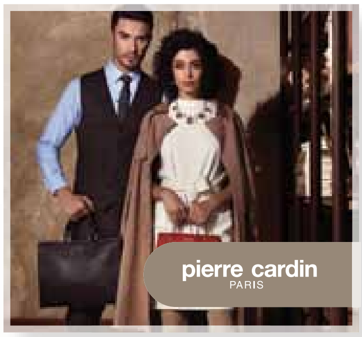
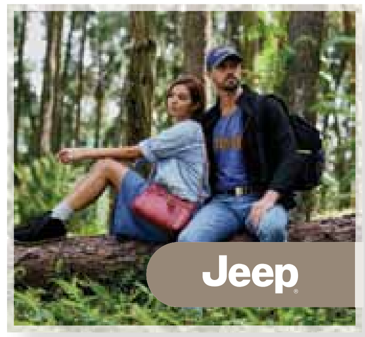
MESB
BERHAD

ANNUAL REPORT 2021


FERAUD
PARIS

pierre cardin
PARIS

Jeep

TOCCO
TOSCANO

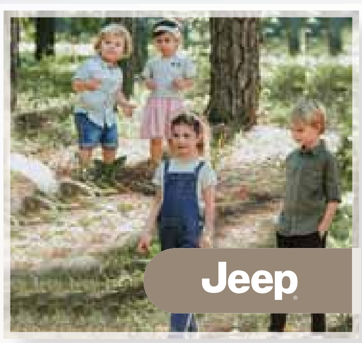
ALAIN DELON

DUCATI

GIAMAX

GIOSSARDI

Crocodile

DUCATI

Jeep

whatsBag

MESB

BERHAD

199501008356 (337554-D)

TABLE OF
CONTENTS

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)

Datuk Wong Sak Kuan
(Non-Independent Non-Executive Director)
Appointed on 21 December 2020

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

Third Floor, No. 77, 79 & 81
Jalan SS 21/60,
Damansara Utama
47400 Petaling Jaya
Selangor
Tel. No .: 03 - 7725 1777
Fax. No .: 03 - 7722 3668

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

Tea Sor Hua
(MACS 01324) (SSM PC NO. 201908001272)

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.
MESB Resources Sdn. Bhd.

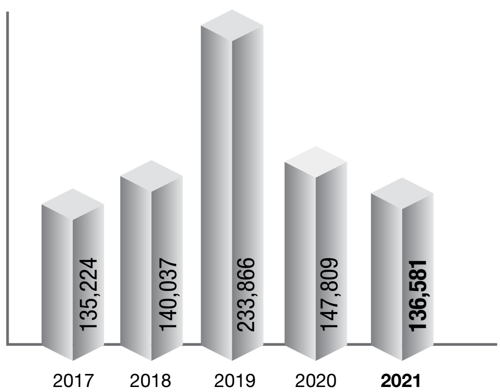
GROUP FINANCIAL HIGHLIGHTS

RM'000 (unless otherwise stated)

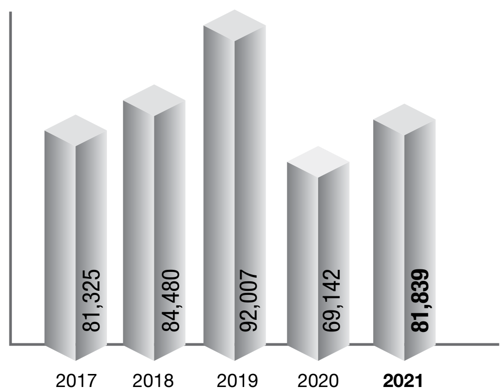
	12 months to March		15 months to June	12 months to June	
	2017	**2018**	**2019***	**2020**	**2021**
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Revenue	135,224	140,037	233,866	147,809	**136,581**
(Loss)/Profit for the year/period	(2,630)	(6,043)	7,527	(26,775)	**9,202**
(Loss)/Profit attributable to owners of the Company	(2,630)	(6,043)	7,527	(26,775)	**9,202**
Basic earnings/(loss) per share (sen)	6.26	(8.39)	9.19	(30.71)	**8.92**
STATEMENT OF FINANCIAL POSITION					
Total assets	133,393	129,635	157,835	132,960	**147,178**
Total liabilities	52,068	45,155	65,828	63,818	**65,339**
Net assets	81,325	84,480	92,007	69,142	**81,839**
Shareholders' equity	81,325	84,480	92,007	69,142	**81,839**
CASH POSITION					
Cash and cash equivalents	26,779	26,597	21,779	32,323	**44,187**

* FY2019 covers a fifteen-month period due to the change in the financial year end from March to June.

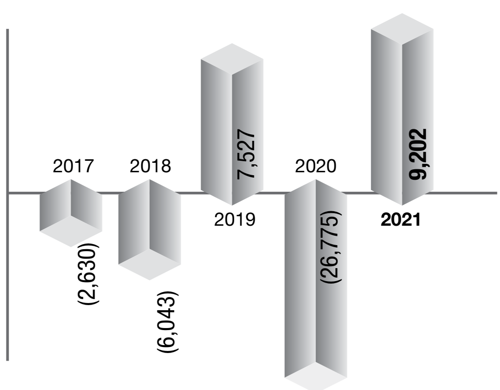
REVENUE (RM'000)



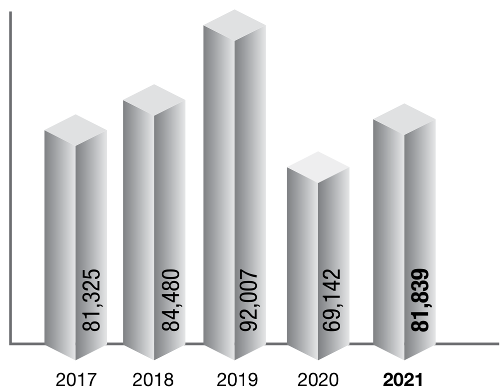
NET ASSETS (RM'000)



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



SHAREHOLDERS' EQUITY (RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE STRUCTURE

MESB BERHAD 199501008356 (337554 - D)

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

MESB Berhad operates in three business segments namely investment holding, retail and waste recycling through its subsidiaries.

The Retail Segment operates a range of retail fashion chains within the retail fashion markets in Malaysia. The Retails Segment offers products, including clothing for men, women, children and baby, plus a wide range of accessories, such as wallets, purses, handbags, backpacks and sling bags. Our ready-to-wear products cover every aspect of fashion. Our brand portfolio includes Pierre Cardin, Louis Feraud, Giamax, Jeep, J is for Jeep Brand, Alain Delon, Giossardi, Tocco Toscano, Crocodile, and Ducati.

Most of our products are supplied to major department stores on a consignment basis. As at 30 June 2021, we have 783 consignment counters at AEON, Parkson, The Store, Pacific, Isetan, SOGO, Metrojaya, Billion, and etc. We are also selling our products on outright basis to other retailers. Besides, we own 6 concept boutiques under the name of Whatsbag, selling leather products and related accessories. The boutiques are located at well-known shopping malls in Klang Valley, such as Sunway Velocity Mall, The Mines Shopping Mall, Mitsui Outlet, Melawati Mall, IOI City Mall, and SACC Mall.

In addition, the Group has provided its customers with access to a significant variety of retail products at its E-commerce site, www.miroza.com.my as well as on Lazada and Shopee.

Our waste recycling business includes collecting, sorting, recycling and distribution of scrap and waste materials, such as wastepaper, plastics scrap and scrap ferrous metal. The sorted and recycled materials are distributed to plastic resin and paper manufacturers as well as other larger second hand scrap dealers.

OUR VISION

To be the trend leading retailer with exceptional portfolio of brands by delivering the quality products to the customers.

OUR MISSION

To enhance customer experience and satisfaction by creating an innovative and dynamic team in elevating the product quality and designs with healthy work ethic.

FINANCIAL SUMMARY

Group

	As at 30 June 2021 RM'000	As at 30 June 2020 RM'000
Statement of Profit or Loss and Other Comprehensive Income		
Revenue	136,581	147,809
Profit/(Loss) for the year	9,202	(26,775)
Profit/(Loss) attributable to owners of the Company	9,202	(26,775)
Basic earnings/(Loss) per ordinary share (sen)	8.92	(30.71)
Statement of Financial Position		
Total assets	147,178	132,960
Total liabilities	65,339	63,818
Total equity	81,839	69,142
Equity attributable to owners of the Company	81,839	69,142

FINANCIAL REVIEW

The Group delivered a better set of operating results even though Group revenue decreased by 7.60%, from RM147.81 million to RM136.58 million. The third wave of the Covid-19 pandemic has significantly distorted our trading and operations in all our businesses, particularly retailing business. Notably, the revenue recorded by the Group in 2nd quarter of FY2021 (which is a peak season) has declined by 45% as compared with the revenue recorded in 2nd quarter of FY2020. The decline in revenue was mainly due to the widespread temporary retail store closures imposed by the Government to curb the pandemic.

Notwithstanding the temporary store closures imposed by the Government during the financial year under the Movement Control Order, the Retail Segment delivered an increase in profit before taxation of RM11.52 million in the current financial year ended 30 June 2021, as compared to a loss before taxation of RM26.24 million in the previous financial year ended 30 June 2020. The significant turnaround from loss to profit was mainly due to the impairment losses on intangible assets recognised in the previous financial year.

The significant cost savings and the workforce reduction in have resulted in reduction in the Group's operation expenses from RM83.35 million in the previous financial year to RM66.11 million in the current financial year.

Despite the unprecedented challenges, the Group has diversified into waste recycling business. The new waste recycling business has been included in our consolidated results of operations starting in 4th quarter of the current financial year ended 30 June 2021, which the Segment has reported a segment profit of RM0.11 million and revenue of RM1.10 million.

In terms of investment holding segment, the level of business activities remains minimal, and reported a loss before interest and tax amounting of RM0.845 million.

Statement of Cash Flows

The Group reported a net cash inflow from operating activities of RM16.29 million in FY2021 (2020: RM15.20 million). As a result, the Group's cash and cash equivalents (net of pledged deposits) increased by RM11.28 million to RM22.28 million as at 30 June 2021 from RM11.00 million as at 30 June 2020.

Management Discussion and Analysis
(Cont'd)

FINANCIAL REVIEW (CONT'D)

Statement of Financial Position

As at 30 June 2021, the Group's net assets increased to RM81.84 million from RM69.14 million as at 30 June 2020. This was mainly due to the increase in receivable and cash and bank balances and repayment of bank borrowings, partially offset by the increase in payable balances.

COVID-19 PANDEMIC

FY2021 was a challenging year for the Malaysian economy as the COVID-19 pandemic put a halt to many economic activities. In the battle against the COVID-19 pandemic, governments around the globe have imposed unprecedented lockdown measures to contain the spread of COVID-19.

The unprecedented COVID-19 pandemic has caused uncertainties in markets worldwide, resulting in shoppers switching to online purchases. The COVID-19 pandemic led to significant disruptions in the supply chain with the public health restrictions imposed by the government. Throughout the entire period until herd immunity is achieved, the risk of COVID-19 resurgence could hamper the country's economic recovery process as well as the Group's businesses.

The group has successfully navigated through many critical challenges during the pandemic including multiple times of closure of economic activities and lockdown. The Group has put in place various health and safety measures such as implementation of standard operating procedures on social distancing, sanitisation and hygiene practises as well as close monitoring on daily temperature screening of its employees and visitors. The Group will continue to adhere and adapt to the new normal and emphasize on safe working conditions to minimise exposure to health and safety hazard among its employees and business partners.

RISK AND EXPOSURE

We operate in a fast-paced business environment. In order to sustain or stand out in such environment, the Group has considered the possible risks and exposures. This pandemic has caused uncertainties in markets worldwide with a significant shift in shoppers' behaviour. The Group shall be ready with a wide range of measures to mitigate the effects of the pandemic on business and financial performance.

Competition

The pandemic has brought about a shift in customer and consumer behaviour. The acceleration and adoption of digitisation meant that the Group's marketing division needs to get onboard digital platforms to accommodate new business norms to stay relevant and competitive. The team has realigned its focus on product offerings and marketing strategies to best suit trends in a post-coronavirus world.

The fashion retail industry is highly competitive and evolving rapidly. Across all our products and brands, we face competition from different aspects which included domestic and foreign retailers, manufacturers and brand owners. With the evolution of digital world, we expect the E-commerce business to have become highly competitive as well, as customers are now able to make better product and price comparison easily online.

We mitigate the risk by constantly monitoring changes in the above conditions and the subsequent impact to consumer market of our products. We will seek to improve our competitiveness in our product launches and promotions according to such changes in the market and consumer sentiment.

Management Discussion and Analysis
(Cont'd)

RISK AND EXPOSURE (CONT'D)

Brand and Loyalty
The Group face a risk in limiting the exposure of the existing portfolio of brands and products in order to stay competitive in the market. The impact of brand loyalty is significant to the retailing segments as it will create brand prioritizing mindset in customers.

In order to keep the customer loyalty to the brand, we continuously enhance the product quality and innovate the design of the product according to the market needs and trend. We constantly improve our customer service to maintain customer satisfaction. Meanwhile, we will collect customer feedback and market survey, in order to sustain the loyalty.

Seasonal
The Group's core business is subject to the seasonal fluctuations in customer spending due to the festive and holiday seasons. Any risk occur during the said seasons may adversely affect the performance of the segment and cause a high level of inventory.

The Group constantly reviews the marketing strategies and inventory level in order to maintain a healthy level of the inventory. We will make necessary markdown if the products are not performing within the relevant timeframe, this is to make sure that the product quality has not deteriorated and to minimise obsolete stocks. We monitor the stock impairment and stock write-off policies from time to time.

Strategic Investments
To ensure a sustainable growth, the Group will not only focus in organic growth of the business but will also explore new brands and innovation to enhance the Group's portfolio of brands.

The Group continuously looks out for new ventures whether within or outside its core business. This will undoubtedly create uncertainties as new areas are being explored and tested.

New investments will pose both challenges and opportunities to the Group. To minimize any potential losses from such new ventures, the Group will carry out proper due diligence process, identify the suitable acquisition targets and in depth evaluation prior to making any new investment decision. Subsequently, the Group will continue to monitor the progress and manage post-acquisition.

Recruiting Qualified Personnel
Qualified personnel is one of the key indicators of success to the Group. The risk relates to the retention of talented staffs which may affect the business growth. To avoid any interruption in the business during the replacement period, the Group has to ensure the operational and managerial structures are capable to sustain the continuity of the business by creating a healthy and ethical working environment for the key personnel and the employees of the Group.

Information Systems
In a digital world, information systems are commonly used in the business world in order to carry out the business operations and to interact with customers and other stakeholders. The risk of information system includes hardware and software failure, human error, spam, viruses, security breaches and malicious attacks, as well as natural disasters such as fires, floods, and cyclones.

Management has put in place the cyber security policies in order to mitigate these risks.

Management Discussion and Analysis
(Cont'd)

RISK AND EXPOSURE (CONT'D)

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 which affected the financial position of the Group.

To mitigate the risk, the Group has put in place stringent credit control procedures to evaluate, review, and monitor all potential new debts and also current debts owed by its customers. The Group's policy of only delivering to credit worthy customers after detailed evaluation of customers' financial position helps to minimize occurrence of bad debts.

Foreign exchange fluctuation is another financial risk that the Group monitors regularly which affected the freight charges and purchasing budgets.

External Risk
The Group's business is dependent on the global economy and economic conditions of the market. The uncertain economy condition may affect consumers spending behaviour which in the end will affect the Group's business and financial performance.

The Group will face a challenge in forecasting the future performance in light of the uncertain economic conditions.

The Group monitors the level of its exposure and take necessary actions to mitigate the risk and minimise the impact to its financial performance.

Third Party Risk
Our merchandises are mainly sourced from third party suppliers. The Group may suffer a high cost in purchasing which may affect the gross profit margin. Hence, the Group sources from a few suppliers to reduce the risk of interruption in operation due to delays in the delivery of goods. The Group also makes sure the suppliers are well communicated and assessed on a yearly basis in order to maintain their quality of work.

Our brands are mostly under intellectual property of third-party, where the brands are required to be renewed on a contract basis with the applicable terms and conditions. The Group will make sure we have fulfilled the contract and keeps close relationship with licensor in order to mitigate the risk of discontinuation of the contract.

Fluctuations in commodity prices
The final products that are commonly traded in the waste recycling business are wastepaper, plastic scrap and scrap ferrous metal, which are subject to global commodity price fluctuation and the risk of any unfavorable price changes will directly affect the profitability of the waste recycling business if the Group is unable to pass through such incremental costs to the customers. In order to mitigate the risk of the fluctuations in commodity prices risk, the group will closely monitor the inventory turnover periods.

BUSINESS OVERVIEW

The financial and operation impact of the COVID-19 pandemic was most severe during the period of 8 March 2020 to 3 May 2020, period of 13 January 2021 to 18 February 2021 and subsequently period of 1 June 2021 to Mid-August 2021 due to the non-essential retail stores being forced to shut down for a long period of time.

The Group has capitalised on the operating scenario in FY2021 to seek opportunities to rationalise its organisational structure and yield cost and operational efficiencies. The new normal of FY2021 presented an impetus to the Group to better understand customer demand, to target the right customer segments and develop more incisive customer insights towards better understanding of consumption patterns and customer behaviour.

