extensively on information systems to carry out and manage our operations, interact with customers and other stakeholders, and compete in the marketplace.

The information systems risks include hardware and software failure, human error, spam, viruses, security breaches and malicious attacks, as well as natural disasters such as fires, cyclones and floods.

Management has a set of policy and procedures in place to mitigate the risks related to the information systems.

Financial Risk

The Group is exposed to credit and liquidity risks, as well as risks from fluctuation in foreign currency exchange rates and interest rates that affect its profits, assets and liabilities.

The Group has a set of guidelines and policies in place to monitor and mitigate its exposure to these financial risks.

External Risk

Our business is highly dependent on consumer confidence and the economic conditions in Malaysia. The deterioration in consumer confidence and economic conditions could negatively affect the Group's business and financial performance.

Uncertainties in the economic conditions make it difficult to forecast future business activities and earnings of the Group.

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

Most of the Group's products are under intellectual property licenses from third parties and subject to certain terms and renewal of the intellectual property rights.

The Group believes that based upon the experience and the relationship with the licensors or third parties, the licenses can be renewed on commercially reasonable terms and principle that meet the Group's objectives.

In addition, the Group highly relies on a number of third-party suppliers and service providers. The Group may suffer from a disruption in operations, if these suppliers or service providers fail to deliver.

We maintain multiple sources of supply and work closely with our suppliers to avoid supply-related problems and monitor the suppliers' performance.

Management Discussion and Analysis (cont'd)

BUSINESS OVERVIEW

In 2020, we faced challenges which we have never encountered where the Group's core businesses have been greatly affected by the COVID-19 pandemic. In early 2020, COVID-19 has spread globally, impacting the economy of most of the countries as the governments have effectively frozen social and economic activities in their countries to contain the outbreak. On 18 March 2020, the government of Malaysia initiated the Movement Control Order ("MCO") to curb the spread of COVID-19. By May 2020, almost all the economic sectors resumed operations under the Standard Operating Procedures ("SOP") set by the government.

The movement restrictions including travel restrictions, suspension of non-essential business activities and mandatory social distancing have significantly curtailed Malaysia's economic activities and affected the people's income and jobs, which in turn have directly impacted the Group's operations and financial targets. The Group's business process functions, including finance, procurement, human resources, marketing, sales and customer operations have been disrupted due to the aforementioned factors.

In response to the COVID-19 crisis, Management has developed a series of measures to ensure sustainability and readiness for the new normal. There are five strategic areas to focus on: protecting workplace, recovering revenue, rebuilding operations, managing cash and liquidity positions, and accelerating the adoption of digital solutions. Among the measures to address the challenges presented by the COVID-19 pandemic are as follows:-

- Prioritise people's safety and continuous engagement.
- Reshape strategy for business continuity.
- Engage with relevant stakeholders to negotiate reduced fees or better pricing.
- Maximise the use of government support policies.
- Reduce operating expenses and eliminate non-essential expenses.
- Build resilience in preparation for the new normal.

During the current financial year, the Group's revenue continued to grow until February 2020 but slowed down in the subsequent months following the MCO lockdown and restrictions. In the second half of financial year ended 30 June 2020, the Group's revenue has dropped at least 45% as compared to the same period of last year which has an immediate effect on the Group's financial performance and cash flow.

The Group's retail business is affected by seasonality. Historically, the Group generated higher sales volume during the festive and holiday seasons, particularly, the Hari Raya festive season in which it generated the most of the revenue for the year. However, during the current financial year, Hari Raya festive season fell within the MCO period. Hence, the Hari Raya sales were badly affected with an estimated loss of revenue of more than RM40.0 million. This in turn, has impacted the financial results of the Group for the entire financial year ended 30 June 2020.

In the past, our expansion plans focused mainly on traditional retail models. Currently, our goal is to move quickly to extend our current position and begin to pursue e-commerce opportunities, as more people are leaning towards buying via digital channels during this time of crisis. Taking into consideration the aforementioned factors, the Group has increased its online offerings by leveraging popular e-commerce platforms, such as Lazada and Shopee and engaging in social media content, such as Facebook, Instagram and Twitter, with the aim of creating lead, boosting sales and spreading brand awareness. Furthermore, the Group's e-commerce site at www.miroza.com.my has been upgraded, by adding more product offerings and is more responsive and mobile-friendly in order to improve customer online experience and satisfactions.

The Group responds to the COVID-19 pandemic by prioritising the safety and wellbeing of our people through a variety of initiatives, including compulsory preventive measures based on the national guidelines developed by the government for customers, staff and visitors to maintain social distancing and personal hygiene at retail stores and work place. In addition, we have reduced the density of people in the workspace and are practicing social distancing. To support these initiatives, our work stations and seats at office have been spaced at least 1 meter apart and we have expanded the capacity of our virtual private network and other tools providing our people with multiple options to access the systems remotely and securely. Most of the employees have company-issued laptops and mobile devices so that they can work remotely.

Management Discussion and Analysis
(cont'd)

BUSINESS OVERVIEW (CONT'D)

Despite the unprecedented challenges, the Group remains on track to realise the following objectives: to improve product offering, to strengthen its retail market shares by expanding product lines, to enhance customer experience, to restructure the cost base and to improve workplace. In the past 12 months, the Group invested heavily in expanding the sales outlets and product mix. Most notably, the retail businesses were expanded by adding 72 new consignment counters at local departmental stores throughout Malaysia during the current financial year. Besides, the Group also launched its JEEP's leather products and related accessories for women and men in May 2019. In addition, as a result of its ongoing effort on closure or resizing of unprofitable stores and the persistent discipline on cost control and efficiency measures, the Group was able to significantly reduce the operating expenses across all its business units.

OUTLOOK

No one can accurately predict what the "new normal" will be, but we can adapt to the "new normal". In these difficult times, the Group needs to focus on efforts to create and maintain a balance between business-as-usual and disruption of the COVID-19 pandemic by taking appropriate steps to address it and where necessary, to re-assess assumptions, re-evaluate scenarios and strengthen its ability to sense and respond to the challenges faced. In terms of monitoring effectiveness, the Group has access to relevant experience and expertise in the decision-making process and actively engages with the suppliers, licensors, banks and the related government agencies to seek additional support or extension of financial assistance.

The economic impact of the COVID-19 pandemic to the retail industry is the main concern for the Group's core business in the next financial year. We are experiencing a direct impact on our retail segment revenue and we expect the economic pressure to continue to impact our customers' behavior. We are also seeing the consumers spending more on essential goods and services and are moving towards online buying as compared to the times prior to the pandemic, in which these changes have directly impacted the Group's business.

In view of the unprecedented impact of COVID-19 pandemic and the current economic downturn, the Group expects that the retail market will remain challenging in the foreseeable future, particularly in the non-essential retail sector. In these uncertain time, the Group's main objective is to stay on course, while increasing its focus on the return of capital its business generates and sustaining cash flow generation.

The COVID-19 impact is likely to remain visible for months or years. The COVID-19 pandemic has rapidly disrupted our business norms and we need to create new ways of doing business. These include emphasis on e-commerce and digital initiatives. Although we do not foresee physical stores becoming totally obsolete but rather be complemented by the online market, the efforts to strengthen and expand the brands presence in digital market need to be heightened. The existing plan to invest in e-commerce business could be carried on to provide long-term value when the Group's business eventually gets back to normal.

Looking ahead, the Group believes that the retail sector will gradually pick up after the MCO is lifted. The government's economic stimulus packages which contain the right elements for mitigating the impact of the COVID-19 crisis on the country's economy and the additional measures to protect the income of vulnerable Malaysian households will be able to spur the economy going forward and slowly regain consumer confidence.

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 focus on those areas where we can drive the biggest change and mapping out our route forward to embed sustainability throughout our business operations.

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 Global Reporting Initiative ("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 Group's performance.

REPORTING SCOPE AND BOUNDARIES

The Group's SS 2020 has been prepared in accordance with the GRI Standards. This SS covers the reporting period from 1 July 2019 to 30 June 2020. 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

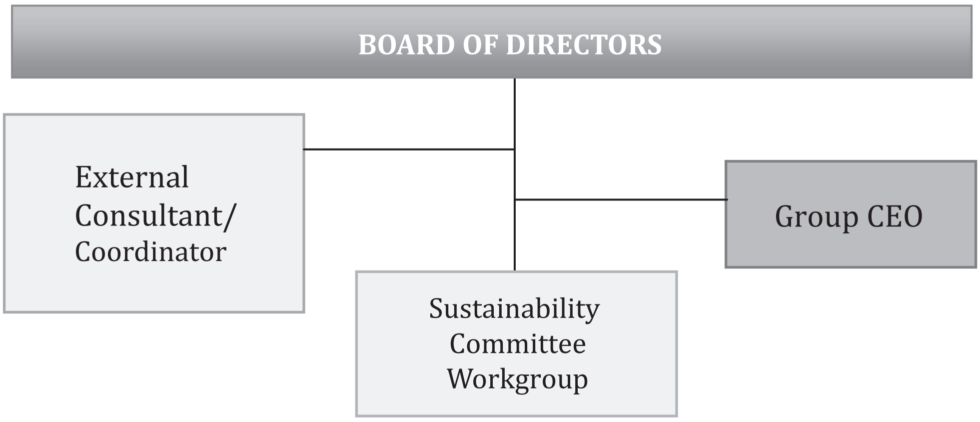
Our corporate purpose is to develop and supply products with minimal environmental impact to create value not only for shareholders, but for customers, employees, suppliers and the wider community.

In conformity with the Group Strategy, the sustainability targets are adjusted according to the current need for action. We are targeting to measure and report the 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

The Group 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 Group. 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 Group's sustainability agenda is governed by a SCW.

ORGANISATION STRUCTURE FOR SUSTAINABILITY

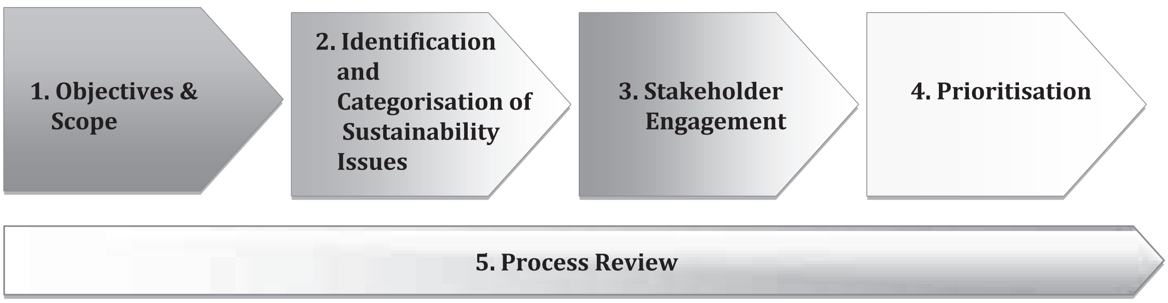


STRATEGIES AND DIRECTIONS

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

We use our materiality assessment to identify priority sustainability issues that could impact the Group and its stakeholders. In addition, the material analysis will enable the Group to achieve sustainable growth and enhance long-term value for its shareholders.



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 cover 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.

Sustainability Statement (cont'd)

OUR MATERIALITY ASSESMENT PROCESS (CONT'D)

3. Our Stakeholders Engagement

Our interaction involves 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. The issues raised by stakeholders are brought to the attention in 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.

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.

5. Process Review

Assisted by the external consultant, the review of the Group's sustainability material matters made reference against Bursa Malaysia Sustainability Reporting Guide (2nd Edition), GRI, other internal and external sources, including stakeholders.

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.

A) 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.	Satisfy the need to: • develop new brands and offer mix products to improve on our core value. • create 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 stakeholders' 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.

OUR MATERIALITY FACTORS (CONT'D)

B) Significance - Material Factors (E1-Economic, E2-Environment, E3-Social)

		Factors	Why Material	Managing Materiality
MATERIALITY	Very Important	Optimisation/ Resources (E1,E2)	To help the Group become efficient and effective.	Taking the necessary measures that all our staffs and resources are being optimised. We have taken an immense cost cutting measure in our Head Office and Outlets.
		Market Condition (E1)	Market condition affects all businesses in every industry, which directly impacts the Group's financial performance.	Taking necessary measures, such as review and re-assess strategic plans, increase efficiency and engage stakeholders.
		Safety (E2)	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. We perform quality control on the products.
		Quality (E3)	To meet customers' expectations. To contribute long term revenue and profitability.	Collect information to identify customer needs and evaluate the feedbacks from stakeholders and people we are doing business with.
		Customer Satisfaction (E3)	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 (E2,E3)	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 and provide accessible and reliable channels to raise complaints/ concerns that threaten and damage the Group's reputation.
		Procurement (E1,E2)	It ensures the stable, sustainable procurement and supply of resources.	We are always on the lookout for best quality and good pricing to be competitive.
		Corporate Governance (E1,E2,E3)	It enables the Group to operate more efficiently, mitigate risks and safeguard stakeholders. It also makes the Group more accountable and transparent to the shareholders.	Governance is conducted according to various regulations and sub committees. The Board oversees the governance based on advice, reports and opinions of management, auditors and company secretaries. In addition, the Board may seek independent professional advice in furtherance of their duties at the Group's expense.

OUR MATERIALITY FACTORS (CONT'D)

B) Significance - Material Factors (E1-Economic, E2-Environment, E3-Social) (Cont'd)

		Factors	Why Material	Managing Materiality
MATERIALITY	Very Important	Product Mix	To keep the products competitive and continue to provide satisfaction to the customer.	To expand the product lines to satisfy the needs or demands of different groups of customers.
		Social Media	The use of social media boosts visibility among potential customers and improves awareness about our brands.	We developed our own e-commerce website, engage e-commerce providers and social media to promote our products and services.

STAKEHOLDER ENGAGEMENT

Our stakeholders are a vital part of our business. In seeking to better understand the material issues that affect our stakeholders, we are constantly working to improve our engagement processes. By addressing the interests of our stakeholders through appropriate engagement platforms, we can evolve our strategies to meet their expectations and focus our reporting on issues that are relevant to them.