The temporary closures of retail stores, "stay at home" health directives and ongoing government implementation of social distancing, have significantly changed customer shopping behaviour. Customers are increasingly choosing to shop online in this highly uncertain environment.

BUSINESS OVERVIEW (CONT'D)

Over the past years, the Group has ramped up its presence in the digital space and intends to maximise this significant swing in customer shopping behaviours. Beyond commercial motivation, our strategic response was also driven by an innate desire to help consumers during the most difficult period for many, and to close the gaps within the present retail model.

To weather the uncertainty from this global health crisis, the Group continues to strive for better insights into new consumption patterns in accordance with the new normal by developing products and pricing strategies relevant to the current behaviour patterns of consumers.

The various efforts taken have enabled the emergence of a more competitive, agile, robust and more consumer attuned MESB. The improvements made in FY2021 will place the Group on a stronger stead, which will ultimately translate into sustainable business and operational performance going forward.

The Group will continue to review and re-strategize its marketing plan. To ensure a sustainable growth, the Group will be on continuous look out for new ventures whether within or outside its core business. This will undoubtedly create uncertainties as new areas are being explored and tested.

Taking into careful consideration the current and future prospects of the existing business of the Group, the management took proactive steps to diversify and venture into waste recycling business by capitalising on opportunities arising from the current COVID-19 pandemic.

The Group's new venture, the waste recycling business was commenced on 4th quarter of FY2021, and focuses on collection of recycle wastepaper, plastic scrap and scrap ferrous metal. The Group procures from suppliers of residential and commercial sector and subsequently sorts, bundles and sells it to plastic resin manufacturers, paper mill and other larger second-hand scrap dealer.

In terms of workplace, the Group responds to the COVID-19 pandemic by prioritising the safety 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. Sustainability Statement has highlighted our measures to protect our employees from COVID-19.

OUTLOOK

Despite the continued effects of the COVID-19 pandemic on the global and domestic economy, the Group maintains a positive outlook on growth prospects for the nation's economy, the domestic retail sector as well as the Group's prospect for the next financial year.

Economic growth in FY2021 is expected to revert to a positive trajectory, with early estimates from January 2020 to December 2020 indicating gross domestic product ("GDP") growth of 5.6% being a possibility. Consistent with a pick-up in economic performance, the retail sector is also expected to see improvement in growth for the full year. The Government's various initiatives to stimulate the economy would deliver a strong multiplier effect. Besides, the Government's efforts towards the reopening of Malaysian economy would restore disposable incomes, which could directly benefit the Group's businesses.

In addition, we expect baby and innerwear products to remain as essential items for consumers in their shopping list. We are optimistic that our initial investments to adopt e-commerce will continue to bear fruits in the coming year. We are prepared to take advantage of a rebounding economy given that we have an improving balance sheet. Management shall remain focused and vigilant in resolving challenges in these new normal times as we continuously balance the needs to be safe and to make a living for all.

The waste recycling business outlook and prospect remain bright, as the National Solid Waste Management Policy 2016 has targeted a national recycling rate of 22% by 2020. However, in year 2019 the Malaysian recycling rate was 28.1% which exceeded the target set. This was due to the government initiative and awareness among Malaysian citizens. However there is still room for improvement as other countries within the Asia region such as South Korea and Singapore recorded recycling rate of 53.7% and 34% respectively.

SUSTAINABILITY STATEMENT

INTRODUCTION

MESB Berhad ("MESB" or "Group") recognises the importance of sustainability as one of the key-drivers for long term business growth where success is defined by more than financial profits, especially with the recent pandemic which has affected every facet of our business operations as well as our supply chain. The Group is mindful of the need to develop our business in a sustainable and responsible manner and endeavours to practice, preserve and promote activities that will continuously contribute to and benefit the Economy, Environment and Society ("EES") today and in the future.

ABOUT THIS STATEMENT

All references to "MESB" or "Company" in this Statement are to MESB Berhad, references to "MESB Group" or "Group" are to MESB and its subsidiaries, and references to "Board" are to the Board of Directors of MESB. All references to "we", "us", "our" and "ourselves" are to MESB, or where the context requires, MESB Group.

The information reported in this Sustainability Statement ("SS") covers the period from 1 July 2020 to 30 June 2021, which coincides with the Group's financial year. This SS covers our sustainability performance and initiatives of all business operations of the Group. We engulf our scope and boundaries throughout all our entities and operations in Malaysia as the Group is advised by external consultants in assisting us on how we can better ourselves towards sustainability.

REPORTING STANDARDS

This SS covers our responsibilities to our stakeholders and the contributions we have made to sustainable development during the financial year ended ("FYE") 2021. This SS is prepared in accordance with the "Core" option of the Global Reporting Initiative ("GRI") reporting guidelines and cited in reference to Bursa Securities Sustainability Reporting Guide.

Through this SS, we aim to provide our stakeholders, including investors, customers, employees, suppliers, non-government organisations (NGOs) and local communities, with EES information about our Group. We believe while we increased transparency and disclosure, it will strengthen trust and relationship with our stakeholders.

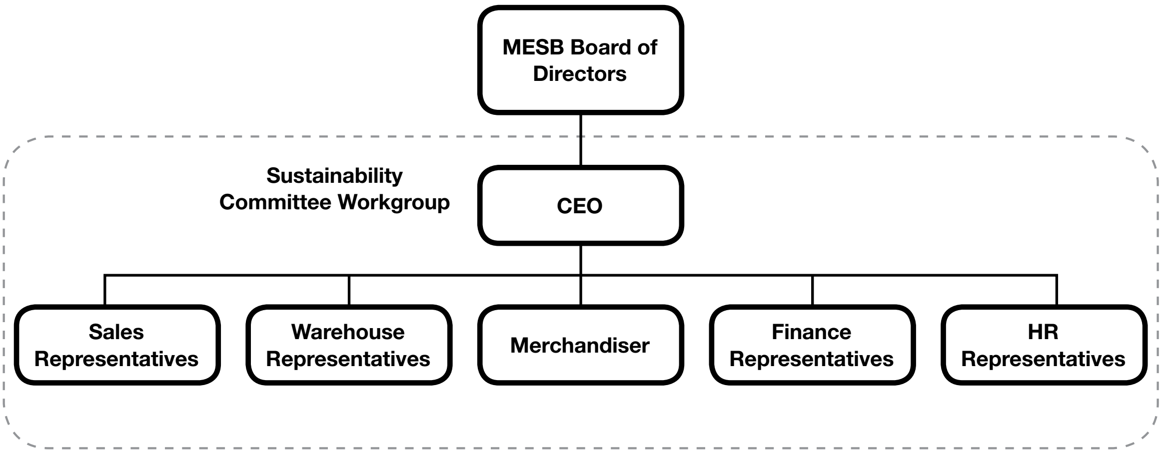
GOVERNANCE OF THE SUSTAINABILITY

Good corporate governance means having structures and processes in place to ensure that decisions and actions are in the best interests of stakeholders. The Board acknowledges the importance of business sustainability and its responsibility towards EES by dedicating a Sustainability Committee Workgroup ("SCW") comprising the respective heads of departments. The SCW is 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 Board reviews and assesses the strategic directions required and adopts policy that promotes long term positive growth. The Group's sustainability agenda is governed by the SCW.

We as a Group continually practice prudence and to be on track in delivering quality growth and being cautious of risks and challenges coming to light, notably as such the emergence of the COVID-19 pandemic. Our determination is focused upon integrating sustainability matters into our business to help balance the impacts towards the environment and society that we operate in.

Sustainability Statement
(Cont'd)

ORGANISATION STRUCTURE FOR SUSTAINABILITY

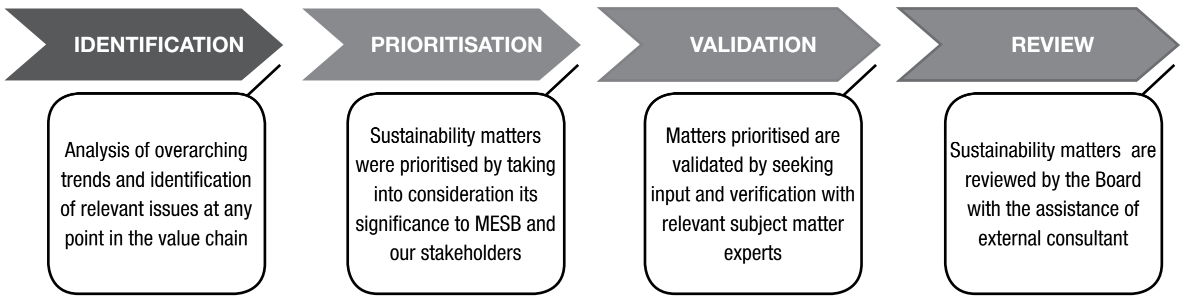


MATERIALITY ASSESMENT PROCESS

A materiality assessment is key to support MESB in understanding and focusing our resources to address and manage our material sustainability matters.

In order to identify our prioritized sustainability issues, we conduct our materiality assessment to measure possible impacts on the Group and our stakeholders. The materiality assessment workshop was conducted with key internal stakeholders, including the SCW and management team, providing their views and advice in relation to the materiality study where they will determine the objectives and scope of the sustainability reporting.

The materiality assessment process is summarised in diagram below:



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 adaptive 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.

Sustainability Statement
(Cont'd)

MATERIALITY SUSTAINABILITY MATTERS

Identifying the Group's EES matters that have material impact is key to formulate and implement sustainable strategies. The materiality sustainability matters were generated based on the importance of material sustainability issues to stakeholders and to the business operation and are shown as below:

Sustainability Pillars	Material Matters	Priority
	Corporate Governance	**High**
	Optimisation/Resources	**High**
	Market Condition	**High**
	Safety	**High**
	Quality	**High**
	Customer Satisfaction	**High**
	Reputation	**High**
	Procurement	**High**
	Product Mix and Social Media	**High**
	COVID-19	**High**

These identified material sustainability matters are managed through the three sustainability pillars, illustrated as below:

Economic

Contributing to the local economy through business excellence

Environment

Protecting and minimising impact to the environment

Social

Focuses on how we cater to and manage the needs of our employees, customers and wider society

CORPORATE GOVERNANCE

Code of Ethics

Our commitment to upholding fair labour practices and protection of human rights is embedded within our Sustainability Policy and Code of Ethics for the Group ("Code"). As a responsible organisation, we strive to ensure our operations are free from unethical labour practices such as forced labour, child labour, slavery, human trafficking, sexual harassment and all types of discriminatory practices. Further, we also ensure our business activities are in compliance with all relevant employment and labour laws in Malaysia.

All the Directors and employees of the Group are obliged to make an active contribution and its observance of the Code. It is also expected of those who have business relations with the Group including customers, suppliers, agents and consultants to be familiar and comply with the relevant parts of the provisions of this Code of Conduct when performing such works and services. We expect our suppliers to legally comply to the Human Rights standards in areas of Corruption and Bribery Prohibition, Basic Human Rights, Child Labour, Employee Health & Safety, and Environmental Protection.

Any violation of the terms of the Code may be treated as a breach of the terms of the employment relationship and/or breach of discipline, and may be subject to disciplinary sanctions and the relevant legal consequences.

The following Principles of Code shall be observed:

- Comply with the legislative and regulatory provision in force in all the countries in which the Group operates;
- Comply with legislation governing bribery and corruption;
- Comply with all policies and procedures established from time-to-time;
- Information about the Group's businesses shall be communicated clearly, and accurately in a non-discriminatory manner;
- Not tolerate any discriminatory behaviour or any form of harassment or sexual offence;
- Promote health, safety and conducive working environment, employees at all levels are required to conduct themselves in a responsible manner and act in accordance with the safety system and all the Group's procedures which form an integral part thereof;
- Develop a reputation for honesty, fairness, responsibility and integrity with the person who have a business relationship with the Group;
- Safeguard and protect the image and reputation of the Group;
- Not disclose or divulge confidential information without prior approval; and
- Not receive, offer, promise, authorise or give any gifts in any form which the gifts are reasonably expected to secure any improper advantage, or to influence a business decision.

We encourage individuals of MESB whom are professionally involved in recruitment and administration activities, undertakes the responsibility for implementing these principles.

Sustainability Statement
(Cont'd)

CORPORATE GOVERNANCE (CONT'D)

Moving Forward

As the world continues to grapple with the pandemic, we will ensure our health and safety measures are always in line with the latest scientific understanding and public health guidelines. And as of 31 August 2021, approximately 90% of our staff have received their first dose vaccine and approximately 80% of our staff have received their second dose vaccination while the remaining staff will be fully vaccinated by end-September 2021.

Anti-Corruption and Bribery Policy

The Group is committed to conducting its business with integrity and promoting better governance culture and ethical behaviour as we do not tolerate any form of corruption or bribery. We have an anti-corruption and bribery policy which is available at www.mesbbhd.com. The policy shall apply to all directors and employees of the Group together including all persons acting as our representatives in order to promote, to the extent possible, the enforcement of its principles at the companies and entities at which they represent the Group.

We communicate this expectation to our employees through our Anti-Bribery and Anti-Corruption policy to the extent that we have commissioned a gift policy for all employees and directors since. Under this gift policy, all employees must not accept bribes or unofficial payments for personal or business advantage, including permitting third parties to accept them on his or her behalf.

However, such gifts exempted from this policy are as such of those deemed to be reasonable and not excessive, appropriate and consistent with reasonable business practice, they must be provided with the intent only to build or maintain a business relationship or offer normal courtesy, rather than to influence the recipient's objectivity in making a specific business decision and lastly permissible under all applicable laws, rules and regulations.

Essentially every employee has a duty to speak out against suspected acts of bribery or corrupt practices as having a responsibility to help prevent, detect and report instances of suspected bribery and wrong doing under the Whistleblowing Policy. Hence the said individual is legally obliged to raise up, notify the Chairman of the Audit Committee and shall make report to the Company via the channel outlined in the Group's Whistleblowing Policy.

Any person who breaches this policy will face disciplinary action, which could result in dismissal and/or reporting to the relevant regulatory authorities. We as a Group reserves its right to terminate its contractual relationship with other persons in accordance. With our ongoing efforts, we continue to strive for zero violation of our policies in order to minimize potential conflicts of interests and bribery at our supply chain, the procurement team who are related to potential suppliers are required to abstain from the supplier selection process.

Whistleblowing Policy

We here at MESB Group of Companies recognize whistleblowing as an important mechanism of preventing and detecting any forms of improper conduct, harassment or corruption in the conduct of its businesses and operations. Thus, our Whistleblowing Policy is designed to encourage employees and other stakeholders of the Group to disclose any malpractice or misconduct of which they become aware. Such disclosure report(s) shall be made in good faith with a reasonable belief that the information and any allegation in it are substantially true, and are not made to seek for any personal gains or for malicious purposes.

The Group will make every effort to protect the confidentiality of the whistle-blower unless otherwise required by law or for purposes of any proceedings taken by or against the Group by protecting those who raise concerns or makes any disclosures against any adverse employment actions. However, if there is no case to answer but there is evidence that the allegation was made frivolously, maliciously or for personal gain, the person(s) may not be considered for coverage by this policy and may be subject to disciplinary actions determined by the CEO.

In FYE2021, there is no incident reported.

STAKEHOLDER ENGAGEMENT

We strive to better manage our material issues that affect our stakeholders by continuously working on improvements in our engagement processes. Conveying the interest of our stakeholders via adequate engagement platforms would enable us to manoeuvre our strategies of correlating their expectations and concentrate on matters which are of relevance to them. Outlined in the table below are our key stakeholders along with the forms of engagement and topics of interest that we cater 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
Suppliers & Business Partners	• Long-term business relationship	• Supplier evaluation	On-going
		• Fair procurement process	On-going
		• Supplier engagement	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

Sustainability Statement
(Cont'd)

STAKEHOLDERS ENGAGEMENT (CONT'D)

Stakeholder Group	Engagement focus/Objectives	Engagement approach	Frequency
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
COVID-19 Measures	• Compliance to standard operating procedures ("SOPs") enforced by the local authorities, government bodies/agencies and regulatory requirements	• Wearing a face mask is mandatory in our premises	On-going
	• Doing our part as a responsible corporate entity in efforts of curbing the spread of the virus	• Temperature checks with digitized check-in registration of employees	On-going
		• Practicing the new norm of social distancing	On-going
		• No handshake policy	On-going

ECONOMIC

Our Group strives to generate economic benefits to employees, suppliers, and other business partners whilst prioritizing in 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 FYE2021, the Group faced a challenging business environment due to the pandemic. The pandemic has affected the way in which we operate on a day-to-day basis. From the adoption of changes to new working arrangement, efforts have been undertaken to ensure that the needs of all our stakeholders are addressed during the pandemic.

In 2021, the Group has diversified into the waste recycling business and will be able to broaden its earnings base and reduce its dependency solely on the existing business. Premised on the foregoing and barring any unforeseen circumstances, the diversification and coupled with the continuous efforts of the management of MESB to turnaround the performance of the Group's existing business, the Group is expected to be in a stronger financial position moving forward and deliver value to its shareholders.

For detailed financial results, please refer to the following sections in our Annual Report 2021:

- Group Financial Highlights, page 3
- Financial Statements, page 61 to 121

Customer Relationship

Essentially, we understand that strong customer relationships encourage sustainable growth of which such failures in maintaining 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 measure our customers' satisfaction to determine expectations and assess our experience through the inclusion of factors such as service, price, quality, value, products or service experience in order to improve our customer relations, foster goodwill and foster continuous improvement of the customer experience.