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 focus/Objectives	Engagement approach	Frequency
Customers	▪ After sale services	▪ Customer feedback and product training	As and when is required
	▪ Products and goods in compliance with standards, reasonable quality and on time delivery	▪ Supplier engagement and procurement process	On-going
	▪ Events and campaigns	▪ Customer experience	As and when is required
Employees	▪ Remuneration review	▪ Performance review	Annually
	▪ Code of conduct	▪ Employee engagement program	On-going
	• Workplace health and safety	▪ Compliance with health and safety policy	On-going
	• Communications and meetings	▪ Effective communication between employees	On-going

Sustainability Statement
(cont'd)

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 focus/Objectives	Engagement approach	Frequency
Suppliers & Business Partners	▪ Long-term business relationship	▪ Supplier evaluation ▪ Fair procurement process ▪ Supplier engagement	On-going On-going On-going
Regulators & Government Authorities	▪ Compliance with local authorities, government bodies/agencies and regulatory requirements	▪ Audit, reporting, consultations and employee training program	As and when is required
	▪ Authorisation and license to operate	▪ Full compliance with regulations	On-going
Community	Community development and engagement	▪ Permanent employment opportunities	On-going
		▪ Adherence to local authority and regulations	On-going
Economic Shareholders & the Investment Community	▪ Annual Reports/Annual audited financial statements	• Timely and transparent reporting	Annually
	▪ Material announcement	• Timely and transparent reporting	As and when is required
	▪ Quarterly financial results	• Timely and transparent reporting	Quarterly
	▪ Corporate website	• Corporate governance	As and when is required

Sustainability Statement
(cont'd)

ECONOMIC

The Group specialises in design, source and distribution of apparels, leather goods and related accessories for men, women, children and babies. The Group has over 750 consignment counters at leading departmental stores and 7 boutiques throughout Malaysia. As such, we generate economic benefits to employees, suppliers, and other business partners.

We prioritise procurement of goods and services from local suppliers and service providers who meet the standards we require, which in turn create business and job opportunities in the local communities.

During the current financial year, the Group reported revenue and loss before taxation of RM147.81 million and RM26.24 million respectively

Customer Relationship

We believe that strong customer relationship underpins sustainable growth. 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.

We would measure customers' satisfaction to determine expectations and assess our experience, including factors such 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.

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. We are mindful of the environmental impact of our activities

ENVIRONMENTAL

by taking simple steps to improve energy efficiency, reduce waste and water use in our operations. The Group will continue to develop effective environmental initiatives to reduce their environmental impact.

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 at our workplace 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;
- Switching off the electrical appliances in office and pantry when they are not required.

Waste Management

We recognise the importance to our stakeholders of our continuing efforts to minimise our impact on the environment by encouraging materials recycling and reuse.

We have implemented proper waste disposal systems at our workplace. We segregate waste within our office buildings, by separately handling paper and other waste materials.

We use cardboard boxes, hangers, and packaging to protect and organise our products. Most of the boxes and hangers can be reused multiple times.

The aged stocks at our warehouse are examined for quality issues and then are cleared at a discounted price whilst goods delivered by the suppliers will be inspected and examined to avoid waste disposal and to minimise waste.

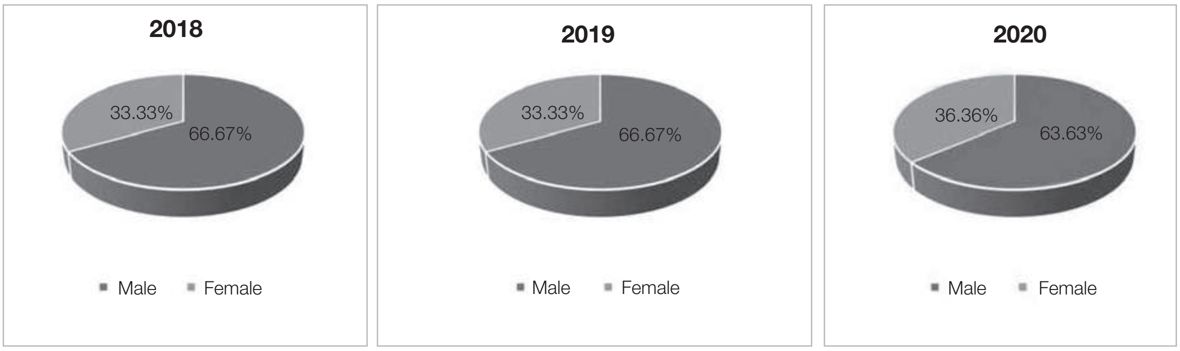
SOCIAL

Workplace

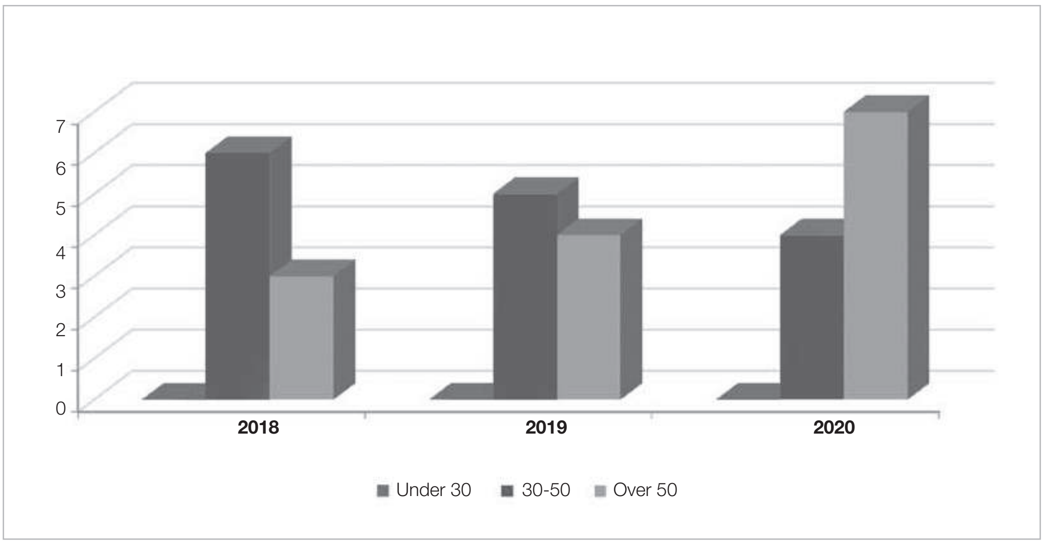
The Group is committed to treating employees with respect and fairness. This goal is reflected in the Group's Code of Conduct. As such all its employees can work in an environment that is free from unlawful harassment and discrimination and any occurrence will be dealt with in accordance with the Whistleblowing Policy of the Group.

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

Breakdown of Senior Management by Gender



Breakdown of Senior Management by Age

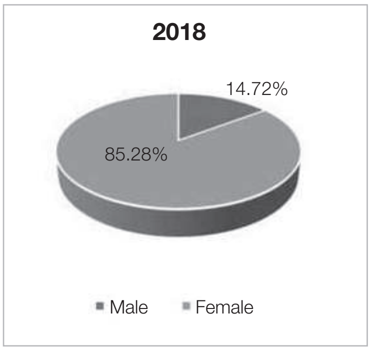


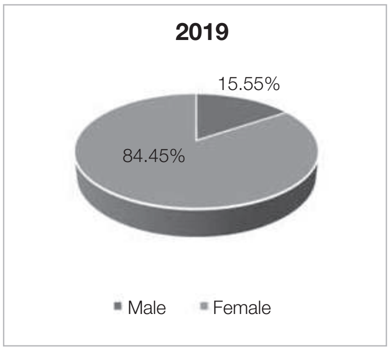
Sustainability Statement
(cont'd)

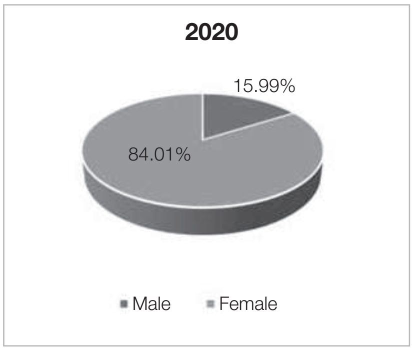
SOCIAL (CONT'D)

The following sustainability graphs are illustrated based on the social segment in the Group (Cont'd)

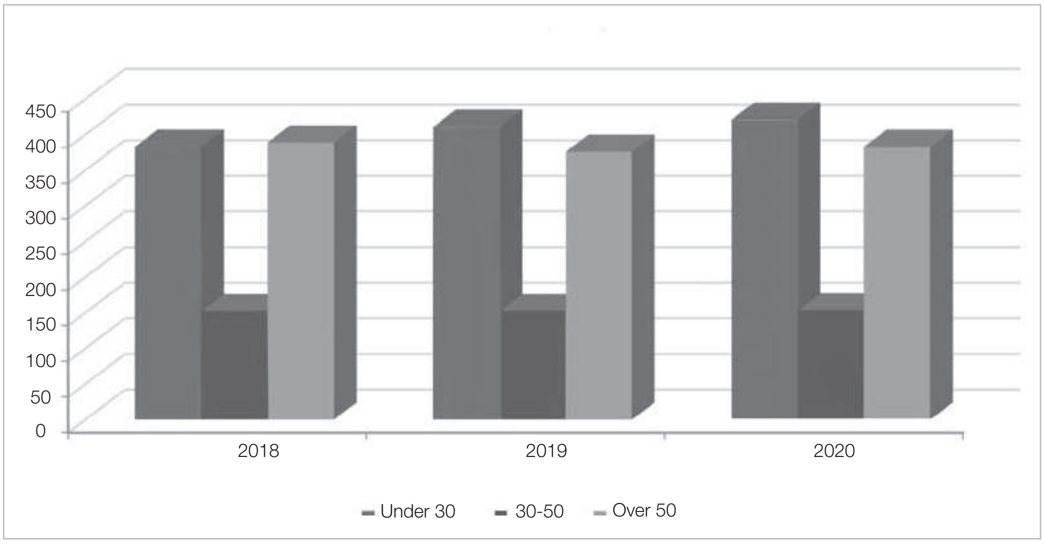
Breakdown of Employees by Gender







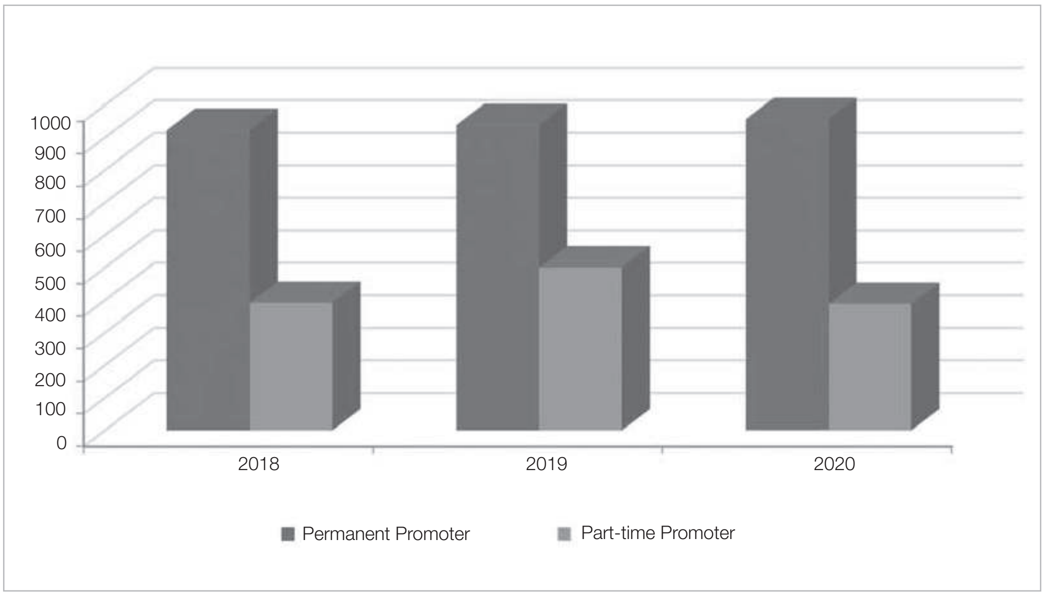
Breakdown of Employees by Age



SOCIAL (CONT'D)

The following sustainability graphs are illustrated based on the social segment in the Group (Cont'd)

Total Employees by Employment 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 business, which in turn helps create job opportunities. During the financial year, the Group has hired approximately 1,280 local employees. 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.

Moving Forward

We continuously improve the sustainability approach towards formalising sustainability within our business. We recognise that we still have room for enhancement in terms both 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 business so as to improve our overall sustainability performance.

PROFILE OF DIRECTORS

SAFFIE BIN BAKAR JMN, SMP, AMP, PJK
Chairman / Senior Independent Non-Executive Director
Malaysian / Male / Aged 67

- 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 was subsequently 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 (Alliant) in San Diego, California, USA.

He has more than 42 years' experience, specialising in management with extensive knowledge and skills in industrial project planning, business development, property development, human resources management, project management, cross border investments, mining exploration, 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 a member of several organisations, including an Associate Member of Certified System Investigator ("CSI") World Headquarters, Singapore. He is also a life member of Malaysian Drug Prevention Association.

Between September 1994 to December 2016, he was the Advisor to Shorubber (Malaysia) Sdn. Bhd., a wholly owned subsidiary of SHOWA Group, a Japanese OBM manufacturer and exporter of industrial gloves.

Other than his directorship with MESB Berhad, he also the Chairman/Independent Non-Executive Director of Eka Noodles Berhad and an Independent Non-Executive Director of AE Multi Holdings Berhad and Scanwolf Corporation Berhad.

Profile of Directors (cont'd)

LOKE LEE PING
CEO cum Executive Director
Malaysian / Male / Aged 41

- 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
Malaysian / Male / Aged 62

- 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
Malaysian / Male / Aged 58

- 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
Malaysian / Male / Aged 62

- 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.

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 year.
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 year are set out on page 45 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

LUI BOO HOCK
Chief Financial Officer
Malaysian / Male / Aged 51

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
Malaysian / Female / Aged 54

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 brands 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
Malaysian / Male / Aged 52

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.

YAP CHUI HUEN
General Manager
Malaysian / Female / Aged 51

Ms Yap Chui Huen was appointed as a General Manager of Baby & Children division in 2017 to oversee the brand management, operations, distributions and marketing of the Division.