Safety and Health

Our management pledged to consistently endorse health and safety improvements across all areas of the Group and understand the importance in protecting our employees, customers and other stakeholders, as we have a responsibility to provide and maintain safe and healthy working conditions, equipment and systems of work for our employees.

We instill a general culture of mutual accountability towards maintaining occupational health and safety, with the idea that everyone is responsible in maintaining the safety of the workplace, thus there were various activities and procedures focusing on safety and health organized by the Group to promote a healthy and positive work environment for our employees. Our management takes pro-active approach to safety, and our employees are encouraged to report all potential hazards and risks. Henceforth, every employee has the opportunity to raise any safety concerns through their nominated representatives. We are mindful of the environmental impact of our activities by taking simple steps to improve energy efficiency, reduce waste and water use in our operations.

At our warehouse division, this includes:

- On the job training on safety, product handling, first aid, fire-fighting, inspection of fire-fighting equipment and health briefings are carried out on a regular basis; and

For our logistics division, we have taken the following steps to ensure safety at the workplace:

- On the job training programme for truck's drivers; and
- Scheduled preventive maintenance by in-house workshop to ensure roadworthy conditions, thereby reducing the likelihood of vehicle breakdown or causing road accidents which may result in bodily injuries or loss of human lives or damage to customers' goods or public property.

During the FYE2021, there has been no safety incident reported.

Sustainability Statement
(Cont'd)

ECONOMIC (CONT'D)

Measures to Protect Our Employees from COVID-19

Parallel to the recent COVID-19 outbreak, our management conducted thorough measures and complies strictly to the SOPs imposed by the authorities in order to help curb and prevent the spread of the virus within our premises. To ensure that the health and safety of our employees are taken care of in light of the pandemic, the Group has setup a COVID-19 Response Team ("**CRT**") with the objectives to fulfil, monitor and execute the COVID-19 industry SOPs with complying to the health and safety rules aligned within our operations and performances.

The Group has instructed the CRT, with team members comprised of the representatives from a cross-section of departments, namely: environment, safety and health, finance, administration, secretary, quality, production and warehouse, to ensure that the Group would be able to identify and assess any COVID-19 related risks in a holistic manner throughout the entire organisation, and across all aspects of the business and operations of the Group. The CRT is also responsible for the COVID-19 response and management approach within the Group, which included the following aspects:

a) Monitor and update the development of COVID-19 cases in areas of our operation;
b) Review the adequacy of existing SOP in light of the impacts of the pandemic, including manpower planning and work arrangements; and
c) Implemented pandemic response procedures which included:

   - COVID-19 prevention at the workplace;
   - COVID-19 social distancing advisory; and
   - COVID-19 contact tracing procedure.

Given the highly challenging circumstances created by the pandemic, the focus of our CRT in 2021 has been on preventing the outbreak of the highly contagious infectious disease in the workplace. Due to the dynamic nature of the pandemic, we ensure our CRT responses are continuously updated to reflect the latest available public health guidelines prescribed by the government. In 2021, we implemented several measures to protect our employees and minimise exposure risks to COVID-19:

- Developed and activated the COVID-19 Safety Plan that outlines the most appropriate safety measures to protect our employees and stakeholders, as well as to ensure business continuity and to safeguard the employees.

- Ensured our employees and visitors had access to face masks/coverings and sanitisers.

- Commenced split office operations to minimise physical contact and risk of cross infection, by reducing headcounts at our main office and mobilising our employees to work from our Disaster Recovery Centre (DRC) and from home. These arrangements were modified in line with the various phases of the Movement Control Order ("MCO").

- Ensure a seamless registration process for all visitors, contractors and vendors, as well as the mandatory registration via the MySejahtera application.

- Installed non-contact thermal scanners to ensure a faster and safer method of temperature checking or fever detection.

- Developed Guidelines on Management of COVID-19 in the Workplace to provide employees with relevant information about the infectious disease and precautionary measures in the workplace, such as observing physical distancing, wearing face masks and requiring declaration on travel to high-risk areas and potential exposure to COVID-19 patients

- Leveraged on technology to support remote working by enabling virtual private network (VPN) and providing video conferencing tools such as Microsoft Teams, Zoom, Cisco Webex, etc. to reduce or avoid face-to-face interactions.

- Carried out frequent sanitisation at all high-touch locations and public areas at our main office building and warehouse.

ENVIRONMENT

The Group will continue to develop effective environmental initiatives to reduce their environmental impact.

Carbon emission

Noting that logistics is a significant source of environmental stress, especially in the form of carbon emissions, we aim to better plan out the routes of our distribution trucks to improve our transportation efficiency while reducing our carbon emissions in the long run. However due to the travel restrictions imposed from the implemented MCO in March 2020 as well as January 2021, our fuel consumption has decreased during FYE2020 and FYE2021.

Energy Management

The Group has implemented various good practices to reduce energy consumption across our business' operations. For our office buildings, a 'Turn off before you take off' campaign has been implemented to encourage our employees to turn off their computers, laptops and monitors if they are going to be away from their desk for a break or a long period of time. Majority of the office lightings that are not in use will also be switched off during lunch hours and past business hours. On top of that, regular maintenance is also conducted on all office equipment to keep them running efficiently.

Energy management is essential for combating climate change and for lowering an organisation's overall environmental footprint. Thus, our electricity supply is from the local supplier 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; and
- Switching off the electrical appliances in office and pantry when they are not required.

However due to the imposition of the MCOs in March 2020 as well as January 2021, our premises closed for the periods May 2020 to July 2020 as well as March 2021 to August 2021. Consequently, our energy consumption has decreased 8.67% during FYE2020 and FYE2021 from RM82,951 to RM75,759 respectively as the differences of year-on-year is due to more lockdown imposed by the government in 2021 compared to 2020.

Freshwater consumption

MESB acknowledges that fresh and clean water is a limited natural resource with increases in cost over time, thus we continuously explore further water conservation efforts by using water more efficiently through reducing unnecessary usage.

Waste Management

Our continuing efforts to minimize our impact on the environment is by encouraging materials recycling and reuse because we recognise the importance to our stakeholders. Recycling programs of the 3R practice of Reduce, Reuse and Recycle have been embedded and remain strong in the culture of our Group.

Packaging plays an important role in protecting our product during transport and reducing product waste through damage. By using cardboard boxes, hangers, and packaging we are able to protect and organize our products where most of the boxes and hangers can be reused multiple times. The aged stocks at our warehouse are examined for quality issues and then cleared off at a discounted price whilst goods delivered by the suppliers will be inspected and examined to avoid waste disposal and to minimise waste. Other wastes or materials such as papers, plastics and wood are re-used where possible or sent to recycling centres and we will continue to strive to reduce, reuse, recycle and recover waste. We recognise packaging waste has a major impact on our environment. We are working hard to minimise this impact by reducing and reusing packaging where possible, and increasing and investing in using materials that are renewable, recycled, recyclable, compostable and sustainably certified. With 99% of in-store waste coming from product packaging, reusing or recycling pose challenges given that our stores are located in shopping malls and large buildings.

Sustainability Statement
(Cont'd)

ENVIRONMENT (CONT'D)

Waste Management (Cont'd)

To curb waste generation, the government provides targeted incentives to companies that undertake activities, which cater to environmental management, specifically recycling of waste such as toxic and non-toxic waste; chemicals and reclaimed rubber. These companies can be considered for income tax exemptions of 70% under Pioneer Status for the period of 5 years or Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years *(Source: Sustainable Waste Management in Malaysia : Opportunities and Challenges, Malaysian Investment Development Authority)*.

In light of the above, the Group intends to invest in human capital, where additional personnel with the relevant experience in the recycling industry will be recruited to manage the waste recycling business.

Moving forward, the Group may in the future embark on additional viable ventures for the waste recycling business, which include, but are not limited to, joint ventures, collaborative arrangements or mergers and acquisitions of suitable businesses in the recycling industry, subject to applicable compliance and rules required and other relevant acts or authorities applicable at the material times. At present, the Group has yet to identify any viable ventures for the waste recycling business. The Board deems the venture into waste recycling business to be appropriate to reduce the Group's carbon footprint and to be in the best interest of the Group as it will benefit the Group financially once the waste recycling business becomes profitable.

SOCIAL

Empowering Local Talents

It is also one of MESB's priorities to hire and train competent local employees to work in the offices and facilities that we operate. As a homegrown Malaysian company, recruiting and developing local talent with local knowledge first has always been our strategy. We seek to develop local resources and content to benefit the community by increasing the availability of talent, competence and capability of the local workforce going forward, with 100% of our total employees being local hires.

Workplace

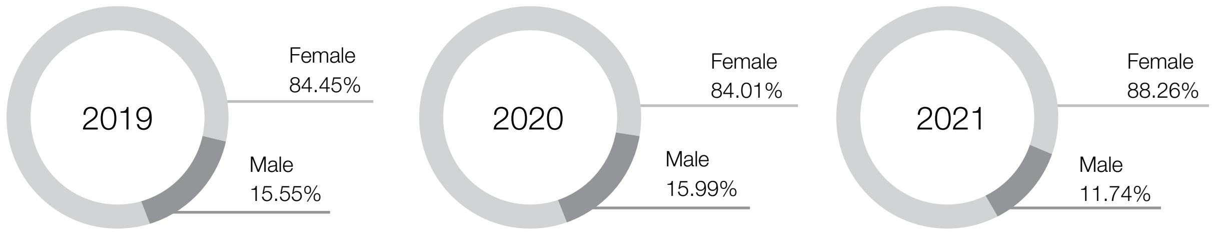
The Group is committed to treating employees with respect and fairness. This goal is reflected in the Group's Code of Conduct. As such all its employees can work in an environment that is free from unlawful harassment and discrimination and any occurrence will be dealt with in accordance with the Whistleblowing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

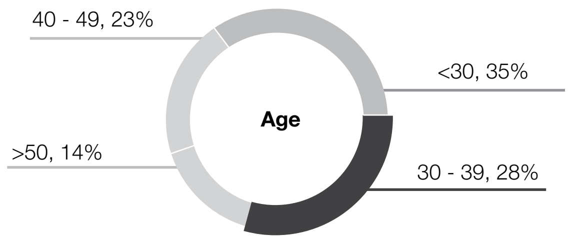
Employee Turnover Rate

As shown in the diagram below for the FYE2021, the Group has a total of 1,124 employees of which 992 or a total of 88.26% are female employees as compared to the previous financial years being 84.45% and 84.01% in 2019 and 2020 respectively. The Group is well diverse in regards of ethnicity in our working environment, comprising of 623 or a total of 55% of our employees are of Malay heritage, 30% are of Chinese ancestry, 6% are of Indian descent and the remaining 9% are of other lineages. As for age grouping, 35% are under 30, 28% are within their 30s while 23% are within their 40s and 14% are well within their 50s.

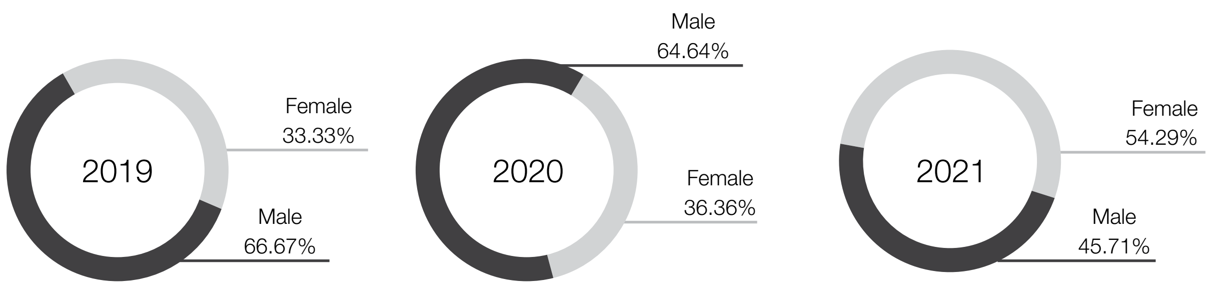
SOCIAL (CONT'D)

Composition of Employees by Gender, Age and Ethnicity





Composition of Senior Management by Gender



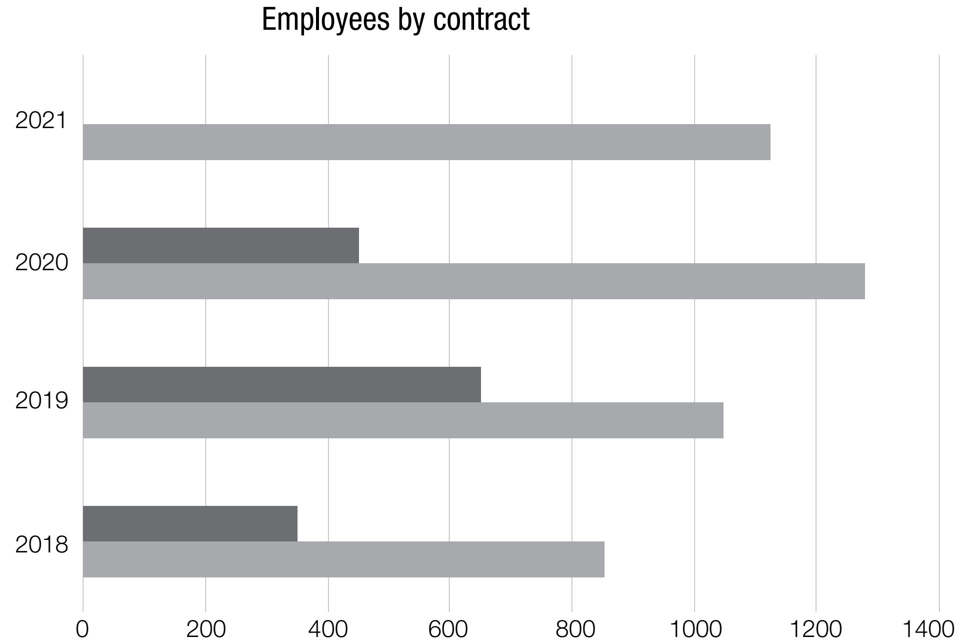
19 out of 35 senior positions are comprised of women for the FYE2021, which notably has increased as compared to the previous financial years being 33.33% and 36.36% in 2019 and 2020 respectively.

Sustainability Statement
(Cont'd)

SOCIAL (CONT'D)

Composition of Employees by Employment Contract

Additionally, as part of our employee development initiatives, we provide employment with varying durations of contract welcoming those who seek permanent full-time employment and those who seek flexible part-time employment as well. We record a slight decrease of permanent employees, as we have 1,124 permanent employees in FYE2021 as compared to 1,280 permanent employees in FYE2020. On the other hand, part-time employee rates have fluctuated through the years. Due to the imposition of MCO, in March 2020 as well as in January 2021, our premises closed for the periods May 2020 to July 2020 as well as March 2021 to August 2021, our group has not employed any part-time employees up to date as of 30 June 2021.



	2018	2019	2020	2021
Employees by contract Part Time	350	650	450	0
Employees by contract Permanent	850	1050	1280	1124

■ Employees by contract Part Time ■ Employees by contract Permanent

Workforce training and development

All Directors have completed the Mandatory Accreditation Program ("MAP") as prescribed by Bursa Malaysia Securities Berhad ("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 Nomination and Remuneration Committee ("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 enable them to discharge their duties effectively.

SOCIAL (CONT'D)

Community - Corporate philanthropy

Economic inclusiveness in our community is vital as we are aware of its importance in sustainability as a whole. In our efforts to improve the livelihoods of the society around us, we will ensure to be directly connected with our community. For the FYE2021, all our employees 1,124 are local hires.

We encourage our employees to actively engage in voluntary work in order of strengthening vulnerable groups through organizing campaign projects such as donations and distribution of food especially in such a time of the pandemic.

Our Way Moving Forward

We are of the view that sustainability is a journey rather than a destination, hence we vigorously strive to ensure the sustainability of our business model towards our internal and external stakeholders, requiring our dedication and perseverance in meeting future challenges and opportunities. Our aim is to build a sustainable business for generations to come. In order to achieve this goal we will constantly 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.

Our progress in these areas for the FYE2021, and our plans for the future are shown below:

Focus Areas	Progress in FYE2021	Action Plan	Timeline / Target
Incorporating sustainability elements into more sections of MESB's business	MESB is developing a holistic approach to further integrate sustainability elements into our daily operations	• Engagement with independent party to conduct compliance verification	By 2023
Further strengthening our governance and processes related to sustainability	Incorporated a Sustainability Committee Workgroup by bringing onboard additional representatives from relevant departments to further drive sustainability within MESB	• Streamlining Sustainability Committee Workgroup and management systems to support MESB's sustainability agenda	By 2023
		• Conduct Sustainability Workshops on MESB's Sustainability Policy, including relevant requirements and its social requirements	By 2023
		• Develop the necessary sustainability procedures in our management systems	By 2023
		• Internal audit by Sustainability Committee Workgroup	By 2023

Sustainability Statement
(Cont'd)

SOCIAL (CONT'D)

Our Way Moving Forward (Cont'd)

Focus Areas	Progress in FYE2021	Action Plan	Timeline / Target
Enhancing our stakeholder engagement process	Reported our stakeholder engagement process in this annual report on page 15	• Reach out to key stakeholders for feedback on key sustainability focus areas. • Develop Supplier Code of Conduct and Supplier Non-Compliance Protocol.	Annually By 2023
Periodically reviewing our sustainability materiality assessment	The outcome from the materiality assessment conducted in this annual report on page 11	• Conduct comprehensive reassessments of material issues	Annually
Expanding our sustainability reporting to include additional sustainability issues	Focused on reporting on sustainability issues that are most material to MESB	• Update sustainability information to be reported based on future reviews of materiality assessments, or changes to MESB's sustainability strategy • Action Plan Development	Annually Annually

PROFILE OF DIRECTORS

SAFFIE BIN BAKAR JMN, SMP, AMP, PJK
Chairman / Senior Independent Non-Executive Director
Malaysian / Male / Aged 68

- Chairman of Nomination and Remuneration Committee
- Member of Audit Committee
- Member of Risk Management Committee

Encik Saffie Bin Bakar was appointed to the Board on 19 March 2004 and 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 a shareholder may be directed.