Prior to that she worked as a merchandising manager in Jaya Jusco before she joined Kiko Garment Sdn. Bhd. as a General and Operation Manager. She has more than 15 years of experience in brand management, operation, sale and marketing of baby and children products.

She graduated with Bachelor Degree in Social Science, University of Malaya.

Key Senior Management's Profile (cont'd)

LEONG YEW HOU
General Manager
Malaysian / Male / Aged 47

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
Malaysian / Female / Aged 46

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.

NG KOK HUI
Advertising and Promotion Manager
Malaysian / Male / Aged 50

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 year ended 30 June 2020.
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 year ended 30 June 2020 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

During the financial year ended 30 June 2020, the Audit Committee met five (5) times. The composition of the Audit Committee and the attendance record of its members are as follows:-

Name of Director	Designation	Directorship	Total Meetings Attended
Tan Yew Kim	Chairman	Independent Non-Executive Director	5/5
Saffie Bin Bakar	Member	Senior Independent Non-Executive Director	5/5
Lee Kok Heng	Member	Independent Non-Executive Director	5/5

The Chairman of the AC, Mr Tan Yew Kim, 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. As and when necessary, the AC would convey to the Board, matters of significant concern raised by the Internal or External Auditors.

The AC's role is one of oversight and monitoring, and in carrying out this responsibility, the AC may rely on management, the independent auditors, and any advisers the AC might engage, provided its reliance is reasonable.

The AC meets quarterly and as and when required. The dates of the quarterly meetings are preset before the beginning of the financial year. The notice and agenda together with the papers and reports relevant to the items on the agenda are distributed to members prior to each meeting to enable members to prepare for the meeting. Management, Chief Executive Officer ("CEO"), Chief Financial Officer, the External Auditors and Internal Auditors are invited to the meetings held during the financial year to brief the AC on pertinent issues of the Company and its subsidiaries.

The 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 Malaysia (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 year 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 year is approximately RM47,000.

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

(i) Develop the scope of works as contained in the Strategic Audit Plan of Internal Audit;
(ii) Perform internal audit as per the approved audit plan;
(iii) Review the system of internal controls of various business operating units;
(iv) Recommend improvements to the existing systems of internal controls; and
(v) Follow up on implementation and disposition of audit findings and recommendation.

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. The system will not provide absolute assurance against any material misstatement or loss.

RISK MANAGEMENT & INTERNAL CONTROL (CONT'D)

As an effort to enhance the system of internal control, the Board and the Risk Management Committee ("RMC") together with the assistance of independent professional Internal Audit firm undertake to review the existing risk management process in place within 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.

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 year 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	Designation	Directorship	Total Meetings Attended
Lee Kok Heng	Chairman	Independent Non-Executive Director	2/2
Saffie Bin Bakar	Member	Senior Independent Non-Executive Director	2/2
Tan Yew Kim	Member	Independent Non-Executive Director	2/2
Loke Lee Ping	Member	CEO cum Executive Director	2/2
Chua Jin Kau	Member	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 52 to 54 of this Annual Report.

SUMMARY OF ACTIVITIES

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

Financial Reporting

a) Reviewed the unaudited quarterly results together with the subsidiaries' internal quarterly reports prior to recommending to the Board for approval and release to Bursa Securities. The review covered the discussion on the Group's overall performance and its retailing business performance for the quarter and material changes in the quarterly results as compared with the immediate preceding quarter and ensured that the consolidated unaudited quarterly interim financial reports present a true and fair view of the Group's financial position and performance and in compliance with the Malaysian Financial Reporting Standards ("MFRS") and disclosures provision in the MMLR.
b) Reviewed the annual financial statements with the External Auditors and Management prior to recommending to the Board for approval. These reviews focused on changes in accounting policies and practices, major judgemental and risk areas, significant adjustments resulting from the audit, unusual events, the going concern assumption, compliance with accounting standards, compliance with the MMLR and other requirements.
c) Kept apprised of the changes in accounting policies and guidelines through regular updates by the External Auditors.
d) Reviewed Management's analyses of significant issues in financial reporting and judgments made in preparing the financial statements, including the impairment test of intangible assets and effects of the adoption of MFRS 16.

Audit Committee Report (cont'd)

SUMMARY OF ACTIVITIES (CONT'D)

The following activities were carried out by the AC during the financial year under review (Cont'd) :-

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 pior to recommending to the Board for approval.
b) Reviewed, with both the External Auditor and Management, the audit approach and methodology applied, in particular to those Key Audit Matters included in the auditors' report of audited financial statement for the year ended 30 June 2020.
c) Reviewed and discussed the audit status and key audit areas arising from the audit of the financial statements for the financial year ended 30 June 2020 with the External Auditors and Management, including the impact of COVID-19 in the financial statement.
d) Reviewed and assessed the External Auditors' independence, performance and engagement to perform non-audit services. Based on the assessment, AC was satisfied on the overall performance, suitability, objective and independence of External Auditors in terms of their professionalism, quality of services and sufficiency of resources provided by them to the Group. Accordingly, the AC recommended to the Board the re-appointment of KPMG PLT as the External Auditors for the financial year ending 30 June 2021 at the forthcoming Annual General Meeting ("AGM").
e) Held two private discussions with the External Auditors on 25 August 2020 and 8 October 2020 without the presence of Management, to ascertain the relationship with Management and to address any issues of concern.

Internal Audit

a) Reviewed and approved the Internal Audit Plan and its scope of work proposed by the Internal Auditors for the financial year ended 30 June 2020.
b) Reviewed and deliberated the internal audit reports 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.
e) Assessed the internal auditors' performance and determined the internal audit and non-audit fees.

Related Party Transactions

a) Reviewed the related party transactions and recurrent related party transaction during the financial year, 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 Annual Report 2020.

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 ensuring 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 operations of the Group.

During the financial year, the Board, in addition to the above matters, has reviewed policies and procedures to be in line with the Companies Act 2016, the Code of Conduct and revisions to the MMLR as part of its continuous efforts in enhancing corporate governance.

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

PART I - BOARD RESPONSIBILITIES (Cont'd)

1.1 Board Roles and Responsibilities (Cont'd)

Looking ahead to 2020, the priorities of the Board would be on the implementation of the policies and procedures on anti-corruption as guided by the "Guidelines on Adequate Procedures" issued by the Prime Minister's Department to promote better governance culture and ethical behaviour within the Group and to prevent the occurrence of corrupt practices in accordance with the new Section 17A of the Malaysian Anti-Corruption Commission ("MACC") Act 2009 (Amendment 2018) on corporate liability for corruption which came into force on 1 June 2020 and to include the corruption risks in the annual risk assessment 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 CEO, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

Chairman

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

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 and Section 17A of the MACC Act ("the Acts"), where provisions have been made to protect the officers who make disclosures on breach or non-observance of any requirement or provision of the Acts or on any serious offence involving fraud and dishonesty.

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

PART I - BOARD RESPONSIBILITIES (Cont'd)

1.7 Anti-Corruption and Bribery Policy

In line with the implementation of new corporate liability provision under Section 17A of the MACC Act 2009 effective 1 June 2020, the Board had on 26 February 2020 reviewed, approved and adopted the Anti-Corruption and Bribery Policy ('the Policy'). The Policy serves to provide guidance on how to prevent, deal with and combat bribery and corrupt activities and issues that may arise in the course of business. The Policy is applicable to all employees, Directors and any person who performs services for and on behalf of the Group, which includes contractors, sub-contractors, consultants, suppliers, agents, intermediaries and representatives of the Group. The Policy is available on the Company's website.

1.8 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 three (3) Board Committees and the membership of each committee as at 30 June 2020 is set out in the below table:-

Committee Compositions	**Adiut Committee ("AC")**	**Risk Management Committee ("RMC")**	**Nomination and Remuneration Committee ("NRC")**
Saffie Bin Bakar *(Chairman / Senior Independent Non-Executive Director)*	**Member**	**Member**	**Chairman**
Tan Yew Kim *(Independent Non-Executive Director)*	**Chairman**	**Member**	**Member**
Lee Kok Heng *(Independent Non-Executive Director)*	**Member**	**Chairman**	**Member**
Loke Lee Ping *(CEO cum Executive Director)*	**N/A**	**Member**	**N/A**
Chua Jin Kau *(Executive Director)*	**N/A**	**Member**	**N/A**

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

PART I - BOARD RESPONSIBILITIES (Cont'd)

1.8 Board Committees (Cont'd)

NRC

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

The NRC, which is chaired by the Senior Independent Non-Executive Director, is responsible for identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment of the Directors. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine skills matrix to support strategic direction and needs of the Company.

The NRC has written terms of reference dealing with its authority and duties which includes the selection and assessment of directors. The terms of reference of the NRC is available on the Company's website.

Meetings of the NRC are held as and when required, and at least once a year. During the financial year and up to the date of the Annual Report, key activities undertaken by the NRC are summarised as follows:

(1) Assessed the contribution of each individual Director.
(2) Reviewed the Board structure, composition and the balance between Executive Directors and Independent Non-Executive Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently.
(3) Assessed and confirmed the independence of the Independent Non-Executive Directors based on the criteria set out in the MMLR of Bursa Securities.
(4) Assessed the effectiveness of the Board as a whole, including the Committees of the Board.
(5) Discussed, reviewed and recommended the re-election of Directors retiring by rotation, at the AGM for shareholders' approval, pursuant to the Constitution of the Company.
(6) Discussed, reviewed and recommended to the Board the continuation of Independent Non-Executive Directors, who have served for a cumulative term of nine (9) years.
(7) Reviewed and assessed the effectiveness of the AC in carrying out its duties as set out in the terms of reference.
(8) Reviewed the performance of Chief Financial Officer ("CFO") of the Company.
(9) Assessed Directors' training needs.
(10) Reviewed the terms of reference of NRC.
(11) Reviewed and deliberated on the Directors' Fees and Directors' Remuneration.
(12) Reviewed on the remuneration paid to the top five senior management.

1.9 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 believes that the current composition is appropriate given the collective skills and experiences of the Directors and the Group's current size and nature of business. The Board will continue to monitor and review the Board's size and composition as may be needed. If there is a need to appoint additional Board member, the Company will consider utilising the pool of directors from independent sources and the recommendations from the Directors, major shareholder and etc.

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

PART I - BOARD RESPONSIBILITIES (Cont'd)

1.10 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 Directors 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 NRC assesses the independence of the Independent Non-Executive Directors annually and based on the assessment for the financial year ended 30 June 2020, 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

2.1 Tenure of Independent Directors

The Board takes note that the MCCG recommends that the tenure of an Independent Non-Executive 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 Non-Executive Directors and the Board is of the opinion that the ability of an Independent Non-Executive 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 year under review, the NRC 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 Non-Executive 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-Fifth Annual General Meeting ("AGM").

2.2 Board Diversity and Senior Management Team

The Board is supportive of diversity of the Board and Senior Management team. 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.

In the event where a vacancy in the Board arises, the Board, through the NRC, will consider the female representation when suitable candidates are identified. However, the appointment of a new Board member will not be guided solely by gender but will also take into account the skillsets, experience and knowledge of the candidate. The Company's prime responsibility in new appointments is always to select the best candidates available. Hence, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board remains a priority.

Thus, the Company does not set any specific target for board diversity but will actively work towards achieving the appropriate board diversity.

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

PART II - BOARD COMPOSITION (Cont'd)

2.3 Board Appointment and Re-appointment Process

The NRC is tasked by the Board to make independent recommendations for appointments to the Board. In evaluating the suitability of candidates, the NRC considers, inter-alia, the character, experience, integrity, commitment, competency, qualification and track record of the proposed new nominee for appointment to the Board. In the case of nominee for the position of Independent Non-Executive Directors, NCR evaluates the nominee's ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors. The Board has in the review of the skills of Directors, included information technology, legal, public relations and experience in retailing industry as the matrix of skills of Directors that would be prioritised when selecting candidates for appointment to the Board. There was no new appointment to the Board during the financial year 2020.

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 NRC has considered the assessment of Chua Jin Kau and Tan Yew Kim, 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.

2.4 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 NRC's recommendation to the Board for the re- election of the retiring Directors at the next AGM.

In addition, the NRC reviews and evaluates the performance of the CFO on an annual basis.

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

Based on the above assessments, the NRC 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 NRC in the discharge of its functions were properly documented.

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

PART II - BOARD COMPOSITION (Cont'd)

2.5 Time Commitment

The Board meets regularly, at least once in every quarter, to review the Group's operations and to approve the quarterly reports and annual financial statements. Additional meeting would be convened as and when there are any urgent issues that warrant the Board's urgent attention. 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	5/5
Tan Yew Kim	Independent Non-Executive Director	5/5
Loke Lee Ping	CEO cum Executive Director	5/5
Lee Kok Heng	Independent Non-Executive Director	5/5
Chua Jin Kau	Executive Director	5/5

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.

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.

2.6 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 NRC assessed the training requirement of the Directors annually, and all the Directors are informed and encouraged to attend at least one (1) workshop or seminar for every financial year to enble them to discharge their duties effectively. During the financial year ended 30 June 2020, the Directors have attended the following training programmes:-

No.	Directors	Seminar/Forum/Course
1.	Saffie Bin Bakar	➢ Strategic Review on Integrated Reporting and Corporate Liability for PLC Directors ➢ MIDA & Serba Dinamik – "Beyond Paradigm Summit 2019 : Embracing Industrial Revolution 4.0" ➢ Parliament of Malaysia. The Caucus on Reform and Governance – "Malaysian Economic Symposium: Present and Future". ➢ MIDA -"Business Financing Opportunities: Equity Investment for Business Growth" ➢ Parliament of Malaysia, "Financing the Sustainable Development Goals (SDGS) : Malaysian Private Sector Role in Bridging the Gap from Goals to Actions" ➢ MITI -"Industry 4WRD Summit : Accelerating Transformation Towards Smart Manufacturing"

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

PART II - BOARD COMPOSITION (Cont'd)

2.6 Directors' Training (Cont'd)

No.	Directors	Seminar/Forum/Course
2.	Tan Yew Kim	➢ Strategic Review on Integrated Reporting and Corporate Liability for PLC Directors ➢ National Tax Conference 2019 ➢ Corporate Tax Strategy: Capitalising the Right Tax Opportunities for Your Business ➢ Audit Financial Statements Fundamentals - Planning & Risk Assessment & Reporting ➢ Seminar Percukaian Kebangsaan 2019
3.	Lee Kok Heng	➢ Strategic Review on Integrated Reporting and Corporate Liability for PLC Directors
4.	Loke Lee Ping	➢ Strategic Review on Integrated Reporting and Corporate Liability for PLC Directors ➢ The Convergence of Digitisation and Sustainability Companies of the Future- The Role of Boards
5.	Chua Jin Kau	➢ Strategic Review on Integrated Reporting and Corporate Liability for PLC Directors ➢ The Convergence of Digitisation and Sustainability Companies of the Future- The Role of Boards

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 to keep them abreast with the latest developments in the industry, regulatory laws, rules as well as guidelines.

PART III - REMUNERATION

3.1 Remuneration Policy

The Board has in place a Remuneration Policy for the Directors and Senior Management which is clear and transparent, designed to support and drive business strategy and long-term objectives of the Group. 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 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.

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

PART III - REMUNERATION (Cont'd)

3.1 Remuneration Policy (Cont'd)

- **Executive Directors and Senior Management**

  The 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**

  Independent Non-Executive Directors' fees consists of annual fees that reflect the expected diverse experience, skill sets and the roles and responsibilities of the Independent Non-Executive Directors concerned. The Independent Non-Executive Directors are also paid a meeting allowance for each meeting they attend.

The NRC 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 NRC 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.

The NRC 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 year ended 30 June 2020 endorsed by the Board at the forthcoming AGM.

None of the NRC members or Directors was involved in the deliberations in respect of any remuneration, compensation or any form of benefit to be granted to him.

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

PART III - REMUNERATION (Cont'd)

3.1 Remuneration Policy (Cont'd)

Details of the emoluments received and receivable by the Directors of the Group during the financial year ended 30 June 2020 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	247	29	7	12	295
Chua Jin Kau	66	3	6	12	87
Total (A)	**313**	**32**	**13**	**24**	**382**
Independent Non-Executive Directors					
Saffie Bin Bakar	11	0	0	24	35
Lee Kok Heng	11	0	0	24	35
Tan Yew Kim	10	0	0	24	34
Total (B)	**32**	**0**	**0**	**72**	**104**
Total (A) + (B)	**345**	**32**	**13**	**96**	**486**

PRINCIPLE 2: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AC

The AC comprises three (3) members, all of whom are 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 year ended 30 June 2020 are set out on pages 36 to 37 of this Annual Report.

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

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 25 August 2020 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 year ended 30 June 2020, the Board, with assurance from the CEO, CFO and other Senior Management, considered the risk management and internal control systems effective and adequate. There were no significant areas of concern that may affect the financial, operational and compliance controls.

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

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

Corporate Governance Overview Statement (cont'd)

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

4. Risk Management and Internal Control Framework

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

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

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

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

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

1. Communication with the Stakeholders

The Board recognises the importance of being transparent and accountable to the Company's stakeholders and acknowledges that the continuous communication between the Company and its stakeholders would facilitate mutual understanding of each other's objectives and expectations. 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.

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-Fourth AGM was issued by the Company on 30 October 2019, 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.

Pursuant to Paragraph 2.19 of the MMLR and Clause 88 of the Company's Constitution, the Notice of 25th AGM proxy form and Annual Report 2020 can be downloaded from the Company's website at www.mesbbhd.com.

Corporate Governance Overview Statement (cont'd)

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

3. Poll Voting

To strengthen the Company's corporate governance, and also in line with the revised MMLR, all the resolutions tabled at the Company's AGM were voted by poll. An independent scrutineer was appointed to validate the poll results and the decision of each resolution, including votes for and against the resolution, is provided at the meeting and the outcome is announced via Bursa Link on the same meeting day.

At the Twenty-Fourth AGM held on 19 December 2019, 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-Fifth AGM which will be held on Thursday, 17 December 2020. 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 8 October 2020.

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 Securities's 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. The Board has taken into consideration the work performed by internal and external auditors.

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 within 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 frameworkinclude:

- An organization structure in the Group with clear lines of responsibility and delegation of authority to ensure proper accountabilities and segregation of duties;
- 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 the AC in performing 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 year 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 the AC and the Board for deliberation.

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

INTERNAL AUDIT (CONT'D)

The Internal Audit ("IA") also reports on the activities performed and 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 IA 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 on Active Fit Sdn. Bhd. and Miroza Leather (M) Sdn. Bhd. based on sample selection on the following areas during the year:

- Finance
- Warehouse
- Sales & Marketing
- Human Resources
- Stock Review
- Merchandising

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. The progress of these corrective actions was verified by IA 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 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 year 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, provides an independent assessment taking into consideration the risk management assessment done by management on the effectiveness of the Group's Enterprise Risk Management ("ERM") policy and reports to the Board. The Group's risk assessment process involves 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.

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

RISK MANAGEMENT (CONT'D)

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.

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 year ended 30 June 2020, 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 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 year 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 obtained its shareholders' approval on 26 November 2019 for the private placement of up to 30% of the issued share capital of MESB to independent third-party investor(s) to be identified at a later date ("Private Placement").

As at the date of this report, 24,200,000 Placement Shares were issued pursuant to the Private Placement and subsequently listed and quoted on the main market of Bursa Malaysia Securities Bhd. The Company has utilised RM3.910 million and the balance proceeds of RM3.30 million are to be fully utilised within the timeframe as set in the Shareholders' Circular dated 11 November 2019.

The private placement was completed on 24 September 2020.

2. NON-AUDIT FEES

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

External Auditors	Services rendered	Group (RM)
a. KPMG 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 was no variance of 10% or more between the audited results for the financial year ended 30 June 2020 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 25 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.

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

At the Twenty-Fourth Annual General Meeting ("AGM") of the Company held on 19 December 2019, 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").

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

In accordance with Section 3.1.5 of Practice Note No. 12 of the MMLR, the details of the RRPTs conducted during the financial year ended 30 June 2020 pursuant to the Shareholders' Mandate are disclosed as follows:-

Parties transacting with the MESB Group	Transacting company within the MESB Group	Nature of transactions	Actual value from 19 December 2019 (date of last AGM) up to the 30 September 2020 (RM'000)	Estimated value of transactions as disclosed in preceding year's circular (RM'000)	Name of Interested Directors and/or Major Shareholders/ Persons Connected to them
MX Too Sdn. Bhd. ("MX Too")	Miroza Leather (M) Sdn. Bhd. ("Miroza")	Sale of apparels and leather products from Miroza to MX Too on an out-right basis.	Nil	1,500	Major Shareholder ▪ Angsana Inai Sdn. Bhd. ("Angsana Inai") Persons Connected ▪ Teoh Hwa Peng ▪ Tan Sok Gim
		Purchase of luggage, travelling bags and others from MX Too.	Nil	1,000	
Roncato Sdn. Bhd. ("Roncato")	Miroza	Sale of apparels and leather products from Miroza to Roncato on an out-right basis or under consignment basis.	149	4,000	
	Active Fit Sdn. Bhd. ("Active Fit")	Sale of apparels and accessories (i.e. small leather goods, socks, shoes, etc.) from Active Fit to Roncato on an out-right basis or under consignment basis.	9	1,000	
Branded Platform Sdn. Bhd. ("Branded Platform")	Miroza	Sale of apparels and leather products from Miroza to Branded Platform on an out-right basis or under consignment basis.	906	4,000	
		Royalty or commission charge by Miroza on the licensed leather product.	Nil	1,000	
	Active Fit	Sale of apparels and accessories (i.e. small leather goods, socks, shoes, etc.) from Active Fit to Branded Platform on an out-right basis or under consignment basis.	682	4,500	

Notes:-

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

Additional Compliance Information (cont'd)

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

(b) Details of the Interested Directors and/or Major Shareholders/Persons Connected to them as follow:-

Angsana Inai
- Is a major shareholder of MESB.

Teoh Hwa Peng
- Is a major shareholder of MESB. 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 MESB. 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.

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 2020 and their financial performance and cash flows for the financial year 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 the Company to prevent and detect fraud and other irregularities.

MESB BERHAD
199501008356 (337554 - D)

FINANCIAL STATEMENTS

DIRECTORS' REPORT
for the year ended 30 June 2020

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Loss for the year attributable to owners of the Company	26,775	446

RESERVES AND PROVISIONS

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

DIVIDENDS

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

DIRECTORS OF THE COMPANY

Directors who served during the financial year 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' INTERESTS IN SHARES

None of the Directors holding office at 30 June 2020 had any interest in the shares and warrants of the Company and of its related corporations during the financial year.

Directors' Report (cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial period, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration 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.

There were no arrangements during and at the end of the financial year 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

During the financial year, the Company issued 9,200,000 new ordinary shares at RM0.425 per ordinary share via a private placement to eligible investors for a total cash consideration of RM3,910,000 to fund the repayment of bank borrowings, business expansion or working capital requirements of the Group. Arising from this, the total number of shares in issue increased from 81,900,000 ordinary shares to 91,100,000 ordinary shares.

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

There were no debentures issued during the financial year.

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 year.

INDEMNITY AND INSURANCE COSTS

During the financial year, 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 was 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 year 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 year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the year of twelve months after the end of the financial year 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, except for the effects of the coronavirus ("Covid-19") pandemic as disclosed in Note 26(a) to the financial statements, the financial performance of the Group and of the Company for the financial year ended 30 June 2020 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 year 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.

Directors' Report
(cont'd)

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events during the financial year are disclosed in Note 26 to the financial statements.

AUDITORS

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

The auditors' remuneration is disclosed in Note 18 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: 8 October 2020

STATEMENTS OF FINANCIAL POSITION
at as 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Assets					
Plant and equipment	3	5,286	6,477	–	–
Right-of-use assets	4	1,258	–	–	–
Investment properties	5	2,694	2,757	–	–
Intangible assets	6	–	25,168	–	–
Investments in subsidiaries	7	–	–	48,110	43,430
Deferred tax assets	8	252	182	–	–
Total non-current assets		9,490	34,584	48,110	43,430
Inventories	9	68,847	54,650	–	–
Current tax assets		1,819	3,757	23	–
Trade and other receivables	10	19,422	42,389	357	2,030
Prepayments		1,059	676	–	–
Cash and cash equivalents	11	32,323	21,779	1,067	743
Total current assets		123,470	123,251	1,447	2,773
Total assets		132,960	157,835	49,557	46,203
Equity					
Share capital	12	55,150	51,240	55,150	51,240
Retained earnings/ (Accumulated losses)		13,992	40,767	(5,764)	(5,318)
Total equity attributable to owners of the Company		69,142	92,007	49,386	45,922
Liabilities					
Loans and borrowings	13	1,987	2,688	–	–
Lease liabilities		250	–	–	–
Total non-current liabilities		2,237	2,688	–	–
Loans and borrowings	13	22,250	28,762	–	–
Lease liabilities		1,138	–	–	–
Trade and other payables	14	38,193	32,880	171	260
Current tax liabilities		–	1,498	–	21
Total current liabilities		61,581	63,140	171	281
Total liabilities		63,818	65,828	171	281
Total equity and liabilities		132,960	157,835	49,557	46,203

The notes on pages 72 to 128 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2020

	Note	Group Year ended 30.6.2020 RM'000	Group 1.4.2018 to 30.6.2019 RM'000	Company Year ended 30.6.2020 RM'000	Company 1.4.2018 to 30.6.2019 RM'000
Revenue	15	147,809	233,866	–	–
Cost of sales		(61,875)	(90,530)	–	–
Gross profit		85,934	143,336	–	–
Other income		653	155	24	–
Selling and distribution expenses		(38,606)	(62,934)	–	–
Administrative expenses		(44,679)	(65,923)	(715)	(653)
Net (loss)/reversal of loss on impairment of financial assets	18	(63)	(87)	8	(8)
Impairment losses on intangible assets	6	(25,168)	–	–	–
Other expenses		(2,988)	(2,263)	(22)	–
Results from operating activities		(24,917)	12,284	(705)	(661)
Finance income	16	512	621	254	612
Finance costs	17	(1,836)	(2,419)	–	–
Net finance (costs)/income		(1,324)	(1,798)	254	612
(Loss)/Profit before tax	18	(26,241)	10,486	(451)	(49)
Tax (expense)/credit	19	(534)	(2,959)	5	(47)
(Loss)/Profit and total comprehensive (loss)/ income for the year/period		(26,775)	7,527	(446)	(96)
(Loss)/Profit attributable to:					
Owners of the Company		(26,775)	7,527	(446)	(96)
Total comprehensive (loss)/ income attributable to:					
Owners of the Company		(26,775)	7,527	(446)	(96)
Basic (loss)/earnings per ordinary share (sen)	20	(30.71)	9.19		
Diluted (loss)/earnings per ordinary share (sen)	20	(30.71)	9.19		

The notes on pages 72 to 128 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2020

Group	*Non-distributable* Share capital RM'000	*Distributable* Retained earnings RM'000	Total equity RM'000
At 1 April 2018	51,240	33,240	84,480
Profit and total comprehensive income for the period	–	7,527	7,527
At 30 June 2019/1 July 2019	51,240	40,767	92,007
Issue of shares pursuant to the private placement	3,910	–	3,910
Loss and total comprehensive loss for the year	–	(26,775)	(26,775)
At 30 June 2020	55,150	13,992	69,142
	Note 12		

The notes on pages 72 to 128 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2020

Company	***Non-distributable*** **Share capital RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
At 1 April 2018	51,240	(5,222)	46,018
Loss and total comprehensive loss for the period	–	(96)	(96)
At 30 June 2019/1 July 2019	51,240	(5,318)	45,922
Issue of shares pursuant to the private placement	3,910	–	3,910
Loss and total comprehensive loss for the year	–	(446)	(446)
At 30 June 2020	55,150	(5,764)	49,386
	Note 12		

The notes on pages 72 to 128 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2020