He graduated from the 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 43 years' experience, specializing in management with extensive knowledge and skills in industrial project planning, business development, property development, human resources management, project management, cross border investments / Foreign Direct Investment (FDI), mining exploration, privatisation, corporate advisory transactions including Initial Public Offerings, Reverse Takeovers, Mergers & 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 Malaysia Economics Affairs Ministry and organized 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 and a Central Committee Member of Malaysian Exporters Association (MEXPA). 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 is also the Independent Non-Executive Director of AE Multi Holdings Berhad and Scanwolf Corporation Berhad.

He attended all five (5) Board Meeting held during the financial year ended 30 June 2021.

Profile of Directors
(Cont'd)

LOKE LEE PING
CEO cum Executive Director
Malaysian / Male / Aged 42

- Member of Risk Management Committee

Mr. Loke Lee Ping 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 from 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 the retail industry for more than ten (10) years as well as the complete business strategy and corporate development.

He attended all five (5) Board Meetings held during the financial year ended 30 June 2021.

TAN YEW KIM
Independent Non-Executive Director
Malaysian / Male / Aged 63

- Chairman of Audit Committee
- Member of Nomination and Remuneration Committee
- Member of Risk Management Committee

Mr. Tan Yew Kim was appointed to the Board on 10 February 2010. He is a fellow member of the Association of Chartered Certified Accountants, the 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 the board of governors of two primary schools.

He attended all five (5) Board Meetings held during the financial year ended 30 June 2021.

LEE KOK HENG

Independent Non-Executive Director
Malaysian / Male / Aged 59

- Chairman of Risk Management Committee
- Member of Audit Committee
- Member of Nomination and Remuneration Committee

Mr. Lee Kok Heng 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.

He attended all five (5) Board Meetings held during the financial year ended 30 June 2021.

CHUA JIN KAU

Executive Director
Malaysian / Male / Aged 63

- Member of Risk Management Committee

Mr. Chua Jin Kau 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 the retailing business, particularly in management, development and branding.

He attended all five (5) Board Meetings held during the financial year ended 30 June 2021.

Profile of Directors
(Cont'd)

DATUK WONG SAK KUAN
Non-Independent Non-Executive Director
Malaysian / Male / Aged 53

Datuk Wong Sak Kuan was appointed to the Board on 21 December 2020. He is the major shareholder of the Company.

He graduated with a Diploma in Civil Engineering from the Federal Institute of Technology (FIT) in 1990.

Upon graduating, he joined his family's construction business erecting factory buildings and warehouses for a public listed paper mill group of companies. In 1995, he steered the construction company into various residential, commercial and industrial development projects in Selangor and Penang. He has more than 30 years of experience in the construction and development industry.

Apart from the construction activities, he also owns businesses in various industries such as trading, recycling and paper roll rewinding services, transportation and workshop; and Food & Beverage ("F&B").

He is currently the Group Managing Director of Sing Foong Niap Group of Companies. He is also the controlling shareholder and Managing Director of Lotus Essential Sdn Bhd. Datuk Wong also sits on the board of Lotus KFM Berhad as the Non-Independent Non-Executive Director / Vice Chairman, as well as several private limited companies.

He attended all two (2) Board Meetings held during the financial year ended 30 June 2021 since his appointment as Director on 21 December 2020.

Notes to the Directors' Profiles:

1. None of the Directors have a family relationship with any Director and/or major shareholder of MESB Berhad.

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

3. Save for Encik Saffie Bin Bakar, none of the Directors of the Company have any convictions for offences within the past five (5) years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial period ended 30 June 2021, other than for traffic offences (if any).

   On 22 November 2019, Encik Saffie Bin Bakar paid a compound amounting to RM450.00 to the Companies Commission of Malaysia in breach of Section 135(1) and Section 135(2) of the Companies Act,1965 due to his failure to file notice in writing to a Public Listed Company regarding the change in his interest in the warrants of the Company within the prescribed time frame.

4. Save for Encik Saffie Bin Bakar and Datuk Wong Sak Kuan, none of the Directors have any other directorship in any public companies and listed issuers.

KEY SENIOR MANAGEMENT'S PROFILE

LUI BOO HOCK
Chief Financial Officer
Malaysian / Male / Aged 52

Mr Lui Boo Hock is the Chief Financial Officer of the Company and oversees the finance function across the Group.

He joined the Group on 1 June 2005, served as an Accountant of the Company's subsidiary and has covered different managerial roles within the Finance and Accounts department. On 1 December 2016, he was appointed as the Chief Financial Officer.

He has more than 20 years of working experience in the areas of accounting, taxation and finance in the manufacturing, trading and retail industries. He holds an 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 55

Ms P'ng Lee Koon joined the Group on 13 February 2017 and is tasked to set up the Baby & Children division to develop new brands and steer existing brands to expand the market share in the children fashion industry. She oversees the brand concept and brand building activities for menswear under the same license name to ensure consistency of the brand positioning in a 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 53

Mr Ong Chong Thai was appointed as the General Manager of the Men's Leather Goods Division on 1 April 2012 to oversee the brand management, operations, distributions and marketing of the Division.

He joined the Group on 16 July 2008 as an Assistant Sale Manager. Prior to joining the Group, he covered different roles in the marketing departments of a number of retailing companies. He completed his studied at Wetlands Secondary School, Penang.

YAP CHUI HUEN
General Manager
Malaysian / Female / Aged 52

Ms Yap Chui Huen was appointed as a General Manager of the Baby & Children division on 2 May 2017 to oversee the brand management, operations, distribution 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 from the University of Malaya.

Key Senior Management's Profile
(Cont'd)

LEONG YEW HOU
General Manager
Malaysian / Male / Aged 48

Mr Leong Yew Hou was appointed as General Manager of the Men's Apparel Division on 1 January 2018 to oversee the brand management, operations, distribution and marketing of the Division. He also leads the warehouse team and is 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 the apparel industry. Prior to joining the Group, he served in similar roles with leading apparel retail companies. He graduated with Bachelor Degree in Economics from the University of Malaya.

ANG AEI NEE
Human Resources and Administration Manager
Malaysian / Female / Aged 47

Ms Ang Aei Nee joined the group on 3 April 2017 as a Human Resources and Administration Manager. She has more than 20 years of experience in Human Resources Management serving companies in the 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 51

Mr Ng Kok Hui, joined the Group on 1 March 2007 as an Advertising and Promotion Executive. Subsequently, he was promoted as the Advertising and Promotion Manager on 1 April 2012. He is primarily responsible for the development and implementation of all promotions and advertising. Prior to joining the Group, he worked in a similar capacity at retail businesses. He holds a Diploma of Art & Design.

Notes to the Key Senior Management's Profiles:

1. None of the key senior management personnel have any directorships in public companies and listed issuers.

2. None of the key senior management personnel have any family relationship with any Director and/or major shareholder of the Company.

3. None of the key senior management personnel have any conflict of interests with the Company.

4. None of the key senior management personnel have been convicted of any offences in the past five (5) years or been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year ended 30 June 2021, other than for traffic offences (if any).

AUDIT COMMITTEE REPORT

The Board of Directors ("the Board") is pleased to present the Audit Committee ("AC" or "the Committee") Report for the financial year ended 30 June 2021 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 2021, the AC met five (5) times. The composition of the AC and the attendance record of its members are as follows:-

Members	Designation	Directorship	Total Meetings Attended
Tan Yew Kim	Chairman	Independent Non-Executive Director	5/5
Saffie Bin Bakar	Member	Chairman / 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. The Company has complied with Paragraph 15.09 of the MMLR of Bursa Securities, which requires all members of the Committee to be Non-Executive Directors with a majority of them being Independent Non-Executive Directors. As shown above, all members of the Committee are Independent Non-Executive Directors.

The AC's primary role is to assist the Board in fulfilling its oversight responsibilities in areas such as the integrity of financial reporting, the effectiveness of the risk management framework and system of internal controls as well as compliance matters.

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 Nomination and Remuneration Committee ("NRC") undertook an annual assessment of the performance of AC and its members. The Board is satisfied that the AC and its members discharged their functions, duties and responsibilities in accordance with the Terms of Reference of the Audit Committee, supporting the Board in ensuring the Group upholds appropriate Corporate Governance standards.

TERMS OF REFERENCE

The Terms of Reference of the AC were last reviewed, updated and approved by the Board on 22 September 2021 which incorporated the relevant practices recommended under the MCCG 2021 and published on the Company's corporate website at www.mesbbhd.com.

Audit Committee Report
(Cont'd)

INTERNAL AUDIT ("IA") FUNCTION

The Group has appointed an independent professional Internal Audit firm to carry out the IA function, namely Smart Focus Group Sdn Bhd ("Smart Focus Group"). The IA 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 levels 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 the 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 total costs incurred for the IA function during the financial year ended 30 June 2021 are approximately RM40,800.

During the financial year under review, 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 recommendations.

The audit findings and recommendations for improvement and the status of implementation status of management's action plans were presented at the Audit Committee meetings.

The Audit Committee has full and direct access to the outsourced Internal Auditors, reviews its internal audit plan and reports on audits performed, and monitors its performance. The Audit Committee also reviews the adequacy of the scope, functions, competency and resources of outsourced internal audit functions from time to time.

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

As an effort to enhance the system of internal control, the Board and the Risk Management Committee ("RMC") together with the assistance of an 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.

RISK MANAGEMENT & INTERNAL CONTROL (CONT'D)

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

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

Members	Designation	Directorship	Total Meetings Attended
Lee Kok Heng	Chairman	Independent Non-Executive Director	2/2
Saffie Bin Bakar	Member	Chairman / 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 50 to 53 of this Annual Report.

SUMMARY OF ACTIVITIES

The summary of works undertaken by the Committee for the financial year ended 30 June 2021, amongst others, included the following:-

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 provided 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.

Audit Committee Report
(Cont'd)

SUMMARY OF ACTIVITIES (CONT'D)

The summary of works undertaken by the Committee for the financial year ended 30 June 2021, amongst others, included the following (Cont'd) :-

External Audit

a) Reviewed the External Auditors' annual audit plan, the scope of works of the Group, the Group's audit fees and terms of engagement with the External Auditors prior to recommending to the Board for approval.
b) 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 financial year ended 30 June 2021.
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 2021 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 with 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 2022 at the forthcoming Annual General Meeting ("AGM").

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 2021.
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 transactions 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.

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 2021.

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 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 on the Company's corporate website at www.mesbbhd.com as well as via an announcement on the website of Bursa Securities.

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 A: 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.

From the year 2020, the priorities of the Board is 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.

Corporate Governance Overview Statement
(Cont'd)

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

PART I - BOARD RESPONSIBILITIES (CONT'D)

1.2 The 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.

1.3 Roles of Chairman, Chief Executive Office ("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.

Mr. Loke Lee Ping is the CEO cum Executive Director 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.

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 an 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 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.

1.4 Qualified and Competent Company Secretary

The Board is supported by a qualified and competent Company Secretary. The new Company Secretary was appointed on 9 March 2021 and is a member of the Malaysian Association of Companies Secretaries and is holding a professional certificate as qualified Company Secretary under the Malaysian Companies Act 2016. The Company Secretary possesses over 28 years of experience in corporate secretarial practices and is supported by a team of competent company secretarial personnel.

The Company Secretary attended the necessary training programmes, conferences or seminars organised by the Companies Commission of Malaysia, Bursa Securities, Securities Commission Malaysia and/or other relevant professional bodies to keep herself abreast with the current regulatory changes in the laws and regulatory requirements that are relevant to her profession and to provide the necessary advisory role to the Board.

The Board acknowledges that the Company Secretary plays an important role and will ensure that the Company Secretary fulfills the functions for which she has been appointed.

During the financial year ended 30 June 2021 ("FYE2021"), all Board and Board Committees meetings were properly convened, and accurate and proper records of the proceedings and resolutions passed were taken and maintained in the statutory records of the Company.

Overall, the Board is satisfied with the service and support rendered by the Company Secretary and her team to the Board in the discharge of her duties and functions.

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

PART I - BOARD RESPONSIBILITIES (CONT'D)

1.5 Board Process and Access to Information

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

Every Director has unhindered access to the advice and dedicated support services of the Company Secretary 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.

2.1 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 was last reviewed, updated and approved on 22 September 2021 and is published on the Company's website at www.mesbbhd.com.

3.1 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.

3.2 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.

3.3 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.

Corporate Governance Overview Statement
(Cont'd)

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

PART II - BOARD COMPOSITION

4.1 Composition of Board

The Board currently comprises six (6) members as set out in the table below:-

Name	Designation
Saffie Bin Bakar	Chairman / Senior Independent Non-Executive Director
Loke Lee Ping	CEO cum Executive Director
Chua Jin Kau	Executive Director
Datuk Wong Sak Kuan (Appointed on 21 December 2020)	Non-Independent Non-Executive Director
Tan Yew Kim	Independent Non-Executive Director
Lee Kok Heng	Independent Non-Executive Director

The current Board composition is in line with the Practice 4.1 of the MCCG to have at least half of the Board comprises Independent Non-Executive Directors and complies with Paragraph 15.02 of the MMLR of Bursa Securities which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are independent Directors.

The Board has the requisite blend of 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 shareholders and etc.

4.2 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 through a two-tier voting process.

The Company has not adopted a policy that limits the tenure of its Independent Non-Executive Directors to nine (9) years 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.

The Nomination and Remuneration Committee ("NRC") has reviewed and recommended to the Board for Mr. Tan Yew Kim, who has served the Company for the tenure of more than nine (9) years to continue to serve as an Independent Non-Executive Director of the Company, subject to shareholders' approval at the forthcoming Twenty-Sixth Annual General Meeting ("26th AGM") through a two-tier voting process.

Key justifications for the recommendation of Mr. Tan Yew Kim to continue to act as an Independent Non-Executive Director can be found in the Notice of the 26th AGM.

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

PART II - BOARD COMPOSITION (CONT'D)

4.3 Board Balance and Independence

The Board comprises two (2) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. 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 an 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 2021, 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.

4.4 Board Diversity and Senior Management Team

The Board is supportive of the 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.

In view of the gained attention of boardroom diversity as an important element of a well functioned organisation, the Board has established and adopted a Gender Diversity Policy on 22 September 2021 which provides a framework for the Company to improve its gender diversity at Board and senior management level.

Corporate Governance Overview Statement
(Cont'd)

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

PART II - BOARD COMPOSITION (CONT'D)

4.5 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 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**
Datuk Wong Sak Kuan (Non-Independent Non-Executive Director)	**N/A**	**N/A**	**N/A**

4.6 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 a skills matrix to support the strategic direction and needs of the Company.

The NRC has written terms of reference dealing with its authority and duties which include the selection and assessment of directors. The terms of reference of the NRC was last reviewed, updated and approved on 22 September 2021 which incorporated the relevant practices recommended under the MCCG 2021. The terms of reference of the NRC is available on the Company's website.

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

PART II - BOARD COMPOSITION (CONT'D)

4.6 NRC (Cont'd)

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 the Chief Financial Officer ("CFO") of the Company.
(9) Reviewed and deliberated on the Directors' Fees and Directors' Remuneration.
(10) Reviewed on the remuneration paid to the top five senior management.

4.7 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 a 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, including information technology, legal, public relations and experience in the retailing industry as the matrix of skills of Directors that would be prioritised when selecting candidates for appointment to the Board.

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 Mr. Loke Lee Peng, the Director standing for re-election and collectively agreed that he meets the criteria of character, experience, integrity, competence and time to effectively discharge his roles as Director.

En. Saffie Bin Bakar who retires pursuant to Clause 97 of the Company's Constitution of the Company, has expressed his intention not to seek re-election at the 26th AGM and shall retire as Director of the Company at the conclusion of the 26th AGM.

Corporate Governance Overview Statement
(Cont'd)

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

PART II - BOARD COMPOSITION (CONT'D)

5.1 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 a 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.

5.2 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. The 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
Datuk Wong Sak Kuan (Appointed on 21 December 2020)	Non-Independent Non-Executive Director	2/2

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 the time that will be spent on the new appointment.