	Note	Group Year ended 30.6.2020 RM'000	Group 1.4.2018 to 30.6.2019 RM'000	Company Year ended 30.6.2020 RM'000	Company 1.4.2018 to 30.6.2019 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(26,241)	10,486	(451)	(49)
Adjustments for:					
Depreciation of investment properties	5	63	79	–	–
Depreciation of plant and equipment	3	1,633	2,245	–	–
Depreciation of right-of-use assets	4	1,343	–	–	–
Finance costs		1,836	2,419	–	–
Finance income		(512)	(621)	(254)	(612)
Gain on derecognition of right-of-use assets		(3)	–	–	–
Gain on disposal of plant and equipment		–	(5)	–	–
Impairment losses on intangible assets	6	25,168	–	–	–
Impairment loss on amount due from a subsidiary		–	–	–	8
Impairment loss on investment in a subsidiary		–	–	22	–
Impairment losses on trade receivables		63	87	–	–
Net unrealised loss on foreign exchange		147	12	–	–
Plant and equipment written off		216	147	–	–
Reversal of impairment loss on amount due from a subsidiary		–	–	(8)	–
Reversal of write-down of inventories		(341)	–	–	–
Write-down of inventories		–	839	–	–
Operating profit/(loss) before changes in working capital		3,372	15,688	(691)	(653)
Changes in inventories		(13,856)	(19,090)	–	–
Changes in trade and other receivables and prepayments		22,521	(14,738)	–	–
Changes in trade and other payables		5,166	15,166	(89)	15
Cash generated from/(used in) operations		17,203	(2,974)	(780)	(638)
Tax paid		(4,175)	(1,692)	(39)	(26)
Tax refunded		4,011	86	–	–
Interest paid		(1,836)	(2,419)	–	–
Net cash from/(used in) operating activities		15,203	(6,999)	(819)	(664)

Statements of Cash Flows
for the year ended 30 June 2020
(cont'd)

	Note	Group Year ended 30.6.2020 RM'000	Group 1.4.2018 to 30.6.2019 RM'000	Company Year ended 30.6.2020 RM'000	Company 1.4.2018 to 30.6.2019 RM'000
Cash flows from investing activities					
Acquisition of plant and equipment	3	(784)	(2,498)	–	–
Advances to subsidiaries		–	–	(3,021)	(4,539)
Change in deposits pledged		(3,798)	(1,996)	–	–
Interest received		512	621	254	612
Proceeds from disposal of property, plant and equipment		–	14	–	–
Net cash used in investing activities		(4,070)	(3,859)	(2,767)	(3,927)
Cash flows from financing activities					
Net (repayment)/drawdown of bankers' acceptances		(523)	4,827	–	–
Net repayment of term loans		(1,271)	(2,705)	–	–
Payment of lease liabilities		(1,286)	–	–	–
Proceeds from issue of share capital	12	3,910	–	3,910	–
Repayment of finance lease liabilities		–	(99)	–	–
Net cash from financing activities		830	2,023	3,910	–
Net increase/(decrease) in cash and cash equivalents		11,963	(8,835)	324	(4,591)
Cash and cash equivalents at 1 July 2019/1 April 2018		(968)	7,867	743	5,334
Cash and cash equivalents at 30 June	(i)	10,995	(968)	1,067	743

Statements of Cash Flows
for the year ended 30 June 2020
(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:

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Deposits placed with licensed banks	11	19,687	15,889	–	–
Less: Pledged deposits	11	(19,687)	(15,889)	–	–
		–	–	–	–
Cash and bank balances	11	12,315	5,279	746	132
Highly liquid investments with financial institutions	11	321	611	321	611
Bank overdrafts	13	(1,641)	(6,858)	–	–
		10,995	(968)	1,067	743

(ii) Cash outflows for leases as a lessee

	Note	Group Year ended 30.6.2020 RM'000	Group 1.4.2018 to 30.6.2019 RM'000
Included in net cash from/(used in) operating activities:			
Interest paid in relation to lease liabilities	17	176	–
Payment relating to short-term leases	18	986	–
Payment relating to leases of low-value assets	18	3	–
Included in net cash from financing activities:			
Payment of lease liabilities		1,286	–
Total cash outflows for leases		2,451	–

(iii) Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	At 1.4.2018 RM'000	Net changes from financing cash flows RM'000	At 30.6.2019 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1.7.2019 RM'000	Net changes from financing cash flows RM'000	Acquisition of a new lease RM'000	Termination of a lease RM'000	At 30.6.2020 RM'000
Bankers' acceptances - secured	15,402	4,827	20,229	–	20,229	(523)	–	–	19,706
Term loans - secured	6,866	(2,705)	4,161	–	4,161	(1,271)	–	–	2,890
Finance lease liabilities	301	(99)	202	(202)	–	–	–	–	–
Lease liabilities	–	–	–	2,543	2,543	(1,286)	407	(276)	1,388
Total liabilities from financing activities	22,569	2,023	24,592	2,341	26,933	(3,080)	407	(276)	23,984
				Note 27					

The notes on pages 72 to 128 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 year ended 30 June 2020 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 7.

These financial statements were authorised for issue by the Board of Directors on 8 October 2020.

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 ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs 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 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*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

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

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures,* MFRS 4, *Insurance Contracts* and MFRS 16, *Leases - Interest Rate Benchmark Reform - Phase 2*

Notes to the Financial Statements (cont'd)

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 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020*)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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, interpretations and amendments, where applicable:

- 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.

- from the annual period beginning on 1 July 2021 for the amendments that are effective for annual periods beginning on or after 1 January 2021.

- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022.

- from the annual period beginning on 1 July 2023 for the amendment that is effective for annual periods beginning on or after 1 January 2023.

During the financial year, the Group has early adopted the amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions* which is effective for annual periods beginning on or after 1 June 2020 (See Note 27).

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 2023 as it is not applicable to the Group and to the Company.

The initial application of the accounting standards, interpretations or amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group and of the Company.

(b) Basis of measurement

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

1. BASIS OF PREPARATION (CONT'D)

(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 year in which the estimates are revised and in any future years 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 ("CGU") containing goodwill and relating to trademark

The Group tests goodwill and trademark 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 units, which involves uncertainties and is significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rate.

The recoverable amounts of goodwill and trademark have been determined based on the value in use calculations. Based on the assessments, goodwill and trademark totalling RM25,168,000 have been fully impaired during the financial year ended 30 June 2020 (2019: Nil).

The estimates used in the value in use calculations are disclosed in Note 6 to the financial statements.

(ii) Write-down of inventories

The Group writes down the inventories in accordance with the Group 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 reversal of write-down of inventories recognised in profit or loss amounted to RM341,000 (2019: write-down of inventories amounted to RM839,000).

(iii) Recognition of deferred tax assets

Assumptions on generation of future taxable profits depend on management's estimates of future cash flows. Judgement is also required on the application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, therefore there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position.

The assumptions applied in the recognition of deferred tax assets are disclosed in Note 8 to the financial statements.

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 16, *Leases* and the early adoption of the amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions,* there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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

(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.

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.

(ii) Financial instrument categories and subsequent measurement

Financial assets

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

Financial assets (Cont'd)

(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)).

Financial liabilities

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.

(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.

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.

(iv) Derecognition

A financial asset or 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(iv) Derecognition (Cont'd)

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) Plant and equipment

(i) Recognition and measurement

Items of 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 plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

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

(ii) Subsequent costs

The cost of replacing a component of an item of 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 plant and equipment are recognised in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Plant and equipment (Cont'd)

(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 plant and equipment from the date that they are available for use.

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

• 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) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application, if any, is recognised as an adjustment to retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

In addition, the Group has early adopted the amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*. The Group has applied the amendment retrospectively.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Current financial year (Cont'd)

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Current financial year (Cont'd)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Covid-19-related rent concessions

The Group has applied the amendment to MFRS 16, *Covid-19-Related Rent Concessions*. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the Covid-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Previous financial period

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

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

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

(ii) Operating lease

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

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

(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 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.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment properties

Investment properties carried at cost

Investment properties are properties which are owned or right-of-use asset held under a lease contract 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

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment

(i) Financial assets

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.

(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.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

(ii) Other assets (Cont'd)

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.

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 years 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Employee benefits (Cont'd)

(i) Short-term employee benefits (Cont'd)

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 year 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 service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service 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.

(iv) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grants. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

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 periods.

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 by the end of the reporting period.

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 year, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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 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. PLANT AND EQUIPMENT

Group	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computers RM'000	Renovation RM'000	Warehouse equipment RM'000	Total RM'000
Cost						
At 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, *as previously reported*	674	3,848	2,799	11,046	76	18,443
Adjustment on initial application of MFRS 16	(528)	–	–	–	–	(528)
At 1 July 2019, *as restated*	146	3,848	2,799	11,046	76	17,915
Additions	–	149	6	629	–	784
Written off	–	–	–	(461)	–	(461)
At 30 June 2020	146	3,997	2,805	11,214	76	18,238
Accumulated depreciation						
At 1 April 2018	304	393	2,630	6,633	13	9,973
Depreciation for the period	119	472	102	1,535	17	2,245
Disposal	(6)	–	–	–	–	(6)
Written off	–	–	–	(246)	–	(246)
At 30 June 2019, *as previously reported*	417	865	2,732	7,922	30	11,966
Adjustment on initial application of MFRS 16	(402)	–	–	–	–	(402)
At 1 July 2019, *as restated*	15	865	2,732	7,922	30	11,564
Depreciation for the year	27	382	50	1,158	16	1,633
Written off	–	–	–	(245)	-	(245)
At 30 June 2020	42	1,247	2,782	8,835	46	12,952
Carrying amounts						
At 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
At 30 June 2020	104	2,750	23	2,379	30	5,286

At 30 June 2019, the net carrying amount of leased motor vehicles of the Group was RM126,000.

On 1 July 2019, the leased motor vehicles were reclassified to right-of-use assets upon adoption of MFRS 16 (Note 4).

3. PLANT AND EQUIPMENT (CONT'D)

Company	**Computers RM'000**	**Motor vehicles RM'000**	**Total RM'000**
Cost			
At 1 April 2018/30 June 2019/1 July 2019/30 June 2020	15	8	23
Accumulated depreciation			
At 1 April 2018/30 June 2019/1 July 2019/30 June 2020	15	8	23
Carrying amounts			
At 1 April 2018/30 June 2019/1 July 2019/30 June 2020	–	–	–

4. RIGHT-OF-USE ASSETS

Group	**Buildings RM'000**	**Motor vehicles RM'000**	**Total RM'000**
At 1 July 2019, *as previously reported*	–	–	–
Adjustment on initial application of MFRS 16	2,341	126	2,467
At 1 July 2019, *as restated*	2,341	126	2,467
Additions during the year	407	–	407
Depreciation for the year	(1,271)	(72)	(1,343)
Derecognition during the year*	(273)	–	(273)
At 30 June 2020	1,204	54	1,258

* Derecognition of the right-of-use assets during the year is as a result of early termination of a lease contract.

The Group leases a number of boutiques, warehouses, office buildings and motor vehicles that run between 1 year and 7 years and in some cases, with an option to renew the lease after that date.

4.1 Extension options

Some lease contracts contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The discounted potential future lease payments arising from exercisable extension options in certain boutique leases not included in the lease liabilities are not disclosed as the renewal terms are uncertain. Nevertheless, the Directors do not expect the discounted potential future lease payments arising from exercisable extension options to differ significantly from the lease liabilities that have been recorded upon initial recognition of the related leases.

4. RIGHT-OF-USE ASSETS (CONT'D)

4.2 Judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4.3 Security

The leased motor vehicles with net carrying amount of RM54,000 secure lease obligations.

5. INVESTMENT PROPERTIES

Group	Leasehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 April 2018/30 June 2019/1 July 2019/30 June 2020	1,740	2,000	3,740
Accumulated depreciation			
At 1 April 2018	356	548	904
Depreciation for the period	22	57	79
At 30 June 2019/1 July 2019	378	605	983
Depreciation for the year	18	45	63
At 30 June 2020	396	650	1,046
Carrying amounts			
At 1 April 2018	1,384	1,452	2,836
At 30 June 2019/1 July 2019	1,362	1,395	2,757
At 30 June 2020	1,344	1,350	2,694

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 leases contain an initial non-cancellable period of up to 3 years. Subsequent renewals are negotiated with the lessees. The Group generally does not require a financial guarantee on the lease arrangement. Nevertheless, the Group requires advance rental payment and security deposits from the lessees. These leases do not include residual value guarantees.

5. INVESTMENT PROPERTIES (CONT'D)

The investment properties have been pledged to a licensed bank as security for banking facilities granted to a subsidiary of the Group (see Note 13).

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

	Group	
	Year ended 30.6.2020 RM'000	**1.4.2018 to 30.6.2019 RM'000**
Lease income	70	90
Direct operating expenses:		
- income generating investment properties	(17)	(17)

The contribution arising from the lease income is not material to the Group. Therefore, the disclosures required by MFRS 16 for a lessor are not presented.

	Group	
	2020 RM'000	**2019 RM'000**
Fair value - Level 3		
Leasehold land and buildings	5,400	5,550

Valuation process applied by the Group for 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 June 2020 (2019: April 2019) which estimated the market value of the investment properties based on sales comparison approach. Sales prices 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.

6. INTANGIBLE ASSETS

Group	**Goodwill RM'000**	**Trademark RM'000**	**Total RM'000**
Cost			
At 1 April 2018/30 June 2019/1 July 2019/30 June 2020	25,190	500	25,690
Accumulated impairment losses			
At 1 April 2018/30 June 2019/1 July 2019	(522)	–	(522)
Impairment losses during the year	(24,668)	(500)	(25,168)
At 30 June 2020	(25,190)	(500)	(25,690)
Carrying amounts			
At 1 April 2018/30 June 2019/1 July 2019	24,668	500	25,168
At 30 June 2020	–	–	–
	Note 6.1	Note 6.2	

Notes to the Financial Statements (cont'd)

6. INTANGIBLE ASSETS (CONT'D)

6.1 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.

MLMSB's operations were affected by the Covid-19 pandemic and enforcement of the Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") between 18 March 2020 until 9 June 2020 coupled with the implementation of additional standard operating procedures by the Government of Malaysia ("GoM"), affecting all of MLMSB's outlets and customers traffic (see Note 26(a)). The Group tested goodwill for impairment annually in June by comparing the recoverable amount of goodwill-carrying CGU (MLMSB) with its carrying amount.

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. The cash flows were projected based on past experience, actual operating results (using the current financial year's results as base year) and a 5-year business forecast that have been updated to reflect the current economic situation following the outbreak of the Covid-19 pandemic (see Note 26(a)), and was based on the following key assumptions, which were determined as most plausible:

- The terminal value of the cash flows is calculated by applying a terminal growth rate of 2% (2019: 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.

- Revenue is projected to increase by a 5-year compounded annual growth rate of 6.70%, where the Group expects that it will require 3 years for revenue to return to the previous normal level and thereafter continue to grow based on the average growth level experienced over the past 3 years (2019: anticipated annual revenue growth of 3%-4.75%).

- A pre-tax discount rate of 12.24%% (2019: 12.24%) 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 Group has not applied a lower discount rate although the Group is currently enjoying a lower average borrowing rate, to cater for downside risk in the cash flow projection due to the high level of uncertainty, as it was difficult to predict the full extent and duration of the Covid-19 pandemic's impact on MLMSB's operations.

- The gross profit ("GP") margin in the cash flow projections was 58% - 61% (2019: 62% - 63%), which is based on the average GP margin experienced over the past 3 years.

Based on the impairment test undertaken, the recoverable amount of CGU containing goodwill was estimated to be below the carrying amount. This has resulted in the goodwill of RM24,668,000 being fully impaired and recognised in profit or loss during the financial year.

6. INTANGIBLE ASSETS (CONT'D)

6.2 Impairment testing for 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.

At the end of each reporting period, the useful life of this asset is reviewed by management to determine whether events and circumstances continue to support the indefinite useful life conclusion on this asset. Such asset is tested for impairment annually in June by comparing the recoverable amount of the CGU with its carrying amount.

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. The cash flows were projected based on past experience, actual operating results (using the current financial year's results as base year) and a 5-year business forecast that have been updated to reflect the current economic situation following the outbreak of the Covid-19 pandemic (see Note 26(a)), and was based on the following key assumptions, which were determined as most plausible:

- The terminal value of the cash flows is calculated by applying a terminal growth rate of 2% (2019: 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.

- Revenue is projected to increase by a 5-year compounded annual growth rate of 6.47%, where the Group expects that it will require 3 years for revenue to return to the previous normal level and thereafter continue to grow based on the average growth level experienced over the past 3 years (2019: anticipated annual revenue growth of 3%-4.75%).

- A pre-tax discount rate of 12.24%% (2019: 12.24%) 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 Group has not applied a lower discount rate although the Group is currently enjoying a lower average borrowing rate, to cater for downside risk in the cash flow projection due to the high level of uncertainty, as it was difficult to predict the full extent and duration of the Covid-19 pandemic's impact on the CGU's operations.

- The GP margin in the cash flow projections was 64% - 66% (2019: 66%-68%), which is based on the average GP margin experienced over the past 3 years.

Based on the impairment test undertaken, the recoverable amount of CGU relating to the intellectual rights was estimated to be below the carrying amount. This has resulted in the trademark of RM500,000 being fully impaired and recognised in profit or loss during the financial year.

7. INVESTMENTS IN SUBSIDIARIES

	Cost of investments RM'000	Capital contribution RM'000	Total RM'000
Company			
Unquoted shares, at cost			
At 1 April 2018	57,249	–	57,249
Additions during the period	6,090	–	6,090
At 30 June 2019/1July 2019	63,339	–	63,339
Additions during the year	4,680	22	4,702
	68,019	22	68,041
Less: Accumulated impairment losses (Note 7.3)	(19,909)	(22)	(19,931)
At 30 June 2020	48,110	–	48,110
	Note 7.1	Note 7.2	

Details of the subsidiaries are as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2020 %	2019 %
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

* *In the process of striking off pursuant to Section 550 of the Companies Act 2016*

7.1 Unquoted shares, at cost

During the financial year, the Company subscribed for 2,600,000 and 2,080,000 new ordinary shares in MLMSB and AFSB respectively, at RM1.00 per ordinary share for a total consideration of RM4,680,000 as partial settlement of the amounts owing by MLMSB and AFSB respectively.

7.2 Capital contribution

Capital contribution represents amount due from a subsidiary which is non-trade in nature, unsecured, interest free and this amount has been waived by the Company. As the amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less accumulated impairment losses, if any.

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

7.3 Accumulated impairment losses

Company	Note	AFSB RM'000	CUSB RM'000	Total RM'000
At 1 April 2018/30 June 2019/ 1 July 2019		19,000	909	19,909
Impairment loss during the year	7.3.1	–	22	22
At 30 June 2020		19,000	931	19,931

7.3.1 Impairment loss of RM22,000 was recognised in profit or loss as other expenses during the financial year.

8. DEFERRED TAX ASSETS

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Plant and equipment	–	–	(97)	(213)	(97)	(213)
Right-of-use assets	–	–	(237)	–	(237)	–
Lease liabilities	249	–	–	–	249	–
Inventories	215	318	–	–	215	318
Other deductible temporary differences	122	77	–	–	122	77
Tax assets/(liabilities)	586	395	(334)	(213)	252	182
Set off of tax	(334)	(213)	334	213	–	–
Net tax assets	252	182	–	–	252	182

Notes to the Financial Statements
(cont'd)

8. DEFERRED TAX ASSETS (CONT'D)

Unrecognised deferred tax assets

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

	Group	
	2020	**2019**
	RM'000	**RM'000**
Plant and equipment	(565)	(558)
Right-of-use assets	(228)	–
Inventories	532	1,352
Lease liabilities	237	–
Unabsorbed capital allowances	1,376	1,121
Unutilised tax losses	7,514	5,294
Other deductible temporary differences	1,168	1,209
	10,034	8,418

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.

The comparative figures have been restated to reflect the revised temporary differences of the Group based on the final tax computation for year of assessment 2019.

Pursuant to the latest tax legislation, unutilised tax losses from a year of assessment can only be carried forward up to 7 consecutive years of assessment.

Unutilised tax losses of RM5,294,000 and RM2,220,000 will expire in 2025 and 2027 respectively under the current tax legislation in Malaysia.

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

9. INVENTORIES

	Group	
	2020	**2019**
	RM'000	**RM'000**
Trading merchandise	68,847	54,650

	Group	
	Year ended 30.6.2020	**1.4.2018 to 30.6.2019**
	RM'000	**RM'000**
Recognised in profit or loss:		
- Inventories recognised as cost of sales	49,212	75,421
- Write-down of inventories	–	839
- Reversal of write-down of inventories	(341)	–

The write-down and reversal of write-down of inventories are recognised in cost of sales.

Notes to the Financial Statements
(cont'd)

10. TRADE AND OTHER RECEIVABLES

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Trade					
Trade receivables	10.1	17,277	39,858	–	–
Non-trade					
Amounts due from subsidiaries	10.2	–	–	356	2,029
Other receivables	10.3	1,334	1,541	–	–
Deposits		811	990	1	1
		2,145	2,531	357	2,030
		19,422	42,389	357	2,030

10.1 Included in trade receivables of the Group is an amount due from companies in which a former Director has significant financial interests of RM399,000 (2019: RM171,000). The amount is unsecured, interest free and subject to negotiated trade terms.

10.2 The non-trade amounts due from subsidiaries relate to interest-bearing advances to subsidiaries. Advances to subsidiaries are unsecured, subject to interest at 6.70% (2019: 7.95% - 8.20%) per annum and repayable on demand.

10.3 Included in other receivables of the Group is Goods and Services Tax ("GST") receivable from the Royal Malaysian Custom Department in relation to excess input tax over output tax amounting to RM8,000 (2019: RM657,000), and government grants receivable amounting to RM362,000 (2019: Nil) (see Note 18b).

10.4 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:

Group	Note	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount in the statement of financial position RM'000
2020				
Trade receivables		19,646	(2,369)	17,277
Trade payables	14	(36,377)	2,369	(34,008)
2019				
Trade receivables		45,616	(5,758)	39,858
Trade payables	14	(32,288)	5,758	(26,530)

Certain trade receivables and trade payables were set off for presentation purpose because the Group has enforceable right to set off and intends to settle on a net basis.

Notes to the Financial Statements (cont'd)

11. CASH AND CASH EQUIVALENTS

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Highly liquid investments with financial institutions	11.1	321	611	321	611
Deposits placed with licensed banks	11.2	19,687	15,889	–	–
Cash and bank balances		12,315	5,279	746	132
		32,323	21,779	1,067	743

11.1 Highly liquid investments with financial institutions

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

11.2 Deposits placed with licensed banks

The entire deposits placed with licensed banks are pledged as security for banking facilities granted to the Group (see Note 13).

12. SHARE CAPITAL

	Note	Group and Company Number of shares 2020 '000	Amount 2020 RM'000	Number of shares 2019 '000	Amount 2019 RM'000
Issued and fully paid ordinary shares with no par value					
At 1 July 2019/ 1 April 2018		81,900	51,240	81,900	51,240
Issued during the year via private placement	12.1	9,200	3,910	–	–
At 30 June		91,100	55,150	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.

12. SHARE CAPITAL (CONT'D)

12.1 Private placement

On 4 December 2019, the Company issued 9,200,000 new ordinary shares to eligible investors at an issue price of RM0.425 per share via private placement.

12.2 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. There were no warrants being exercised during the financial year.

13. LOANS AND BORROWINGS

		Group	
	Note	2020 RM'000	2019 RM'000
Non-current			
Term loans - secured	13.1	1,987	2,557
Finance lease liabilities	13.2	–	131
		1,987	2,688
Current			
Term loans - secured	13.1	903	1,604
Finance lease liabilities	13.2	–	71
Bank overdrafts - secured	13.3	1,641	6,858
Bankers' acceptances - secured	13.3	19,706	20,229
		22,250	28,762
		24,237	31,450

Notes to the Financial Statements
(cont'd)

13. LOANS AND BORROWINGS (CONT'D)

13.1 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 2020 RM'000	2019 RM'000
1	60	64,131	March 2015	–	439
2	60	40,185	November 2016	863	1,033
3	60	10,079	January 2017	174	278
4	60	60,059	April 2018	1,853	2,411
				2,890	4,161

The term loans of the Group are secured by a pledge over the deposits placed with licensed banks of the subsidiaries (see Note 11) and are supported by corporate guarantees provided by the Company and personal guarantee by a former Director of a subsidiary.

13.2 Finance lease liabilities

Finance lease liabilities were payable as follows:

Group	Future minimum lease payments 2019 RM'000	Interest 2019 RM'000	Present value of minimum lease payments 2019 RM'000
Less than one year	80	(9)	71
Between one and five years	139	(8)	131
	219	(17)	202

13.3 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 5); and
(ii) a pledge over the deposits placed with licensed banks of the subsidiaries (see Note 11);

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

During the year, the Group received moratoria from certain banks as a result of the current economic situation as disclosed in Note 26(a), and was granted a deferment of up to six months from April 2020. There is no material financial impact arising from these moratoria and the Group continued to accrue for the interest expense on the bankers' acceptances and term loans during the deferment period.

14. TRADE AND OTHER PAYABLES

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Trade					
Trade payables	14.1	34,008	26,530	–	–
Non-trade					
Other payables		753	1,019	118	180
Accrued expenses		3,432	5,331	53	80
		4,185	6,350	171	260
		38,193	32,880	171	260

14.1 Included in trade payables is an amount due to a company in which a former Director had significant financial interests of RM9,000 (2019: Nil). The amount is unsecured, interest free and subject to negotiated trade terms.

15. REVENUE

	Note	Group Year ended 30.6.2020 RM'000	Group 1.4.2018 to 30.6.2019 RM'000
Sale of goods		146,291	222,469
Commission income from consignment sales		1,475	11,343
Revenue from contracts with customers	15.1	147,766	233,812
Other revenue			
Rental income		43	54
Total revenue		147,809	233,866

15.1 Disaggregation of revenue

	Year ended 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000
Major product lines		
Sale of leather products, apparels and accessories	147,766	233,812
Primary geographical markets		
Malaysia	147,027	232,732
Brunei	739	1,080
	147,766	233,812
Sales channels		
Directly to customers	5,484	9,966
Through departmental stores	142,282	223,846
	147,766	233,812
Timing of recognition		
At a point in time	147,766	233,812

15. REVENUE (CONT'D)

15.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods and services	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).

16. FINANCE INCOME

	Group		Company	
	Year ended 30.6.2020 RM'000	**1.4.2018 to 30.6.2019 RM'000**	**Year ended 30.6.2020 RM'000**	**1.4.2018 to 30.6.2019 RM'000**
Interest income of financial assets calculated using the effective interest method that are:				
- at amortised cost	496	600	238	591
Interest income of financial assets measured at fair value through profit or loss	16	21	16	21
	512	621	254	612

17. FINANCE COSTS

	Group		Company	
	Year ended 30.6.2020 RM'000	**1.4.2018 to 30.6.2019 RM'000**	**Year ended 30.6.2020 RM'000**	**1.4.2018 to 30.6.2019 RM'000**
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Bankers' acceptances	1,168	1,363	–	–
- Bank overdrafts	235	497	–	–
- Debts factoring	40	42	–	–
- Term loans	211	499	–	–
- Finance lease liabilities	–	18	–	–
- Others	6	–	–	–
	1,660	2,419	–	–
Interest expense on lease liabilities	176	–	–	–
	1,836	2,419	–	–

Notes to the Financial Statements (cont'd)

18. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	Year ended 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000	Year ended 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000
(Loss)/Profit before tax is arrived at after charging/(crediting):				
Auditors' remunerations				
Audit fees				
- KPMG PLT	155	186	48	58
Non-audit fees				
- KPMG PLT	5	5	5	5
Material expenses/(income)				
Depreciation of investment properties	63	79	–	–
Depreciation of plant and equipment	1,633	2,245	–	–
Depreciation of right-of-use assets	1,343	–	–	–
Government grants (Note b)	(446)	–	–	–
Impairment losses on intangible assets	25,168	–	–	–
Internal audit fee	47	47	–	–
Net realised loss on foreign exchange	59	245	–	–
Net unrealised loss on foreign exchange	147	12	–	–
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provision Fund	3,342	4,061	11	14
- Wages, salaries and others	30,717	42,275	134	161
Plant and equipment written off	216	147	–	–
Royalty expenses	12,599	14,048	–	–
Reversal of write-down of inventories	(341)	–	–	–
Write-down of inventories	–	839	–	–
Expenses/(income) arising from leases				
Expenses relating to short-term leases (Note a)	986	–	–	–
Expenses relating to leases of low-value assets (Note a)	3	–	–	–
Gain on derecognition of right-of-use assets	(3)	–	–	–
Rental expense	–	3,815	–	–
Net loss/(reversal of loss) on impairment of financial assets				
Financial assets at amortised cost	63	87	(8)	8

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

Note a

The Group leases a number of boutiques, temporary consignment counters, booths and cash register machine with contract terms of not more than 1 year. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Note b

The government grants of RM446,000 during the financial year were related to the Employment Retention Programme introduced by the GoM in response to the Covid-19 pandemic. Under this programme, employees whom have been instructed to take unpaid leaves of at least 30 days for a period of between 1 to 6 months and contributed to Employment Insurance System are eligible for this financial assistance. The grants were recognised in profit or loss as other income. The related wages and salaries have previously been recognised as expenses in April 2020.