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

PART II - BOARD COMPOSITION (CONT'D)

5.3 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 enable them to discharge their duties effectively. During the financial year ended 30 June 2021, the Directors have attended the following training programmes:-

Name of Directors	Title of Programmes/Seminars attended
Saffie Bin Bakar	➢ Updated Malaysian Code on Corporate Governance 2021 ➢ Directors Duties, Regulatory Updates and Governance for Directors of PLCs ➢ Corporate Liability On Corruption Under Malaysian Anti-Corruption Act 2009 (Amended 2018) ➢ GO Environmental, Social and Governance (ESG) ASEAN Corporate Sustainability Virtual Summit 2020 ➢ ESG Shariah-Compliant Screening for Securities: Industry Briefing ➢ Environmental, Social and Governance (ESG) ➢ Section 17A of the MACC Act 2009 (Amended 2018) ➢ ESG in the New Normal: A Corporation's Lens by CEO, Bursa Malaysia Berhad ➢ Webinar on Building Strategy for Business Resilience Management ➢ Covid-19 Management at Workplace ➢ Implementing Amendments in Malaysian Code on Corporate Governance ➢ Biodiversity in Perlis State ➢ Tackling Tax: How to Handle a Corporate Tax Audit, KL ➢ Advancing Sustainable Development with Foreign Direct Investment (FDI) – Why Policy Must be Reset. ➢ Corruption Risk: Political Financing and Accountability
Tan Yew Kim	➢ Updated Malaysian Code on Corporate Governance 2021 ➢ Directors Duties, Regulatory Updates and Governance for Directors of PLCs ➢ National Tax Conference 2020 ➢ Seminar Percukaian ➢ ISQC 1 (Clarified) Qualify Control in the Audit Environment for Small and Medium Practices
Lee Kok Heng	➢ Updated Malaysian Code on Corporate Governance 2021 ➢ Directors Duties, Regulatory Updates and Governance for Directors of PLCs
Loke Lee Ping	➢ Updated Malaysian Code on Corporate Governance 2021 ➢ Directors Duties, Regulatory Updates and Governance for Directors of PLCs
Chua Jin Kau	➢ Updated Malaysian Code on Corporate Governance 2021 ➢ Directors Duties, Regulatory Updates and Governance for Directors of PLCs
Datuk Wong Sak Kuan	➢ Updated Malaysian Code on Corporate Governance 2021 ➢ Directors Duties, Regulatory Updates and Governance for Directors of PLCs

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.

Corporate Governance Overview Statement
(Cont'd)

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

PART III - REMUNERATION

6.1 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.

- **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 consist 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 benefits of the Non-Executive Directors for the financial year ended 30 June 2021 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 A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III - REMUNERATION (CONT'D)

6.1 Remuneration Policy (Cont'd)

Details of the emoluments received and receivable by the Directors of the Group during the financial year ended 30 June 2021 are as follows:-

The Company

Name of Directors	Fees RM'000	Salaries RM'000	Statutory Contribution Plans RM'000	Benefits in Kind RM'000	Meeting Allowance RM'000	Bonus RM'000	Other Emoluments RM'000	Total RM'000
Executive Directors								
Loke Lee Ping	16.0	–	–	–	6.4	–	–	22.4
Chua Jin Kau	16.0	–	–	–	6.4	–	–	22.4
Non-Executive Directors								
Saffie Bin Bakar	30.3	–	–	–	10.0	–	–	40.3
Datuk Wong Sak Kuan	10.1	–	–	–	2.2	–	–	12.3
Tan Yew Kim	30.3	–	–	–	10.0	–	–	40.3
Lee Kok Heng	30.3	–	–	–	10.0	–	–	40.3
TOTAL	**133**	**–**	**–**	**–**	**45**	**–**	**–**	**178**

The Group

Name of Directors	Fees RM'000	Salaries RM'000	Statutory Contribution Plans RM'000	Benefits in Kind RM'000	Meeting Allowance RM'000	Bonus RM'000	Other Emoluments RM'000	Total RM'000
Executive Directors								
Loke Lee Ping	16.0	189.5	25.0	6.5	6.4	–	–	243.4
Chua Jin Kau	16.0	47.5	2.0	6.5	6.4	–	–	78.4
Non-Executive Directors								
Saffie Bin Bakar	30.3	–	–	–	10.0	–	–	40.3
Datuk Wong Sak Kuan	10.1	–	–	–	2.2	–	–	12.3
Tan Yew Kim	30.3	–	–	–	10.0	–	–	40.3
Lee Kok Heng	30.3	–	–	–	10.0	–	–	40.3
TOTAL	**133**	**237**	**27**	**13**	**45**	**–**	**–**	**455**

Corporate Governance Overview Statement
(Cont'd)

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

PART III - REMUNERATION (CONT'D)

7.1 Remuneration of Senior Management

The remuneration of the Senior Management of the Company is as follows:-

Range of Remuneration*	No. of Senior Management Officer
RM50,001 to RM100,000	–
RM100,001 to RM150,000	1
RM150,001 to RM300,000	3
RM300,001 to RM550,000	1

Due to confidentiality and sensitivity of the remuneration packages of Senior Management as well as security concerns, the Board opts not to disclose the Senior Management's remuneration components on a named basis in the bands of RM50,000.00.

The Board is of the view that the disclosure of the Senior Management's remuneration components will not be in the best interest of the Company given that the competitive human resources environment as such disclosure may give rise to recruitment and talent retention issues. The Board is of the opinion that the disclosure of Senior Management's aggregated remuneration on an unnamed basis in the bands of RM50,000.00 is adequate.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

8.1 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 2021 are set out on pages 33 to 34 of this Annual Report.

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

8.2 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 an 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 22 September 2021 conducted an assessment in the suitability and independence 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.

8.3 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 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 2021, 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 B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

9.1 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, identifies specific risk and assesses 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 C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

10.1 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.

10.2 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 a better opportunity for the shareholders to engage in person with each Board member. The Notice of the Twenty-Fifth AGM was issued by the Company on 30 October 2020, effectively giving shareholders at least 28 days to review the Annual Report for any questions they might wish to raise in the AGM. The notice of the coming 26^{th} AGM of the Company will be sent to the shareholders at least twenty-eight (28) days before the date of AGM this year as well. 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 26th AGM proxy form and Annual Report 2021 can be downloaded from the Company's website at www.mesbbhd.com.

The Company had its first fully virtual Extraordinary General Meeting ("EGM") held entirely via remote participation and voting at the broadcast venue this year and all the Directors at that point of time had attended the EGM of the Company held on 7 April 2021 as well.

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

10.3 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.

STATEMENT BY THE BOARD ON CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company shall continue to strive for high standards of corporate governance throughout the Group, and the highest level of integrity and ethical standards in all of its business dealings.

The Company has in all material aspects satisfactory complied with the principles and practices set out in the MCCG, except for the departures set out in the Corporate Governance Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

BOARD RESPONSIBILITY

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

The Board, through its Risk Management Committee ("RMC") has established an ongoing process for identifying, evaluating, and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal controls as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the RMC on annual basis.

Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design and operation of suitable internal controls to mitigate these risks identified.

The effectiveness of internal controls was reviewed by the Audit Committee ("AC") in relation to the audits conducted by internal auditors ("IA") during the financial year. Audit issues and actions taken by Management to address the issues tabled by IA were deliberated during the AC meetings. Minutes of the AC meetings which recorded these deliberations were presented to the Board.

Internal control and risk-related matters which warranted the attention of the Board were recommended by the AC to the Board for its deliberation and approval and matters or decisions made within the AC's purview were referred to the Board for its notation.

RISK MANAGEMENT AND MANAGEMENT RESPONSIBILITY

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 RMC, with the assistance of IA, 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.

RISK MANAGEMENT AND MANAGEMENT RESPONSIBILITY (CONT'D)

The ERM process is based on the following principles:

- Consider and manage risks enterprise-wide;
- Integrate risk management into business activities;
- Manage risk in accordance with the Risk Management framework;
- Tailor responses to business circumstances; and
- Communicate risks and responses to Management.

All identified risks are displayed on a 1 to 3 risk matrix based on their risk ranking to assist Management in prioritising their efforts and appropriately managing the different classes of risks. There is no dedicated ERM department, however the Chief Executive Officer ("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.

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 framework include:

- An organisation 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 AC;
- Active participation and involvement by the 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 identify 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 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 a 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 Management and line managers. The internal audit reviews were carried out on a sample basis and were performed on Active Fit Sdn. Bhd. and Miroza Leather (M) Sdn. Bhd. based 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 of Directors has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to enquire information and clarifications from management as well as to seek inputs from the AC, external and internal auditors, and other experts at the expense of the Group.

ASSURANCE FROM THE MANAGEMENT

The Board has also received reasonable 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 2021, 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.

This Statement on Risk Management and Internal Control was made in accordance with a resolution of the Board on 27 October 2021.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

On 14 Setemper 2020, the Company issued 15,000,000 new ordinary shares at RM0.22 per share amounted to RM3.30 million via private placement. The private placement was completed on 14 September 2020 and the proceeds had been fully utilised.

2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid/payable to the External Auditors by the Company and the Group for the FYE2021 are as follows:-

	Company RM	Group RM
Audit Fees	52,500	165,000
Non-Audit Fees		
- Review of Statement on Risk Management and Internal Control	5,000	5,000

3. MATERIAL CONTRACTS INVOLVING THE INTERESTS OF DIRECTORS, 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.

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

At the Extraordinary General Meeting ("EGM") of the Company held on 7 April 2021, the Company obtained the shareholders' general mandate to allow the Group to enter into RRPT with a person who is 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").

The details of the Shareholders' Mandate for the RRPTs are set out in the Circular to Shareholders dated 29 October 2021 which is available on Bursa Malaysia Securities Berhad's website and the Company's website.

Details of transactions with related parties undertaken by the Group during the FYE2021 are disclosed in Note 25 to the audited financial statements for the FYE2021.

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 the provisions of the Companies Act 2016, 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 2021 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 2021

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2021.

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
Profit/(Loss) for the year attributable to owners of the Company	9,202	(667)

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
Datuk Wong Sak Kuan (Appointed on 21 December 2020)

DIRECTORS OF THE SUBSIDIARIES

The Directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Loke Lee Ping
Chua Jin Kau
Datuk Wong Sak Kuan *(First Director of MESB Resources Sdn. Bhd.)*
Lee Wai Fun *(First Director of MESB Resources Sdn. Bhd.)*

Directors' Report
(Cont'd)

DIRECTORS' INTERESTS IN SHARES

The interests in the shares of the Company of the Director at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At date of appointment	Bought	Sold	At 30.6.2021
MESB Berhad				
Datuk Wong Sak Kuan	35,507,898	–	–	35,507,898

By virtue of his interests in the shares of the Company, Datuk Wong Sak Kuan is also deemed interested in the shares of the subsidiaries during the financial year to the extent that MESB Berhad has an interest.

None of the other Directors holding office at 30 June 2021 had any interest in the shares and warrants of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other 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:

a) 15,000,000 new ordinary shares at RM0.22 per ordinary share via a private placement to eligible investors for a total cash consideration of RM3,300,000 to fund the repayment of bank borrowings, business expansion or working capital requirements of the Group; and

b) 650,000 new ordinary shares arising from the exercise of warrants at an issuance price of RM0.30 per ordinary share.

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 RM18,163, 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 period 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 government grants received by the Group as disclosed in Note 18 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 30 June 2021 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)

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: 27 October 2021

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Assets					
Plant and equipment	3	3,899	5,286	–	–
Right-of-use assets	4	422	1,258	–	–
Investment properties	5	2,631	2,694	–	–
Intangible assets	6	–	–	–	–
Investments in subsidiaries	7	–	–	48,210	48,110
Deferred tax assets	8	329	252	–	–
Total non-current assets		7,281	9,490	48,210	48,110
Inventories	9	61,287	68,847	–	–
Current tax assets		2,446	1,819	36	23
Trade and other receivables	10	31,706	19,422	2,855	357
Prepayments		271	1,059	–	–
Cash and cash equivalents	11	44,187	32,323	1,304	1,067
Total current assets		139,897	123,470	4,195	1,447
Total assets		147,178	132,960	52,405	49,557
Equity					
Share capital	12	58,645	55,150	58,645	55,150
Retained earnings/ (Accumulated losses)		23,194	13,992	(6,431)	(5,764)
Total equity attributable to owners of the Company		81,839	69,142	52,214	49,386
Liabilities					
Loans and borrowings	13	1,499	1,987	–	–
Lease liabilities		175	250	–	–
Total non-current liabilities		1,674	2,237	–	–
Loans and borrowings	13	15,710	22,250	–	–
Lease liabilities		334	1,138	–	–
Trade and other payables	14	47,621	38,193	191	171
Total current liabilities		63,665	61,581	191	171
Total liabilities		65,339	63,818	191	171
Total equity and liabilities		147,178	132,960	52,405	49,557

The notes on pages 69 to 121 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 30 June 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Revenue	15	136,581	147,809	–	–
Cost of sales		(59,351)	(61,875)	–	–
Gross profit		77,230	85,934	–	–
Other income		3,843	653	10	24
Selling and distribution expenses		(34,491)	(38,606)	–	–
Administrative expenses		(31,549)	(44,679)	(823)	(715)
Net (loss)/reversal of loss on impairment of financial assets	18	(66)	(63)	–	8
Impairment losses on intangible assets	6	–	(25,168)	–	–
Other expenses		(2,697)	(2,988)	–	(22)
Results from operating activities		12,270	(24,917)	(813)	(705)
Finance income	16	431	512	146	254
Finance costs	17	(1,177)	(1,836)	–	–
Net finance (costs)/income		(746)	(1,324)	146	254
Profit/(Loss) before tax	18	11,524	(26,241)	(667)	(451)
Tax (expense)/credit	19	(2,322)	(534)	–	5
Profit/(Loss) and total comprehensive income/(loss) for the year		9,202	(26,775)	(667)	(446)
Profit/(Loss) attributable to:					
Owners of the Company		9,202	(26,775)	(667)	(446)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		9,202	(26,775)	(667)	(446)
Basic earnings/(loss) per ordinary share (sen)	20	8.92	(30.71)		
Diluted earnings/(loss) per ordinary share (sen)	20	8.10	(30.71)		

The notes on pages 69 to 121 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Year Ended 30 June 2021

Group	*Non-distributable* Share capital RM'000	*Distributable* Retained earnings RM'000	Total equity RM'000
At 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 2020/1 July 2020	55,150	13,992	69,142
Issue of shares pursuant to the private placement	3,300	–	3,300
Issue of shares pursuant to exercise of Warrants	195	–	195
Profit and total comprehensive income for the year	–	9,202	9,202
At 30 June 2021	58,645	23,194	81,839
	Note 12		

The notes on pages 69 to 121 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 June 2021

Company	*Non-distributable* Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
At 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 2020/1 July 2020	55,150	(5,764)	49,386
Issue of shares pursuant to the private placement	3,300	–	3,300
Issue of shares pursuant to exercise of Warrants	195	–	195
Loss and total comprehensive loss for the year	–	(667)	(667)
At 30 June 2021	58,645	(6,431)	52,214
	Note 12		

The notes on pages 69 to 121 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For The Year Ended 30 June 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		11,524	(26,241)	(667)	(451)
Adjustments for:					
Depreciation of investment properties	5	63	63	–	–
Depreciation of plant and equipment	3	1,422	1,633	–	–
Depreciation of right-of-use assets	4	1,197	1,343	–	–
Finance costs	17	1,177	1,836	–	–
Finance income	16	(431)	(512)	(146)	(254)
Gain on derecognition of right-of-use assets		–	(3)	–	–
Impairment losses on intangible assets	6	–	25,168	–	–
Impairment loss on investment in a subsidiary		–	–	–	22
Impairment losses on trade receivables	18	66	63	–	–
Net unrealised (gain)/loss on foreign exchange	18	(111)	147	–	–
Plant and equipment written off	18	49	216	–	–
Reversal of impairment loss on amount due from a subsidiary		–	–	–	(8)
Reversal of write-down of inventories	9	–	(341)	–	–
Write-down of inventories	9	410	–	–	–
Operating profit/(loss) before changes in working capital		15,366	3,372	(813)	(691)
Changes in inventories		7,150	(13,856)	–	–
Changes in trade and other receivables and prepayments		(11,562)	22,521	(9)	–
Changes in trade and other payables		9,539	5,166	20	(89)
Cash generated from/(used in) operations		20,493	17,203	(802)	(780)
Tax paid		(3,026)	(4,175)	(13)	(39)
Tax refunded		–	4,011	–	–
Interest paid		(1,177)	(1,836)	–	–
Net cash from/(used in) operating activities		16,290	15,203	(815)	(819)

Statements of Cash Flows
For The Year Ended 30 June 2021
(Cont'd)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from investing activities					
Acquisition of plant and equipment	3	(84)	(784)	–	–
Advances to subsidiaries		–	–	(2,489)	(3,021)
Change in deposits pledged		(2,044)	(3,798)	–	–
Interest received		431	512	146	254
Investment in a subsidiary		–	–	(100)	–
Net cash used in investing activities		(1,697)	(4,070)	(2,443)	(2,767)
Cash flows from financing activities					
Net drawdown/(repayment) of bankers' acceptances		715	(523)	–	–
Repayment of term loans		(6,281)	(1,271)	–	–
Payment of lease liabilities		(1,240)	(1,286)	–	–
Proceeds from issue of share capital	12	3,495	3,910	3,495	3,910
Net cash (used in)/from financing activities		(3,311)	830	3,495	3,910
Net increase in cash and cash equivalents		11,282	11,963	237	324
Cash and cash equivalents at 1 July 2020/2019		10,995	(968)	1,067	743
Cash and cash equivalents at 30 June	(i)	22,277	10,995	1,304	1,067

Statements of Cash Flows
For The Year Ended 30 June 2021
(Cont'd)

(i) Cash and cash equivalents

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

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits placed with licensed banks	11	29,731	19,687	–	–
Less: Pledged deposits	11	(21,731)	(19,687)	–	–
		8,000	–	–	–
Cash and bank balances	11	14,131	12,315	979	746
Highly liquid investments with financial institutions	11	325	321	325	321
Bank overdrafts	13	(179)	(1,641)	–	–
		22,277	10,995	1,304	1,067

(ii) Cash outflows for leases as a lessee

		Group	
	Note	2021 RM'000	2020 RM'000
Included in net cash from/(used in) operating activities:			
Interest paid in relation to lease liabilities	17	114	176
Payment relating to short-term leases	18	563	986
Payment relating to leases of low-value assets	18	3	3
		680	1,165
Included in net cash (used in)/from financing activities:			
Payment of lease liabilities		1,240	1,286
Total cash outflows for leases		1,920	2,451

Statements of Cash Flows
For The Year Ended 30 June 2021
(Cont'd)

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

Group	At 1.7.2019 RM'000	Acquisition of a new lease RM'000	Termination of a lease RM'000	Net changes from financing cash flows RM'000	At 30.6.2020/ 1.7.2020 RM'000	Acquisition of a new lease RM'000	Conversion from bankers' acceptances from to term loan (Note 13) RM'000	Net changes from financing cash flows RM'000	At 30.6.2021 RM'000
Bankers' acceptances - secured	20,229	–	–	(523)	19,706	–	(8,230)	715	12,191
Term loans - secured	4,161	–	–	(1,271)	2,890	–	8,230	(6,281)	4,839
Lease liabilities	2,543	407	(276)	(1,286)	1,388	361	–	(1,240)	509
Total liabilities from financing activities	26,933	407	(276)	(3,080)	23,984	361	–	(6,806)	17,539

The notes on pages 69 to 121 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
Third Floor, No. 77, 79 & 81
Jalan SS 21/60, Damansara Utama
47400 Petaling Jaya, Selangor

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2021 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 27 October 2021.