19. TAX EXPENSE/(CREDIT)

Recognised in profit or loss

	Group		**Company**	
	Year ended 30.6.2020 RM'000	**1.4.2018 to 30.6.2019 RM'000**	**Year ended 30.6.2020 RM'000**	**1.4.2018 to 30.6.2019 RM'000**
Current tax expense				
- Current year/period	724	3,079	–	47
- (Over)/under provision in prior period/year	(120)	109	(5)	–
Total current tax recognised in profit or loss	604	3,188	(5)	47
Deferred tax expense				
- Origination and reversal of temporary differences	(127)	(261)	–	–
- Under provision in prior period/year	57	32	–	–
Total deferred tax recognised in profit or loss	(70)	(229)	–	–
Total income tax expense/(credit)	534	2,959	(5)	47
Reconciliation of tax expense/(credit)				
(Loss)/Profit before tax	(26,241)	10,486	(451)	(49)
Income tax calculated using Malaysian tax rate of 24%	(6,298)	2,517	(108)	(12)
Effect of deferred tax assets not recognised	388	(193)	–	–
Non-deductible expenses	6,507	494	108	59
(Over)/Under provision in prior period/year	(63)	141	(5)	–
	534	2,959	(5)	47

19. TAX EXPENSE/(CREDIT) (CONT'D)

Non-deductible expenses

The non-deductible expenses of the Group for the financial year ended 30 June 2020 primarily relate to impairment losses on intangible assets which are capital in nature.

20. (LOSS)/EARNINGS PER ORDINARY SHARE

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share at 30 June 2020 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	Year ended 30.6.2020 RM'000	**1.4.2018 to 30.6.2019 RM'000**
(Loss)/Profit attributable to ordinary shareholders	(26,775)	7,527

	Group	
	2020 '000	**2019 '000**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July 2019/1 April 2018	81,900	81,900
Effect of new ordinary shares issued via private placement (Note 12.1)	5,279	–
Weighted average number of ordinary shares at 30 June (basic)	87,179	81,900

	Group	
	Year ended 30.6.2020 sen	**1.4.2018 to 30.6.2019 sen**
Basic (loss)/earnings per ordinary share	(30.71)	9.19

Diluted (loss)/earnings per ordinary share

Diluted (loss)/earnings per ordinary share as at 30 June 2020 and 30 June 2019 are identical with basic (loss)/earnings per ordinary share as the effect of the Warrants issued is anti-dilutive.

Notes to the Financial Statements
(cont'd)

21. 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.

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. Therefore, no disclosure is made on segment liabilities.

Segment capital expenditure

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

Group	**Retailing RM'000**	**Investment holding RM'000**	**Total RM'000**
Year ended 30.6.2020			
Segment loss	(23,687)	(718)	(24,405)
Included in the measure of segment loss are:			
Revenue from external customers	147,766	43	147,809
Finance income	490	22	512
Reversal of write-down of inventories	341	–	341
Plant and equipment written off	(216)	–	(216)
Depreciation of plant and equipment	(1,633)	–	(1,633)
Depreciation of right-of-use assets	(1,343)	–	(1,343)
Depreciation of investment properties	(13)	(50)	(63)
Impairment losses on intangible assets	(25,168)	–	(25,168)
Not included in the measure of segment loss but provided to CODM:			
Finance costs	(1,836)	–	(1,836)
Tax expense	(527)	(7)	(534)

21. OPERATING SEGMENTS (CONT'D)

Group	Retailing RM'000	Investment holding RM'000	Total RM'000
30.6.2020			
Segment assets	129,262	4,054	133,316
Included in the measure of segment assets is:			
Additions to non-current assets other than financial instruments and deferred tax assets	1,191	–	1,191
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)
Plant and equipment written off	(147)	–	(147)
Depreciation of 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

Reconciliations of reportable segment profit or loss and assets

	Group	
Profit or loss	**Year ended 30.6.2020 RM'000**	**1.4.2018 to 30.6.2019 RM'000**
Total (loss)/profit for reportable segments	(24,405)	12,905
Finance costs	(1,836)	(2,419)
Consolidated (loss)/profit before tax	(26,241)	10,486

21. OPERATING SEGMENTS (CONT'D)

	Group	
	2020	**2019**
	RM'000	**RM'000**
Assets		
Total assets for reporting segments	133,316	159,864
Elimination of inter-segment balances	(356)	(2,029)
Consolidated total assets	132,960	157,835

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.

22. FINANCIAL INSTRUMENTS

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 30 June 2020 categorised as follows:

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

2020	**Carrying amount RM'000**	**AC RM'000**	**FVTPL RM'000**
Group			
Financial assets			
Trade and other receivables*	19,414	19,414	–
Cash and cash equivalents	32,323	32,002	321
	51,737	51,416	321
Financial liabilities			
Trade and other payables	(38,193)	(38,193)	–
Loans and borrowings	(24,237)	(24,237)	–
	(62,430)	(62,430)	–

22. FINANCIAL INSTRUMENTS (CONT'D)

22.1 Categories of financial instruments (Cont'd)

2020	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Company			
Financial assets			
Other receivables	357	357	–
Cash and cash equivalents	1,067	746	321
	1,424	1,103	321
Financial liabilities			
Other payables	(171)	(171)	–

* excludes GST receivable.

2019	Carrying amount RM'000	AC RM'000	FVTPL RM'000
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.

22. FINANCIAL INSTRUMENTS (CONT'D)

22.2 Net gains and losses arising from financial instruments

	Group		Company	
	Year ended 30.6.2020 RM'000	**1.4.2018 to 30.6.2019 RM'000**	**Year ended 30.6.2020 RM'000**	**1.4.2018 to 30.6.2019 RM'000**
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	16	21	16	21
Financial assets measured at amortised cost	496	600	238	591
Financial liabilities measured at amortised cost	(1,866)	(2,676)	–	–
	(1,354)	(2,055)	254	612

22.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

22.4 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 years.

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.

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Risk management objectives, policies and processes for managing the risk (Cont'd)

During the year ended 30 June 2020, the Group temporarily extended the credit terms for certain trade debtors with liquidity constraints arising as a result of the Covid-19 pandemic. All extensions were granted within current credit limits after careful consideration of the impact of the Covid-19 pandemic on the creditworthiness of the trade debtors and each trade debtors whom was granted an extension is closely monitored for credit deterioration.

There are no other significant changes as compared to previous period.

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.

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.

22. FINANCIAL INSTRUMENTS (CONTI'D)

22.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2020.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2020			
Current (not past due)	14,150	–	14,150
1 - 30 days past due	1,590	–	1,590
31 - 60 days past due	750	–	750
61 - 90 days past due	498	–	498
Past due more than 90 days	289	–	289
	17,277	–	17,277
2019			
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 year are shown below:

Group	Trade receivables Credit impaired RM'000
Balance at 1 April 2018	153
Net remeasurement of loss allowance	87
Amounts written off	(240)
Balance at 30 June 2019/1 July 2019	–
Net remeasurement of loss allowance	63
Amounts written off	(63)
Balance at 30 June 2020	–

As at 30 June 2020, none of the trade receivables written off are still subject to enforcement activity.

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (Cont'd)

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 a government agency. Consequently, the Group and the Company are of the view that the loss allowance is not material and therefore, it is not provided for.

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 RM24,237,000 (2019: RM31,248,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

For leasing of certain boutiques, 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 obligations 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 lease 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.

Notes to the Financial Statements (cont'd)

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 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 reimbursable amount 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.

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (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	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2020			
Low credit risk	356	–	356
2019			
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 year is shown below:

Company	Credit impaired RM'000
Balance at 1 April 2018	–
Net remeasurement of loss allowance	8
Balance at 30 June 2019/1 July 2019	8
Net reversal of loss allowance	(8)
Balance at 30 June 2020	–

22. FINANCIAL INSTRUMENTS (CONT'D)

22.5 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, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Covid-19 pandemic and the enforcement of the movement restrictions by the GoM between March 2020 to June 2020 have affected the Group's liquidity position as revenue-generating activities were restricted during the period of movement restrictions imposed, and the effects may continue to linger around for the foreseeable future. Several steps taken by the Group to respond to possible future liquidity constraints arising from the impact of the Covid-19 pandemic include the following, amongst others:

- reducing capital expenditures and operating expenses.
- monitoring the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables, with an aim to match and coincide the receipts and payments.
- deferring payments to trade payables and negotiating for longer credit terms.
- negotiating for moratoria from banks on repayment obligations that are going to be due.
- securing rent concessions from the lessors for certain boutique leases.
- negotiating for reductions in royalties payable to licensors.

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

22. FINANCIAL INSTRUMENTS (CONT'D)

22.5 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/ discount rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
Group						
2020						
Non-derivative financial liabilities						
Trade and other payables	38,193	–	38,193	38,193	–	–
Lease liabilities	1,388	2.62 - 8.05%	1,473	1,215	222	36
Term loans - secured	2,890	*	3,204	1,159	1,145	900
Bank overdrafts - secured	1,641	**	1,641	1,641	–	–
Bankers' acceptances - secured	19,706	3.23 - 5.27%	19,706	19,706	–	–
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	–	–

* 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

22. FINANCIAL INSTRUMENTS (CONT'D)

22.5 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				
2020				
Non-derivative financial liabilities				
Other payables	171	–	171	171
Financial guarantees	–	–	24,237	24,237
2019				
Non-derivative financial liabilities				
Other payables	260	–	260	260
Financial guarantees	–	–	31,248	31,248

22.6 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.

22.6.1 Currency risk

The Group is exposed to foreign currency risk on reimbursement receivable from the Group's licensor, and marketing fund and royalties payable 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:

	2020 Denominated in		2019 Denominated in	
Group	**USD RM'000**	**SGD RM'000**	**USD RM'000**	**SGD RM'000**
Other receivables	817	–	599	–
Trade and other payables	(8,925)	–	(6,389)	(33)
	(8,108)	–	(5,790)	(33)

22. FINANCIAL INSTRUMENTS (CONT'D)

22.6 Market risk (Cont'd)

22.6.1 Currency risk (Cont'd)

Currency risk sensitivity analysis

A 10% (2019: 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	
Group	**Year ended 30.6.2020 RM'000**	**1.4.2018 to 30.6.2019 RM'000**
USD	616	440
SGD	–	3

A 10% (2019: 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.

22.6.2 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.

22. FINANCIAL INSTRUMENTS (CONT'D)

22.6 Market risk (Cont'd)

22.6.2 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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fixed rate instruments				
Financial assets	19,687	15,889	356	2,029
Financial liabilities	(19,706)	(20,431)	–	–
	(19)	(4,542)	356	2,029
Floating rate instruments				
Financial liabilities	(4,531)	(11,019)	–	–

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			
Group	**50 bp increase Year ended 30.6.2020 RM'000**	**50 bp decrease Year ended 30.6.2020 RM'000**	**50 bp increase 1.4.2018 to 30.6.2019 RM'000**	**50 bp decrease 1.4.2018 to 30.6.2019 RM'000**
Floating rate instruments	(17)	17	(42)	42

22. FINANCIAL INSTRUMENTS (CONT'D)

22.7 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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2020										
Financial liabilities										
Term loans	–	–	–	–	–	–	(2,765)	(2,765)	(2,765)	(2,890)
2019										
Financial liabilities										
Finance lease liabilities	–	–	–	–	–	–	(207)	(207)	(207)	(202)
Term loans	–	–	–	–	–	–	(4,149)	(4,149)	(4,149)	(4,161)

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.

23. 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. In particular for the current financial year, the Directors view sound capital management as essential and imperative to ensure that the Group comes through the current difficult Covid-19 situation as disclosed in Note 26(a) intact. 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	**2020 RM'000**	**2019 RM'000**
Loans and borrowings	13	24,237	31,450
Lease liabilities		1,388	–
Total debt		25,625	31,450
Total equity		69,142	92,007
Debt-to-equity ratio		0.37	0.34

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

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.

24. CONTINGENT LIABILITY

Ongoing 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 then alleges that the Company is liable for the sum.

The Company has filed its defence on 19 September 2019 and the matter was heard before the Court on 12 February 2020 and the matter is currently pending for the Court's decision at a date to be determined by the Court. However, based on the documents given, the solicitors believe the Company has an even chance of defending the case.

25. 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 relationship with its subsidiaries, companies in which a former Director has significant financial interests 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 10 and 14.

25. RELATED PARTIES (CONT'D)

Significant related party transactions (Cont'd)

		Group		Company	
		Year ended 30.6.2020 RM'000	**1.4.2018 to 30.6.2019 RM'000**	**Year ended 30.6.2020 RM'000**	**1.4.2018 to 30.6.2019 RM'000**
A.	**Subsidiaries**				
	Net advances to subsidiaries	–	–	3,006	4,539
	Interest income	–	–	(232)	(570)
B.	**Companies in which a former Director has significant financial interests**				
	Sale of goods (net of selling and distribution expenses)	(2,858)	(2,957)	–	–
	Purchase of goods	6	23	–	–
	Sub-licensing income	(57)	(63)	–	–
C.	**Key management personnel**				
	Directors				
	Directors' fee	96	156	96	156
	Directors' remuneration	345	440	45	55
	Post-employment benefits	32	41	–	–

The estimated monetary value of Directors' benefit-in-kind is RM13,000 (2019: RM13,000).

26. SIGNIFICANT AND SUBSEQUENT EVENTS

(a) The coronavirus ("Covid-19") pandemic was announced by the World Health Organisation in March 2020 given the outbreak of the virus in countries across the world including Malaysia. The Covid-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts.

The Group's operations were affected by the Covid-19 pandemic and enforcement of the Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") between 18 March 2020 until 9 June 2020 coupled with the implementation of additional standard operating procedures by the GoM, affecting all of the Group entities' outlets and customers traffic. As a result, the Group recorded a decline in sales by approximately 66% for the period between April 2020 to June 2020 as compared to the corresponding period of the preceding financial period. The change in economic conditions has also resulted in the Group revising its forecasts for future financial years, and accordingly provided a full impairment of goodwill and trademark totalling RM25.2 million during the year (see Note 6).

26. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D)

To alleviate the effects of the Covid-19 pandemic, the Group has taken necessary mitigation measures as discussed in Note 22.5 *Liquidity Risk* to respond to potential future liquidity constraints. The Group has also received several financial reliefs and assistance in the form of government grants (Note 18b), rent concessions (Note 27.2) and moratoria on loans and borrowings (Note 13). In September 2020, the Group further secured approval from a bank to restructure its existing bankers' acceptances facilities to a twelve-month term loan.

Due to the fluidity of the situation, the Covid-19 pandemic is expected to continue to have an effect on the Group's business operations over the next 12 months. However, the Group is actively monitoring and managing its operations to minimise any impacts that may arise from the Covid-19 pandemic and believe that there is no significant uncertainty on the ability of the Group to continue as a going concern until the situation recovers.

(b) The Company has completed the private placement program approved by the shareholders of the Company on 26 November 2019 to issue new ordinary shares of up to 30% of the issued share capital of the Company ("the Placement Shares") to independent third party investor(s), following the listing of and quotation for 15,000,000 Placement Shares at an issue price of RM0.22 per Placement Share, being the second tranche, on the Main Market of Bursa Malaysia Securities Berhad on 24 September 2020, and raised a total of RM3,300,000.

27. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group adopted MFRS 16, and also early adopted the amendment to MFRS 16 which is effective for annual periods beginning on or after 1 June 2020.

27.1 MFRS 16, *Leases*

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee

Where the Group is a lessee, the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application, if any, as an adjustment to the opening balance of retained earnings at 1 July 2019.

At 1 July 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 July 2019. The weighted-average rate applied is 8.00%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

27.1 MFRS 16, *Leases* (Cont'd)

As a lessee (Cont'd)

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 July 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 July 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

Impacts on financial statements

Since the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 July 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 30 June 2019, and lease liabilities recognised in the statement of financial position at 1 July 2019.

	RM'000
Operating lease commitments at 30 June 2019 as disclosed in the Group's consolidated financial statements	3,032
Discounted using the incremental borrowing rate at 1 July 2019	2,341
Finance lease liabilities recognised at 30 June 2019	202
Lease liabilities recognised at 1 July 2019	2,543

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

27.2 Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions*

The Group has early adopted the amendment to MFRS 16. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether rent concessions that are a direct consequence of the Covid-19 coronavirus pandemic are lease modifications.

The above-mentioned practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group negotiated rent concessions with its lessors for the majority of its boutique leases as a result of the impact of the Covid-19 pandemic during the year. The Group applied the practical expedient for Covid-19-related rent concessions consistently to eligible rent concessions relating to its boutique leases.

Impacts on financial statements

The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 July 2019.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for Covid-19-related rent concessions is RM100,000.

28. COMPARATIVE FIGURES

In the previous 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 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 current financial year ended 30 June 2020. Accordingly, 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.

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 64 to 128 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 2020 and of their financial performance and cash flows for the financial year 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: 8 October 2020

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 64 to 128 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 8 October 2020.

....
Lui Boo Hock

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MESB BERHAD

(Registration No. 199501008356 (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 2020 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 128.

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 2020, and of their financial performance and their cash flows for the financial year 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' *International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Independent Auditors' Report for the Financial Year Ended 30 June 2020 (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 year. 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 6 – Intangible assets	
The key audit matter	**How the matter was addressed in our audit**
At 30 June 2020, the Group has recognised full impairment on goodwill arising from a cash-generating unit ("CGU") of RM24.67 million as the CGU's operations were affected by the Covid-19 pandemic and enforcement of movement restrictions and the implementation of additional standard operating procedures by the Government of Malaysia to curb the pandemic, resulting in the Group revising its forecasts for future financial years. Impairment of goodwill is considered to be a key audit matter due to the significance of the goodwill amount to the Group's consolidated financial statements 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 ("VIU") 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 VIU 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 in the cash flow projections; and • We evaluated 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 9 – 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 balance as at 30 June 2020 is RM68.8 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 latest 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.

Independent Auditors' Report for the Financial Year Ended 30 June 2020 (cont'd)

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 for the Financial Year Ended 30 June 2020 (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, actions taken to eliminate threats or safeguards applied.

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 year 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

Eric Kuo Sze-Wei
Approval Number: 03473/11/2021 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 8 October 2020

LIST OF PROPERTIES
as at 30 June 2020

Location	Description/ Existing use	Tenure	Approximate Land/ Built-up area (square feet)	Age of Properties/ Buildings (Years)	Net Book Value As At 30/06/2020 (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	2,239	5 June 2020
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	455	18 June 2020

ANALYSIS OF SHAREHOLDINGS
as at 1 October 2020

Type of Securities	:	Ordinary Shares
Issued Share Capital	:	106,100,000 Ordinary Shares
Voting Rights	:	One (1) vote per Ordinary Share
Number of Shareholders	:	1,753

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares held	%
Less than 100	32	1.83	991	0.00
100 to 1,000	101	5.76	47,808	0.05
1,001 – 10,000	1,062	60.58	4,603,100	4.34
10,001 – 100,000	471	26.87	14,843,451	13.99
100,001 – less than 5% of issued shares	84	4.79	60,897,954	57.40
5% and above of issued shares	3	0.17	25,706,696	24.22
Total	**1,753**	**100.00**	**106,100,000**	**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	0.02	18,411,148 [1]	17.35
2.	Tan Sok Gim	–	–	18,435,146 [1]	17.38
3.	Angsana Inai Sdn. Bhd.	18,411,148	17.35	–	–
4.	Konwa Industrial Sewing Machine (M) Sdn. Bhd.	7,271,550	6.85	–	–
5.	Lim Chin Hua Holdings Sdn. Bhd.	–	–	7,271,550 [1]	6.85
6.	Lim Chin Hua	–	–	7,271,550 [1]	6.85
7.	Lee Kuai Fong	–	–	7,271,550 [1]	6.85

(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 AS AT 1 OCTOBER 2020
(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	17.35
2.	Konwa Industrial Sewing Machine (M) Sdn. Bhd.	7,271,550	6.85
3.	Wong Sak Kuan	5,265,000	4.96
4.	Lee Wai Fun	4,485,000	4.23
5.	Yew Kuok Yee	3,804,406	3.59
6.	Yau Ming Teck	3,750,000	3.53
7.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ng Geok Wah*	3,000,000	2.83
8.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Heng Kear Huat*	2,455,500	2.31
9.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. *Exempt An for UOB Kay Hian Pte Ltd*	2,009,600	1.89
10.	RHB Capital Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lay Sook Hwey*	2,000,000	1.89
11.	RHB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chong Kee Son*	1,560,700	1.47
12.	Jia Teck Industries Sdn. Bhd.	1,557,900	1.47
13.	Teoh Teng Guan	1,556,900	1.47
14.	Ang Kean Liang	1,500,000	1.41
15.	Chui Mee Chuen	1,500,000	1.41
16.	Teoh Teng Chye	1,500,000	1.41
17.	Tan Yun Harn	1,282,700	1.21
18.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Gim Leong*	1,260,150	1.19
19.	Teoh Teng Guan	1,089,700	1.03
20.	Hiew Siew Chin	1,080,000	1.02
21.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tan Kai Boon*	1,000,000	0.94
22.	Woo Wai Onn @ Foo Wai Onn	1,000,000	0.94
23.	Hoe Kian Choon	844,900	0.80
24	Amsec Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tay Eng Tong*	685,000	0.65

Analysis of Shareholdings (cont'd)

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 1 OCTOBER 2020 (CONT'D)

(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name	No. of Shares	%
25	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Heng Kear Huat*	604,700	0.57
26	Soon Peng Len	600,000	0.57
27	Too Sin Leong	600,000	0.57
28	UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. *Exempt An for UOB Kay Hian Pte Ltd*	585,000	0.55
29	Yong Yock Lin	572,100	0.54
30	Sim Kha Poh	500,000	0.47
		73,331,954	69.12

ANALYSIS OF WARRANT HOLDINGS
as at 1 October 2020

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	74	5.36	3,804	0.01
100 to 1,000	252	18.25	179,125	0.44
1,001 – 10,000	739	53.51	2,370,612	5.79
10,001 – 100,000	258	18.68	9,087,809	22.19
100,001 – less than 5% of issued warrant	54	3.91	16,968,375	41.43
5% and above of issued warrant	4	0.29	12,340,275	30.14
Total	**1,381**	**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 AS AT 1 OCTOBER 2020
(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name	No. of Warrants	%
1.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Gim Leong*	4,998,675	12.21
2.	Poh Wei Liang	2,838,600	6.93
3.	Yong Yock Lin	2,415,000	5.90
4.	Yeoh Beng Huat	2,088,000	5.10
5.	Jia Teck Industries Sdn. Bhd.	1,123,100	2.74
6.	Er Soon Puay	1,092,300	2.67
7	Inter-Pacific Equity Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Liang Tek Ling*	799,750	1.95
8	Tsang Kian Hoe	772,700	1.89

Analysis of Warrant Holdings (cont'd)

LIST OF TOP THIRTY (30) WARRANT HOLDERS AS AT 1 OCTOBER 2020 (CONT'D)

(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name	No. of Warrants	%
9.	Hoe Kian Choon	545,500	1.33
10.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tam Kian Kwang*	508,400	1.24
11.	Mohd Jamel Bin Abdul Munin	500,000	1.22
12.	RHB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Michael Hii Lu Pang*	500,000	1.22
13.	Tan Wei Shan	485,900	1.19
14.	Ding Nyok Choo	450,000	1.10
15	Oon Phaik Siew	450,000	1.10
16.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. *Exempt An for UOB Kay Hian Pte Ltd*	445,050	1.09
17.	Aminaddin bin Zakaria	441,400	1.08
18.	Fadhli Bin Sulaiman	434,000	1.06
19.	UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. *Exempt An for UOB Kay Hian Pte Ltd*	400,000	0.98
20.	Hanafi Bin Hamdan	390,600	0.95
21.	Tay Eng Tong	390,000	0.95
22.	T'ng Chiang Ee	371,000	0.91
23.	Muhammad Arif Bin Tukiman	356,900	0.87
24.	Mohd Farid Bin Mohd Fahmi	350,000	0.85
25.	Maybank Nominees (Tempatan) Sdn. Bhd. *Tony Chew*	342,700	0.84
26.	Goh Boon Leong	300,000	0.73
27.	Jazli Izzuddin Bin Jamaludin	280,000	0.68
28.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ling Hwa Chai (E-TCS)*	270,000	0.66
29.	Rafiza Binti Haji Ghazali	263,000	0.64
30	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tan Chung Ching (E-PTS)*	250,000	0.61
		24,852,575	60.69

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MESB BERHAD

[Registration No. 199501008356(337554-D)]
[Incorporated in Malaysia]

PROXY FORM

I/We, ____ NRIC No./Passport No./Registration No. ____________________

of ____

being a member/members of MESB Berhad [Registration No. 199501008356(337554-D)] hereby appoints

Full Name (IN BLOCK LETTERS)	NRIC/ Passport No.	Address	Proportion of Shareholdings	
			No of Shares	(%)
* And/or (delete as appropriate)				

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-Fifth (25th) Annual General Meeting of the Company to be held at Level 2, Espira Sri Petaling (formerly known as Hotel Sri Petaling), 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur on Thursday, 17 December 2020 at 9:30 a.m. and at any adjournment thereof.

If you wish to appoint other person / persons to be your proxy / proxies, kindly delete the words "or failing him / her, THE CHAIRMAN OF THE MEETING" and insert the name / names of the person / persons desired.

Please indicate with an ("**X**") in the space provided, how you wish your vote to be cast in respect of the following resolutions. In the absence of specific directions, your proxy may vote or abstain at his/her discretion. If you appoint two (2) proxies, please specify the proportions of holdings to be represented by each proxy.

My/our proxy/proxies is/are to vote as indicated below:

Item	Resolutions		For	Against
1.	To re-elect Mr. Chua Jin Kau as a Director.	Ordinary Resolution 1		
2.	To re-elect Mr. Tan Yew Kim as a Director.	Ordinary Resolution 2		
3.	To approve the Directors' Fees for the financial year ended 30 June 2020.	Ordinary Resolution 3		
4.	To approve the payment of Directors' Remuneration for the period from 18 December 2020 until the conclusion of the next Annual General Meeting.	Ordinary Resolution 4		
5.	To re-appoint Messrs KPMG PLT as Auditors of the Company.	Ordinary Resolution 5		
6.	To approve Continuing in Office for Encik Saffie Bin Bakar as an Independent Non-Executive Director.	Ordinary Resolution 6		
7.	To approve Continuing in Office for Mr. Tan Yew Kim as an Independent Non-Executive Director.	Ordinary Resolution 7		
8.	Proposed Amendment to the Company's Constitution.	Special Resolution 1		
9.	To approve Authority to Issue and Allot Shares.	Ordinary Resolution 8		

Dated this ___________ day of ____________ 2020

No. of shares held	
CDS Account No.	
Contact No.	

....
Signature(s)/ Seal of Shareholder(s)

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. 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.
6. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Boardroom Share Registrars Sdn. Bhd. of 11th Floor, Menara Symphony, No. 5, Jalan Professor 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.
7. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.
8. The date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the meeting is on 11 December 2020.

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AFFIX
STAMP

THE SHARE REGISTRAR
MESB Berhad
c/o Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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