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 ("MASB") 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 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*

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

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

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)*

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 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, I*ncome Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021 and 1 April 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 accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the 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:

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements (Cont'd)

(i) Impairment of intangible assets

Measurement of the recoverable amounts of cash-generating unit ("CGU") containing goodwill and relating to trademark

The Group tested 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 was allocated to a cash-generating unit that was expected to benefit from the synergies of the business combination in which the goodwill arose.

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

The recoverable amounts of goodwill and trademark had been determined based on the value in use calculations. Based on the assessments, goodwill and trademark totaling RM25,168,000 had been fully impaired during the previous financial year.

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 its 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 write-down of inventories recognised in profit or loss amounted to RM410,000 (2020: reversal of write-down of inventories amounted to RM341,000).

(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.

Notes to the financial statements
(Cont'd)

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.

(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.

Notes to the financial statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(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.

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.

Notes to the financial statements
(Cont'd)

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

(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)

(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.

Notes to the financial statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (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 that is effective for annual periods beginning on or after 1 June 2020*. 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".

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets (Cont'd)

(iii) Subsequent expenditure

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

(iv) Amortisation

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

(g) Investment properties

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.

Notes to the financial statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Cash and cash equivalents

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

(j) Impairment

(i) Financial assets

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

(ii) Other assets

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

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

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

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

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.

Notes to the financial statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial 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, commission earned and waste recycling

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Revenue and other income (Contd')

(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.

(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 years.

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

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

Notes to the financial statements
(Cont'd)

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 July 2019	146	3,848	2,799	11,046	76	17,915
Additions	–	149	6	629	–	784
Written off	–	–	–	(461)	–	(461)
At 30 June 2020 /1 July 2020	146	3,997	2,805	11,214	76	18,238
Additions	–	41	9	34	–	84
Written off	–	–	–	(114)	–	(114)
At 30 June 2021	146	4,038	2,814	11,134	76	18,208
Accumulated depreciation						
At 1 July 2019	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 /1 July 2020	42	1,247	2,782	8,835	46	12,952
Depreciation for the year	27	370	21	989	15	1,422
Written off	–	–	–	(65)	–	(65)
At 30 June 2021	69	1,617	2,803	9,759	61	14,309
Carrying amounts						
At 1 July 2019	131	2,983	67	3,124	46	6,351
At 30 June 2020 /1 July 2020	104	2,750	23	2,379	30	5,286
At 30 June 2021	77	2,421	11	1,375	15	3,899

Company	Computers RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 July 2019/30 June 2020/1 July 2020/30 June 2021	15	8	23
Accumulated depreciation			
At 1 July 2019/30 June 2020/1 July 2020/30 June 2021	15	8	23
Carrying amounts			
At 1 July 2019/30 June 2020/1 July 2020/30 June 2021	–	–	–

Notes to the financial statements
(Cont'd)

4. RIGHT-OF-USE ASSETS

Group	Buildings RM'000	Motor vehicles RM'000	Total RM'000
At 1 July 2019	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 July 2020	1,204	54	1,258
Additions during the year	361	–	361
Depreciation for the year	(1,147)	(50)	(1,197)
At 30 June 2021	418	4	422

* *Derecognition of the right-of-use assets during the previous financial year was 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 given that the renewal terms are uncertain as renewal is subject to the business performance of the boutiques. 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.

4.2 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 secure lease obligations.

5. INVESTMENT PROPERTIES

Group	Leasehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 July 2019/30 June 2020/1 July 2020/30 June 2021	1,740	2,000	3,740
Accumulated depreciation			
At 1 July 2019	378	605	983
Depreciation for the year	18	45	63
At 30 June 2020/1 July 2020	396	650	1,046
Depreciation for the year	18	45	63
At 30 June 2021	414	695	1,109
Carrying amounts			
At 1 July 2019	1,362	1,395	2,757
At 30 June 2020/1 July 2020	1,344	1,350	2,694
At 30 June 2021	1,326	1,305	2,631

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.

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 2021 RM'000	Group 2020 RM'000
Lease income	57	70
Direct operating expenses:		
- income generating investment properties	(15)	(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.

Notes to the financial statements
(Cont'd)

5. INVESTMENT PROPERTIES (CONT'D)

5.1 Fair value information

Fair value of investment properties is categorised as follows:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Fair value - Level 3		
Leasehold land and buildings	5,050	5,400

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 November 2020 (2020: June 2020) 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 July 2019/30 June 2020/1 July 2020/30 June 2021	25,190	500	25,690
Accumulated impairment losses			
1 July 2019	522	–	522
Impairment losses during the year	24,668	500	25,168
At 30 June 2020/1 July 2020/30 June 2021	25,190	500	25,690
Carrying amounts			
1 July 2019	24,668	500	25,168
At 30 June 2020/1 July 2020/30 June 2021	–	–	–
	Note 6.1	Note 6.2	

6. INTANGIBLE ASSETS (CONT'D)

6.1 Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill was allocated to the Group's operating divisions which represented the lowest level within the Group at which the goodwill was 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 belonged had been identified as the operating entity.

During the previous financial year, MLMSB's operations were affected by the Covid-19 pandemic and enforcement of the movement restrictions coupled with the implementation of additional standard operating procedures by the Government of Malaysia ("GoM"), affecting all of MLMSB's outlets and customer traffic.

The Group tested goodwill for impairment annually in June 2020 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 previous financial year's results as base year) and a 5-year business forecast that had been updated to reflect the then current economic situation following the outbreak of the Covid-19 pandemic, and was based on the following key assumptions, which were determined as most plausible:

- The terminal value of the cash flows was calculated by applying a terminal growth rate of 2%, which did not exceed the long-term average growth rate of the industry. Management believed that this perpetuity forecast period was justified due to the long-term nature of MLMSB's business.

- Revenue was projected to increase by a 5-year compounded annual growth rate of 6.70%, where the Group expected that it would require 3 years for revenue to return to the previous normal level and thereafter continued to grow based on the average growth level experienced over the past 3 years.

- A pre-tax discount rate of 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 had not applied a lower discount rate although the Group was 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%, which was 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 had resulted in the goodwill of RM24,668,000 being fully impaired and recognised in profit or loss during the previous financial year.

6. INTANGIBLE ASSETS (CONT'D)

6.2 Impairment testing for trademark

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

The trademark recognised by the Group had indefinite useful life and was 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 were 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 was reviewed by management to determine whether events and circumstances continue to support the indefinite useful life conclusion on this asset. Such asset was tested for impairment annually in June 2020 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 previous financial year's results as base year) and a 5-year business forecast that had been updated to reflect the current economic situation following the outbreak of the Covid-19 pandemic, and was based on the following key assumptions, which were determined as most plausible:

- The terminal value of the cash flows was calculated by applying a terminal growth rate of 2% which did not exceed the long-term average growth rate of the industry. Management believed that this perpetuity forecast period was justified due to long-term nature of the business in which the brand belonged.

- Revenue was projected to increase by a 5-year compounded annual growth rate of 6.47%, where the Group expected that it would require 3 years for revenue to return to the previous normal level and thereafter continued to grow based on the average growth level experienced over the past 3 years.

- A pre-tax discount rate of 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 had not applied a lower discount rate although the Group was 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%, which was 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 had resulted in the trademark of RM500,000 being fully impaired and recognised in profit or loss during the previous financial year.

7. INVESTMENTS IN SUBSIDIARIES

Company	Cost of investments RM'000	Capital contribution (Note 7.2) RM'000	Total RM'000
Unquoted shares, at cost			
At 1July 2019	63,339	–	63,339
Additions during the year (Note 7.1)	4,680	22	4,702
At 30 June 2020/1 July 2020	68,019	22	68,041
Additions during the year (Note 7.1)	100	–	100
At 30 June 2021	68,119	22	68,141
Accumulated impairment losses (Note 7.3)			
At 1 July 2019	19,909	–	19,909
Impairment loss during the year	–	22	22
At 30 June 2020/1 July 2020/30 June 2021	19,909	22	19,931
Carrying amounts			
At 1 July 2019	43,430	–	43,430
At 30 June 2020/1 July 2020	48,110	–	48,110
At 30 June 2021	48,210	–	48,210

Details of the subsidiaries are as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2021 %	2020 %
Miroza Leather (M) Sdn. Bhd. ("MLMSB")	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
Active Fit Sdn. Bhd. ("AFSB")	Malaysia	Trading and retailing of casual apparels and accessories	100	100
MESB Resources Sdn. Bhd. ("MRSB")#	Malaysia	Waste recycling	100	–

^ This subsidiary was struck off pursuant to Section 550 of the Companies Act 2016 during the year.

This subsidiary was incorporated on 5 February 2021. The preparation of the financial statements of the Group is based on the management accounts of the subsidiary, which does not contribute materially to the Group.

Notes to the financial statements
(Cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

7.1 Unquoted shares, at cost

During the financial year, the Company subscribed for 100,000 ordinary shares in MRSB at RM1.00 per ordinary share for a total cash consideration of RM100,000.

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

7.3 Accumulated impairment losses

Company	Note	AFSB RM'000	CUSB RM'000	Total RM'000
At 1 July 2019		19,000	909	19,909
Impairment loss during the year	7.3.1	–	22	22
At 30 June 2020/1 July 2020/ 30 June 2021		19,000	931	19,931

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

8. DEFERRED TAX ASSETS

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Plant and equipment	–	–	(61)	(97)	(61)	(97)
Right-of-use assets	–	–	(100)	(237)	(100)	(237)
Lease liabilities	107	249	–	–	107	249
Inventories	285	215	–	–	285	215
Other deductible temporary differences	98	122	–	–	98	122
Tax assets/(liabilities)	490	586	(161)	(334)	329	252
Set off of tax	(161)	(334)	161	334	–	–
Net tax assets	329	252	–	–	329	252

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	
	2021	**2020**
	RM'000	**RM'000**
Plant and equipment	(531)	(576)
Right-of-use assets	–	(228)
Inventories	651	532
Lease liabilities	–	237
Unabsorbed capital allowances	–	1,404
Unutilised tax losses	5,147	6,698
Other deductible temporary differences	548	1,190
	5,815	9,257

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 2020.

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 RM3,743,000 and RM1,404,000 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	
	2021	**2020**
	RM'000	**RM'000**
Trading merchandise	61,287	68,847
Recognised in profit or loss:		
- Inventories recognised as cost of sales	47,698	49,212
- Write-down of inventories	410	–
- 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 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Trade					
Trade receivables	10.1	30,824	17,277	–	–
Non-trade					
Amounts due from subsidiaries	10.2	–	–	2,845	356
Other receivables	10.3	156	1,334	9	–
Deposits		726	811	1	1
		882	2,145	2,855	357
		31,706	19,422	2,855	357

10.1 Included in trade receivables of the Group in 2020 was an amount due from companies in which a former Director has significant financial interests amounting to RM399,000. The amount was 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 6.45% (2020: 6.70%) per annum and repayable on demand.

10.3 Included in other receivables of the Group in 2020 was 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 and government grants receivable amounting to RM362,000 (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
2021				
Trade receivables		33,725	(2,901)	30,824
Trade payables	14	(44,493)	2,901	(41,592)
2020				
Trade receivables		19,646	(2,369)	17,277
Trade payables	14	(36,377)	2,369	(34,008)

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.

11. CASH AND CASH EQUIVALENTS

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Highly liquid investments with financial institutions	11.1	325	321	325	321
Deposits placed with licensed banks	11.2	29,731	19,687	–	–
Cash and bank balances		14,131	12,315	979	746
		44,187	32,323	1,304	1,067

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

Included in deposits placed with licensed banks of the Group is RM21,731,000 (2020: RM19,687,000) pledged as security for banking facilities granted to the Group (see Note 13).

12. SHARE CAPITAL

	Note	Group and Company Number of shares 2021 '000	Amount 2021 RM'000	Number of shares 2020 '000	Amount 2020 RM'000
Issued and fully paid ordinary shares with no par value					
At 1 July 2020/2019		91,100	55,150	81,900	51,240
Issued during the year via private placement	12.1	15,000	3,300	9,200	3,910
Issued during the year via exercise of Warrants	12.2	650	195	–	–
At 30 June		106,750	58,645	91,100	55,150

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.

12.1 Private placement

On 14 September 2020 (2020: 4 December 2019), the Company issued 15,000,000 (2020: 9,200,000) new ordinary shares to eligible investors at an issue price of RM0.22 (2020: RM0.425) per share via private placement.

Notes to the financial statements
(Cont'd)

12. SHARE CAPITAL (CONT'D)

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.

During the financial year, 650,000 Warrants have been exercised where 650,000 new ordinary shares were issued at an issuance price of RM0.30 per ordinary share with total cash consideration of RM195,000. There were no Warrants being exercised during the previous financial year.

As at 30 June 2021, there are 40,300,000 Warrants (2020: 40,950,000 Warrants) which remain unexercised.

13. LOANS AND BORROWINGS

	Note	Group 2021 RM'000	Group 2020 RM'000
Non-current			
Term loans - secured	13.1	1,499	1,987
Current			
Term loans - secured	13.1	3,340	903
Bank overdrafts - secured	13.2	179	1,641
Bankers' acceptances - secured	13.2	12,191	19,706
		15,710	22,250
		17,209	24,237

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 2021 RM'000	Group Amount outstanding 2020 RM'000
1	60	40,103	November 2016	416	863
2	60	10,079	January 2017	60	174
3	60	59,811	April 2018	1,620	1,853
4	12	685,833	November 2020	2,743	–
				4,839	2,890

13. LOANS AND BORROWINGS (CONT'D)

13.1 Term loans (Cont'd)

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.

13.2 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 current and previous financial years, the Group received moratoria from certain banks as a result of the current economic situation due to the Covid-19 Pandemic and was granted a deferment of up to six months. 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.

In addition, to further alleviate the liquidity constraints faced by the Group, during the financial year, the Group has renegotiated with a bank to convert some of its bankers' acceptances balances amounting to RM8,230,000 into a 12-month term loan with a principal amount of RM8,230,000 (term loan 4 as disclosed in Note 13.1). There is no material financial impact arising from the conversion of bankers' acceptances into term loan.

14. TRADE AND OTHER PAYABLES

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Trade					
Trade payables	14.1	41,592	34,008	–	–
Non-trade					
Other payables	14.2	786	753	133	118
Accrued expenses		5,243	3,432	58	53
		6,029	4,185	191	171
		47,621	38,193	191	171

14.1 Included in trade payables of the Group are an amount due to a company in which a Director has significant financial interest of RM211,000 (2020: Nil) and an amount due to a company in which a former Director has significant financial interests of Nil (2020: RM9,000). These amounts are unsecured, interest free and subject to negotiated trade terms.

14.2 Included in other payables of the Group is an amount due to a company in which a Director has significant financial interest of RM90,000 (2020: Nil). The amount is unsecured, interest free and repayable on demand.

Notes to the financial statements
(Cont'd)

15. REVENUE

	Note	Group 2021 RM'000	Group 2020 RM'000
Sale of goods		134,633	146,291
Commission income from consignment sales		823	1,475
Waste recycling		1,098	–
Revenue from contracts with customers	15.1	136,554	147,766
Other revenue			
Rental income		27	43
Total revenue		136,581	147,809

15.1 Disaggregation of revenue

	Group 2021 RM'000	Group 2020 RM'000
Major product lines/services		
Sale of leather products, apparels and accessories	135,456	147,766
Waste recycling	1,098	–
	136,554	147,766
Primary geographical markets		
Malaysia	134,705	147,027
Brunei	1,849	739
	136,554	147,766
Sales channels		
Directly to customers	7,562	5,484
Through departmental stores	128,992	142,282
	136,554	147,766
Timing of recognition		
At a point in time	136,554	147,766

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; or when the delivery of goods is accepted by customers (for online sales).	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).
Waste recycling	Revenue is recognised when the goods are accepted by the customers.	Credit period of 7 - 30 days from invoice date.	Not applicable.

Notes to the financial statements
(Cont'd)

16. FINANCE INCOME

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income of financial assets calculated using the effective interest method that are:				
- at amortised cost	427	496	142	238
Interest income of financial assets measured at fair value through profit or loss	4	16	4	16
	431	512	146	254

17. FINANCE COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Bankers' acceptances	517	1,168	–	–
- Bank overdrafts	90	235	–	–
- Debts factoring	21	40	–	–
- Term loans	373	211	–	–
- Others	62	6	–	–
	1,063	1,660	–	–
Interest expense on lease liabilities	114	176	–	–
	1,177	1,836	–	–

18. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting):				
Auditors' remunerations				
Audit fees				
- KPMG PLT	165	155	52	48
Non-audit fees				
- KPMG PLT	5	5	5	5

Notes to the financial statements
(Cont'd)

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit/(Loss) before tax is arrived at after charging/(crediting) (Cont'd):				
Material expenses/(income)				
Depreciation of investment properties	63	63	–	–
Depreciation of plant and equipment	1,422	1,633	–	–
Depreciation of right-of-use assets	1,197	1,343	–	–
Government grants (Note b)	(3,449)	(446)	–	–
Impairment losses on intangible assets	–	25,168	–	–
Internal audit fee	41	47	–	–
Net realised (gain)/loss on foreign exchange	(121)	59	–	–
Net unrealised (gain)/loss on foreign exchange	(111)	147	–	–
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provision Fund	2,762	3,342	11	11
- Wages, salaries and others	21,597	30,717	116	134
Plant and equipment written off	49	216	–	–
Royalty expenses	10,833	12,599	–	–
Reversal of write-down of inventories	–	(341)	–	–
Write-down of inventories	410	–	–	–
Expenses/(income) arising from leases				
Expenses relating to short-term leases (Note a)	563	986	–	–
Expenses relating to leases of low-value assets (Note a)	3	3	–	–
Gain on derecognition of right-of-use assets	–	(3)	–	–
Net loss/(reversal of loss) on impairment of financial assets				
Financial assets at amortised cost	66	63	–	(8)

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 RM3,449,000 (2020: RM446,000) recognised during the financial year were related to the Wage Subsidy Programmes introduced by the Government of Malaysia in response to the Covid-19 pandemic. The grants were recognised in profit or loss as other income.

Notes to the financial statements
(Cont'd)

19. TAX EXPENSE/(CREDIT)

Recognised in profit or loss

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current tax expense				
- Current year	2,426	724	–	–
- Over provision in prior year	(27)	(120)	–	(5)
Total current tax recognised in profit or loss	2,399	604	–	(5)
Deferred tax expense				
- Origination and reversal of temporary differences	(191)	(127)	–	–
- Under provision in prior year	114	57	–	–
Total deferred tax recognised in profit or loss	(77)	(70)	–	–
Total income tax expense/(credit)	2,322	534	–	(5)

Reconciliation of tax expense/(credit)

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Profit/(Loss) before tax	11,524	(26,241)	(667)	(451)
Income tax calculated using Malaysian tax rate of 24%	2,766	(6,298)	(160)	(108)
Effect of deferred tax assets not recognised	–	388	–	–
Non-deductible expenses	295	6,507	160	108
Recognition of previously unrecognised deferred tax assets	(826)	–	–	–
Under/(Over) provision in prior year	87	(63)	–	(5)
	2,322	534	–	(5)

Non-deductible expenses

The non-deductible expenses of the Group during the previous financial year primarily related to impairment losses on intangible assets which are capital in nature.

Notes to the financial statements
(Cont'd)

20. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 30 June 2021 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2021 RM'000	Group 2020 RM'000
Profit/(Loss) attributable to ordinary shareholders	9,202	(26,775)

	Group 2021 '000	Group 2020 '000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	91,100	81,900
Effect of new ordinary shares issued via private placement and exercise of warrants (Note 12.1 and Note 12.2)	12,100	5,279
Weighted average number of ordinary shares at 30 June (basic)	103,200	87,179

	Group 2021 sen	Group 2020 sen
Basic earnings/(loss) per ordinary share	8.92	(30.71)

Diluted earnings/(loss) per ordinary share

The calculation of diluted earnings per ordinary share at 30 June 2021 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group 2021 RM'000
Profit attributable to ordinary shareholders	9,202

	Group 2021 '000
Weighted average number of ordinary shares at 30 June (basic)	103,200
Effect of Warrants on issue	10,475
Weighted average number of ordinary shares at 30 June (diluted)	113,675

20. EARNINGS/(LOSS) PER ORDINARY SHARE (CONT'D)

Diluted earnings/(loss) per ordinary share (Cont'd)

	Group 2021 sen
Diluted earnings per ordinary share	8.10

The average market value of the Company's shares for purpose of calculating the dilutive effect of Warrants was based on quoted market prices for the period during which the Warrants were outstanding.

Diluted loss per ordinary share as at 30 June 2020 was identical with basic loss per ordinary share as the effect of the Warrants issued is anti-dilutive.

21. OPERATING SEGMENTS

The Group has three (2020: 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, apparel and accessories.
- Investment holding — involved in investment holding.
- Waste recycling — involved in waste recycling business.

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.

Notes to the financial statements
(Cont'd)

21. OPERATING SEGMENTS (CONT'D)

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	Waste recycling RM'000	Total RM'000
2021				
Segment profit/(loss)	13,433	(845)	113	12,701
Included in the measure of segment profit/(loss) are:				
Revenue from external customers	135,456	27	1,098	136,581
Finance income	417	14	–	431
Inventories written down	(410)	–	–	(410)
Plant and equipment written off	(49)	–	–	(49)
Depreciation of plant and equipment	(1,422)	–	–	(1,422)
Depreciation of right-of-use assets	(1,197)	–	–	(1,197)
Depreciation of investment properties	–	(63)	–	(63)
Not included in the measure of segment profit/(loss) but provided to CODM:				
Finance costs	(1,177)	–	–	(1,177)
Tax expense	(2,315)	(7)	–	(2,322)
Segment assets	142,594	6,743	686	150,023
Included in the measure of segment assets is:				
Additions to non-current assets other than financial instruments and deferred tax assets	445	–	–	445

21. OPERATING SEGMENTS (CONT'D)

Group	Retailing RM'000	Investment holding RM'000	Waste recycling RM'000	Total RM'000
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)
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

Reconciliations of reportable segment profit or loss and assets

Profit or loss	Group 2021 RM'000	Group 2020 RM'000
Total profit/(loss) for reportable segments	12,701	(24,405)
Finance costs	(1,177)	(1,836)
Consolidated profit/(loss) before tax	11,524	(26,241)

Assets	Group 2021 RM'000	Group 2020 RM'000
Total assets for reporting segments	150,023	133,316
Elimination of inter-segment balances	(2,845)	(356)
Consolidated total assets	147,178	132,960

Notes to the financial statements
(Cont'd)

21. OPERATING SEGMENTS (CONTINUED)

Geographical segments

The Group operates solely 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 categorised as follows:

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

2021	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Group			
Financial assets			
Trade and other receivables	31,706	31,706	–
Cash and cash equivalents	44,187	43,862	325
	75,893	75,568	325
Financial liabilities			
Trade and other payables	(47,621)	(47,621)	–
Loans and borrowings	(17,209)	(17,209)	–
	(64,830)	(64,830)	–
Company			
Financial assets			
Other receivables	2,855	2,855	–
Cash and cash equivalents	1,304	979	325
	4,159	3,834	325
Financial liabilities			
Other payables	191	191	–

22. FINANCIAL INSTRUMENTS (CONT'D)

22.1 Categories of financial instruments (Cont'd)

The table below provides an analysis of financial instruments categorised as follows: (Cont'd)

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)	–
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)	–

* excluded GST receivable.

22.2 Net gains and losses arising from financial instruments

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	4	16	4	16
Financial assets measured at amortised cost	361	496	142	238
Financial liabilities measured at amortised cost	(831)	(1,866)	–	–
	(466)	(1,354)	146	254

Notes to the financial statements
(Cont'd)

22. FINANCIAL INSTRUMENTS (CONT'D)

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.

During the current and previous financial years, 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 debtor whom was granted an extension is closely monitored for credit deterioration.

There are no other significant changes as compared to the previous year.

Exposure to credit risk, credit quality and collateral

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

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

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

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, except for those which have been credit impaired.

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.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2021.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2021			
Current (not past due)	21,226	–	21,226
1 - 30 days past due	7,895	–	7,895
31 - 60 days past due	1,262	–	1,262
61 - 90 days past due	132	–	132
Past due more than 90 days	301	–	301
	30,816	–	30,816
Credit impaired			
Past due more than 90 days	74	(66)	8
	30,890	(66)	30,824

Notes to the financial statements
(Cont'd)

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment loss

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

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 July 2019	–
Net remeasurement of loss allowance	63
Amounts written off	(63)
Balance at 30 June 2020/1 July 2020	–
Net remeasurement of loss allowance	66
Balance at 30 June 2021	66

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.

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (Cont'd)

Financial guarantees (Cont'd)

Exposure to credit risk, credit quality and collateral

For banking facilities granted to the subsidiaries, the maximum exposure to credit risk amounts to RM17,209,000 (2020: RM24,237,000) 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.

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 had 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.

Notes to the financial statements
(Cont'd)

22. FINANCIAL INSTRUMENTS (CONT'D)

22.4 Credit risk (Cont'd)

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.

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
2021			
Low credit risk	2,845	–	2,845
2020			
Low credit risk	356	–	356

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 July 2019	8
Net remeasurement of loss allowance	(8)
Balance at 30 June 2020/1 July 2020/30 June 2021	–

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 during the current and previous financial years 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	47,621	–	47,621	47,621	–	–
Lease liabilities	509	2.62 - 8.05%	532	356	167	9
Term loans - secured	4,839	*	5,094	3,497	907	690
Bank overdrafts - secured	179	**	179	179	–	–
Bankers' acceptances - secured	12,191	2.11 - 5.41%	12,191	12,191	–	–
	65,339		65,617	63,844	1,074	699
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	3.34 - 5.41%	19,706	19,706	-	-
	63,818		64,217	61,914	1,367	936

* represents lenders' cost of funds plus a margin of 1.00 - 2.00% 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				
2021				
Non-derivative financial liabilities				
Other payables	191	–	191	191
Financial guarantees	–	–	17,209	17,209
	191		17,400	17,400
2020				
Non-derivative financial liabilities				
Other payables	171	–	171	171
Financial guarantees	–	–	24,237	24,237
	171		24,408	24,408

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 currency giving rise to this risk is primarily U.S. Dollar ("USD").

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:

Notes to the financial statements
(Cont'd)

22. FINANCIAL INSTRUMENTS (CONT'D)

22.6 Market risk (Cont'd)

22.6.1 Currency risk (Cont'd)

Exposure to foreign currency risk (Cont'd)

	Denominated in USD	
	2021	2020
Group	RM'000	RM'000
Other receivables	–	817
Trade and other payables	(11,734)	(8,925)
	(11,734)	(8,108)

Currency risk sensitivity analysis

A 10% (2020: 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	
	2021	2020
Group	RM'000	RM'000
USD	892	616

A 10% (2020: 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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Fixed rate instruments				
Financial assets	29,731	19,687	2,845	356
Financial liabilities	(12,191)	(19,706)	–	–
Lease liabilities	(509)	(1,388)	–	–
	17,031	(1,407)	2,845	356
Floating rate instruments				
Financial liabilities	(5,018)	(4,531)	–	–

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 2021 RM'000**	**50 bp decrease 2021 RM'000**	**50 bp increase 2020 RM'000**	**50 bp decrease 2020 RM'000**
Floating rate instruments	(19)	19	(17)	17

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.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2021										
Financial liabilities										
Term loans	–	–	–	–	–	–	(4,771)	(4,771)	(4,771)	(4,839)
2020										
Financial liabilities										
Term loans	–	–	–	–	–	–	(2,765)	(2,765)	(2,765)	(2,890)

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 and previous financial years, the Directors view sound capital management as essential and imperative to ensure that the Group comes through the current difficult Covid-19 situation. 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	**2021 RM'000**	**2020 RM'000**
Loans and borrowings	13	17,209	24,237
Lease liabilities		509	1,388
Total debt		17,718	25,625
Total equity		81,839	69,142
Debt-to-equity ratio		0.22	0.37

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.

Notes to the financial statements
(Cont'd)

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.

During the hearing on 17 September 2021, the High Court of Kuala Lumpur has dismissed the application to stay the proceeding pending disposal of appeal filed by other defendants with costs and fixed a pre-trial case management on 22 November 2021. 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 Director and 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	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
A.	**Subsidiaries**				
	Net advances to subsidiaries	–	–	2,489	3,006
	Interest income	–	–	(132)	(232)
B.	**Companies in which a former Director has significant financial interests**				
	Sale of goods (net of selling and distribution expenses)	(648)	(2,858)	–	–
	Purchase of goods	–	6	–	–
	Sub-licensing income	–	(57)	–	–
C.	**Companies in which a Director has significant financial interests**				
	Purchase of goods	211	–	–	–
	Rental expense	30	–	–	–
D.	**Key management personnel**				
	Directors				
	Directors' fees	133	96	133	96
	Directors' remunerations	282	345	45	45
	Post-employment benefits	27	32	–	–
		442	473	178	141

The estimated monetary value of Directors' benefit-in-kind is RM13,000 (2020: RM13,000).

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 61 to 121 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 2021 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: 27 October 2021

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 61 to 121 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 27 October 2021.

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 2021 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 61 to 121.

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 2021, 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.

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.

<table>
<tr><th colspan="2">Valuation of inventories</th></tr>
<tr><td colspan="2">Refer to Note 1(d)(ii) - Basis of preparation: Use of estimates and judgements - Write-down of inventories, Note 2(h) - Significant accounting policy: Inventories and Note 9 - Inventories.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>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 2021 is RM61.2 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.</td><td>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 reflected 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.</td></tr>
</table>

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
(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
(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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors is disclosed in Note 7 to the financial statements.

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: 27 October 2021

LIST OF PROPERTIES
as at 30 June 2021

Location	Description/ Existing use	Tenure	Approximate Land/ Built-up area (square feet)	Age of Properties/ Buildings (Years)	Net Book Value As At 30/06/2021 (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	31	2,189	2 Nov 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	23	442	2 Nov 2020

ANALYSIS OF SHAREHOLDINGS
as at 4 October 2021

Total number of Issued Share	:	108,280,000 Ordinary Shares
Class of Equity Securities	:	Ordinary Shares (“shares”)
Voting Rights	:	One (1) vote per Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares held	%
Less than 100	37	1.83	1,186	0.00
100 to 1,000	106	5.24	51,758	0.05
1,001 – 10,000	1,166	57.61	5,701,050	5.26
10,001 – 100,000	638	31.52	20,085,803	18.55
100,001 – less than 5% of issued shares	72	3.55	34,608,099	31.96
5% and above of issued shares	5	0.25	47,832,104	44.18
Total	**2,024**	**100.00**	**108,280,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS’ SHAREHOLDING AS AT 4 OCTOBER 2021
(As per the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest No. of Shares held	%	Indirect Interest No. of Shares held	%
Datuk Wong Sak Kuan	36,507,898	33.72	–	–
Yau Ming Teck	11,324,206	10.46	–	–

DIRECTORS’ SHAREHOLDINGS AS AT 4 OCTOBER 2021
(As per the Register of Directors’ Shareholdings)

Name of Directors	Direct Interest No. of Shares held	%	Indirect Interest No. of Shares held	%
Saffie Bin Bakar	–	–	–	–
Loke Lee Ping	–	–	–	–
Chua Jin Kau	–	–	–	–
Datuk Wong Sak Kuan	36,507,898	33.72	–	–
Tan Yew Kim	–	–	–	–
Lee Kok Heng	–	–	–	–

Analysis of Shareholdings
(Cont'd)

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 4 OCTOBER 2021
(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name	No. of Shares	%
1.	Wong Sak Kuan	19,507,898	18.02
2.	Yau Ming Teck	11,324,206	10.46
3.	RHB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Wong Sak Kuan*	10,000,000	9.24
4.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Wong Sak Kuan (7000571)*	6,000,000	5.54
5.	MV Consolidated Sdn. Bhd.	4,500,000	4.16
6.	Lee Wai Fun	2,985,000	2.76
7.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Shoraka Capgroup Sdn. Bhd.*	2,100,000	1.94
8.	Teoh Hooi Lee	1,509,200	1.39
9.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lee Wai Fun (7001743)*	1,500,000	1.39
10.	Tan Kuan Teck	1,338,200	1.24
11.	Chong Fong Tai	1,320,000	1.22
12.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Lim Gim Leong*	1,260,150	1.16
13.	Chui Mee Chuen	1,000,000	0.92
14.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Beh Kim Ling*	1,000,000	0.92
15.	Wong Sak Kuan	1,000,000	0.92
16.	Toh Yan Tai	990,000	0.91
17.	Loo Wentian	955,000	0.88
18.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Ng Geok Wah (B BRKLANG-CL)*	868,900	0.80
19.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tan Kuan Teck*	732,400	0.68
20.	Wong Boon Ang	660,000	0.61
21.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Accout for Low Guna Theong (M03)*	500,000	0.46
22.	Aw Kheng Tong	500,000	0.46
23.	Lee Kao Choon	500,000	0.46
24	Lee Chee Beng	497,700	0.46

TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 4 OCTOBER 2021 (CONT'D)
(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name	No. of Shares	%
25	Tan Phan Lieh	470,000	0.43
26	Lum Peng Leong	384,650	0.36
27	Ong Lay Cheong	329,400	0.30
28	Wong Yau Min	315,000	0.29
29	Hoe Kian Choon	300,000	0.28
30	Lee Pang Say	300,000	0.28
		74,647,704	68.94

ANALYSIS OF WARRANT HOLDINGS
as at 4 October 2021

Type of Securities	:	2017/2022 Warrants
No. of unexercised Warrants	;	38,770,000
Exercise Price	:	RM0.30
Exercise Period	:	2 January 2019 to 30 December 2022

ANALYSIS BY SIZE OF WARRANT HOLDINGS

Size of Holdings	No. of Warrant Holders	%	No. of Warrants Held	%
Less than 100	105	8.13	4,965	0.01
100 to 1,000	221	17.10	154,285	0.40
1,001 – 10,000	617	47.76	2,115,550	5.46
10,001 – 100,000	280	21.67	10,054,825	25.93
100,001 – less than 5% of issued warrant	68	5.26	21,441,700	55.31
5% and above of issued warrant	1	0.08	4,998,675	12.89
Total	**1,292**	**100.00**	**38,770,000**	**100.00**

DIRECTORS' WARRANT HOLDINGS AS AT 4 OCTOBER 2021
(As per the Register of Directors' Warrant Holdings)

	Direct Interest		Indirect Interest	
Name of Directors	No. of Warrants Held	%	No. of Warrants Held	%
Saffie Bin Bakar	–	–	–	–
Loke Lee Ping	–	–	–	–
Chua Jin Kau	–	–	–	–
Datuk Wong Sak Kuan	–	–	–	–
Tan Yew Kim	–	–	–	–
Lee Kok Heng	–	–	–	–

Analysis of Warrant Holdings
(Cont'd)

LIST OF TOP THIRTY (30) WARRANT HOLDERS AS AT 4 OCTOBER 2021

(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	12.89
2.	Ding Nyok Choo	1,550,000	4.00
3.	Lee Wai Fun	1,480,000	3.82
4.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tan Chung Ching (E-PTS)*	910,000	2.35
5.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Koo Fook Thian*	824,600	2.13
6.	Toh Wah Chong	606,400	1.56
7.	Sim Siew Poh	600,000	1.55
8.	Ng Than Seng	518,400	1.34
9.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tam Kian Kwang*	508,400	1.31
10.	Toh Yan Tai	502,400	1.30
11.	Chong Sin Hao	500,000	1.29
12.	Chong Sin Hao	500,000	1.29
13.	Low Yee Juan	500,000	1.29
14.	Raja Nur Najihah Binti Raja Muhamad	500,000	1.29
15	RHB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Michael Hii Lu Pang*	495,000	1.28
16.	Aw Kheng Tong	470,000	1.21
17.	Ong Peck Giok	465,000	1.20
18.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chin Yong Loon (6000433)*	430,000	1.11
19.	Ling Yoke Hooi	400,000	1.03
20.	Ng Chin Kee	400,000	1.03
21.	Hanafi Bin Hamdan	390,600	1.01
22.	Chan Set Li	330,000	0.85
23.	Lim Hung Thiam	321,000	0.83

Analysis of Warrant Holdings
(Cont'd)

LIST OF TOP THIRTY (30) WARRANT HOLDERS AS AT 4 OCTOBER 2021 (CONT'D)
(Without aggregating the securities from different securities account belonging to the same Depositor)

No.	Name	No. of Warrants	%
24.	Maybank Nominees (Tempatan) Sdn. Bhd. Tang Yeng Kai	300,000	0.77
25.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Jih Yong	263,000	0.68
26.	Leung Yiu Yan	260,000	0.67
27.	Lee Kok Hoong	256,375	0.66
28.	Lee Kao Choon	250,000	0.64
29.	Looi Wentian	250,000	0.64
30	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Chung Ching (E-PTS)	238,300	0.61
		20,018,450	51.63

NOTICE OF THE TWENTY-SIXTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Sixth Annual General Meeting ("26th AGM" or "Meeting") of MESB BERHAD ("MESB" or "the Company") will be held on a fully virtual basis and entirely via remote participation and electronic voting through an online platform at https://Dvote.my (Domain registration number with MYNIC: D6A434007) provided by Dvote Services Sdn. Bhd. in Malaysia on Tuesday, 7 December 2021 at 3:00 p.m. or at any adjournment thereof, to transact the following businesses:-

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2021 together with the Reports of the Directors and Auditors thereon. ***PLEASE REFER TO EXPLANATORY NOTE 1***

2. To approve the payment of Directors' fees of RM133,000 for the financial year ended 30 June 2021. ***(ORDINARY RESOLUTION 1)***

3. To approve the payment of Directors' fees and benefits of up to RM235,000 for the period commencing from 1 July 2021 until the date of the next Annual General Meeting of the Company. ***(ORDINARY RESOLUTION 2)***

4. To re-elect Mr. Loke Lee Ping as Director who retires by rotation pursuant to Clause 97 of the Company's Constitution. ***(ORDINARY RESOLUTION 3)***

5. To re-elect Datuk Wong Sak Kuan as Director who retires pursuant to Clause 99 of the Company's Constitution. ***(ORDINARY RESOLUTION 4)***

6. To note the retirement of En. Saffie Bin Bakar as Director of the Company at the conclusion of the 26th AGM. ***PLEASE REFER TO EXPLANATORY NOTE 5***

7. To re-appoint KPMG PLT as Auditors of the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. ***(ORDINARY RESOLUTION 5)***

As Special Business:

To consider and if thought fit, pass with or without any modifications, the following resolutions:

8. **RETENTION OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR** ***(ORDINARY RESOLUTION 6)***

   "THAT 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, be and is hereby retained as an Independent Non-Executive Director of the Company."

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

9. **GENERAL AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** ***(ORDINARY RESOLUTION 7)***

"THAT subject always to the Constitution of the Company, the Companies Act 2016 ("Act"), the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/ regulatory authorities, where required, the Directors of the Company, be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company to such persons, at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares) at any point of time AND THAT the Directors be and also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND THAT such authority shall continue to be in force until the conclusion of the Annual General Meeting ("AGM") of the Company held next after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is the earlier."

10. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND/ OR TRADING NATURE ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")** ***(ORDINARY RESOLUTION 8)***

"THAT, authority be and is hereby given in line with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, for the Company and/or its subsidiaries to enter into any of the recurrent related party transactions with the related parties as set out in Section 2.8 of the Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate dated 29 October 2021 which are necessary for the day-to-day operations of the Company and/ or its subsidiaries within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which are those generally available to the public and are not detrimental to the minority shareholders of the Company;

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

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which the ordinary resolution for the Proposed Renewal of Shareholders' Mandate was passed, at which time it shall lapse, unless the authority is renewed by a resolution passed at the next AGM; or

(ii) the expiration of the period within which the next AGM after that date it is required by law to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

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

whichever is earlier.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things as they may be deemed fit, necessary, expedient and/or appropriate in order to implement the Proposed Renewal of Shareholders' Mandate with full power to assent to all or any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities or otherwise and to deal with all matters relating thereto and to take all such steps and to execute, sign and deliver for and on behalf of the Company all such documents, agreements, arrangements and/or undertakings, with any party or parties and to carry out any other matters as may be required to implement, finalise and complete, and give full effect to the Proposed Renewal of Shareholders' Mandate in the best interest of the Company."

11. **PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY** ***SPECIAL RESOLUTION***

"THAT the proposed amendments to the Constitution of the Company as set out in "Appendix A", be approved and adopted with immediate effect AND THAT the Directors and/or Secretary of the Company be authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the said proposed amendments for and on behalf of the Company."

12. To transact any other business of which due notice shall have been given.

By order of the Board

TEA SOR HUA (MACS 01324) (SSM PC NO.: 201908001272)
Company Secretary

Petaling Jaya, Selangor Darul Ehsan
29 October 2021

Notes:

(i) A member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting in his stead. Where a member appoints more than one (1) proxy, the member shall specify the proportion of his shareholdings to be represented by each proxy.

(ii) A proxy may, but need not, be a member of the Company. A member may appoint any person to be his proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak and vote at the Meeting.

(iii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.

(iv) Where a member of the Company 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.

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

(v) The instrument appointing a proxy may be made via hardcopy or by electronic means in the following manner and must be deposited not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting at which the person named in the appointment proposes to vote:-

a) In Hardcopy Form
In the case of an appointment made in hard copy form, the proxy form must be deposited at the registered office situated at Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor.

b) By Electronic Means
The proxy form shall be electronically lodged by email to proxyform@cospec.com.my.

(vi) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.

(vii) For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 62 of the Company's Constitution to issue a General Meeting Record of Depositors as at 30 November 2021. Only members whose name appear in the General Meeting Record of Depositors as at 30 November 2021 shall be entitled to attend the Meeting and to speak and vote thereat.

(viii) All the resolutions set out in the Notice of Meeting will be put to vote by poll.

(ix) The members are advised to refer to the Administrative Notes on the registration process for the Meeting.

(x) Given the constantly evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 26th AGM at short notice. Kindly check Bursa Securities' website and the Company's website at https://mesbbhd.com/ for the latest updates on the status of the Meeting.

EXPLANATORY NOTES TO ORDINARY/SPECIAL BUSINESS

1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 30 June 2021

This Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require formal approval of members for the Audited Financial Statements. Hence, Agenda No. 1 will not be put forward for voting.

2. Item 2 of the Agenda – Directors' fees for the financial year ended 30 June 2021

Ordinary Resolution 1 is to seek shareholders' approval for the payment of Directors' fees in respect of the preceding financial year ended 30 June 2021 and the payment will be made if the resolution is passed at the 26th AGM.

3. Item 3 of the Agenda – Directors' fees and Benefits for the period commencing from 1 July 2021 until the date of the next AGM.

The estimated Directors' fees and benefits are calculated based on the current Board size and the number of scheduled Board and Committee meetings to be held. This resolution is to facilitate payment of Directors' fees and benefits for the period from 1 July 2021 until the date of the next AGM to be held in the year 2022. In the event the proposed amount is insufficient due to more meetings or enlarged Board size, approval will be sought at the next AGM for the shortfall.

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

4. Items 4 and 5 of the Agenda – Re-election of Directors

Mr. Loke Lee Ping and Datuk Wong Sak Kuan who are standing for re-election as Directors of the Company at this 26th AGM and being eligible, have offered themselves for re-election.

5. Item 6 of the Agenda – Retirement of Director

En. Saffie Bin Bakar who retires pursuant to Clause 97 of the Company's Constitution of the Company, has expressed his intention not to seek re-election at the 26th AGM and he shall retire as Director of the Company at the conclusion of the 26th AGM. The Company would like to thank En. Saffie Bin Bakar for his contribution during his tenure as Director of the Company.

6. Item 8 of the Agenda – Retention of Independent Non-Executive Director

The Nomination and Remuneration Committee of the Company has assessed the independence of Mr. Tan Yew Kim, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and recommended him to continue acting as Independent Non-Executive Director of the Company pursuant to the Malaysian Code on Corporate Governance ("MCCG"). The Board is satisfied that he has met the independence and recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:

(a) he has declared and confirmed that he fulfilled the criteria under the definition of Independent Director as set out in Paragraph 1 of the Main Market Listing Requirements of Bursa Securities;
(b) he has vast experience in his industry which could provide the Board with a diverse set of experience, expertise and independent judgement;
(c) he was not appointed by the current controlling shareholder and hence the issue of special relationship with or loyalty to the controlling shareholder does not arise;
(d) he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making; and
(e) he has exercised due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders of the Company.

Pursuant to Practice 5.3 of the MCCG, the retention of 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, the approval of the shareholders at the 26th AGM will be sought through a two-tier voting process.

7. Item 9 of the Agenda – General Authority for the Directors to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The Ordinary Resolution 7 proposed under item 9 of the Agenda, is to seek a general mandate for issuance and allotment of shares by the Company pursuant to Sections 75 and 76 of the Companies Act 2016. This Ordinary Resolution, if passed, is to empower the Directors to issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening at a general meeting to approve such an issue of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

This general mandate will provide flexibility to the Company for issuance and allotment of shares for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).

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

7. Item 9 of the Agenda – General Authority for the Directors to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016 (Cont'd)

The Company had at its 25th AGM, obtained a general mandate pursuant to Sections 75 and 76 of the Act from its shareholders, to empower the Directors to issue and allot shares in the Company to such persons, at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 20% of the total number of issued shares of the Company (excluding treasury shares) at any point of time ("20% General Mandate"). This 20% General Mandate will expire at the conclusion of the 26th AGM.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 25th AGM which will lapse at the conclusion of the 26th AGM.

8. Item 10 of the Agenda – Proposed Renewal of Shareholders' Mandate

The Ordinary Resolution 8 proposed under item 10 of the Agenda, if passed, will renew the authority given to the Company and/or its subsidiaries a mandate to enter into recurrent related party transactions of a revenue and/or trading nature pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities. The mandate, unless revoke or varied by the Company at a general meeting, will expire at the next AGM of the Company.

Please refer to the Circular to Shareholders dated 29 October 2021 for further information.

9. Item 11 of the Agenda – Proposed Amendments to the Constitution of the Company

The Special Resolution proposed under item 11 of the Agenda in relation to the proposed amendments to the existing Constitution of the Company ("Proposed Amendments"), are made mainly for the following purposes:

(a) To provide clarity on the provisions of the Third Schedule of the Companies Act 2016;
(b) to align the Company's Constitution with the Companies (Amendment) Act 2019 which came into operation on 15 January 2020 in relation to the alteration of share capital;
(c) to provide clarity on the objects of the Company; and
(d) to enhance administrative efficiency.

The Proposed Amendments shall take effect once the special resolution has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the Meeting.

APPENDIX A

PROPOSED AMENDMENTS TO THE CONSTITUTION OF MESB BERHAD ("THE COMPANY")

This is the Appendix A referred to in Agenda 11 of the Notice of Twenty-Sixth Annual General Meeting of the Company dated 29 October 2021.

Clause No.	Existing Clause	Proposed Clause
3. Objects of the Company	Section 21 of the Companies Act 2016 shall apply. The provisions set out in the Third Schedule of the Companies Act 2016 shall apply to the Company, except in so far as the same is repeated or contained in this Constitution.	**Subject to the provisions of the Companies Act 2016, this Constitution and any other written law, the objects for which the Company is established are:-** **(a) To carry on the business of an investment holding company and for that purpose to promote or form or assist in promotion of any company or the subsidiary of the Company or otherwise and to acquire and hold for investment shares, stocks, debentures, debenture stocks, bonds, obligations and securities issued or guaranteed by any company or private undertaking; and** **(b) To carry on or undertake any business activity, to do any act or enter into any transaction or to do all such other things as are incidental or conducive to the attainment of the above objects.** Section 21 of the Companies Act shall apply **to the Company and the Company shall be capable of exercising all the functions of a body corporate and have the full capacity to carry on or undertake any business or any activity the Directors consider advantageous to the Company and that are not prohibited under any law for the time being enforced in Malaysia**. The provisions set out in the Third Schedule of the Companies Act 2016 shall not apply to the Company, except in so far as the same is repeated or contained in this Constitution
4. Liability of Members	The liability of the Members is limited.	**The Company is a company limited by shares** and the liability of the Members is limited.

APPENDIX A
(Cont'd)

Clause No.	Existing Clause	Proposed Clause
5. **Class of shares and alteration of** shares capital	The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as to dividend, capital, voting or otherwise.	The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as to dividend, capital, voting or otherwise. **The Company shall have the power to increase or reduce the capital, to consolidate or subdivide the shares into shares of larger or smaller amounts and to issue all or any part of the original or any additional capital as fully paid or partly paid shares, and with any special or preferential rights or privileges, or subject to any special terms or conditions and either with or without any special designation, and also from time to time to alter, modify, commute, abrogate or deal with any such privileges, terms, conditions or designations in accordance with the regulations for the time being of the Company.**
6. Definitions	New provision	"Applicable Laws" means All laws, bye-laws, regulations, rules, orders and/or official directions for the time being in force affecting the Company and its subsidiaries, including but not limited to the Act, the Listing Requirements and every other law for the time being in force concerning companies and affecting the Company and any other directives or requirements imposed on the Company by the Securities Commission and/or other relevant regulatory bodies and/or authorities.
6. Definitions	"Company" means MESB Berhad	"Company" means MESB Berhad [Registration No. 199501008356 (337554-D)] including any change of name from time to time.
10. Purchase of own shares	Subject to the provisions of the Act and the rules, regulations, orders, guidelines or requirements issued by the Exchange and/or any other relevant authority from time to time, the Company may by ordinary resolution purchase its own shares and/or give financial assistance for the purpose of purchasing its own shares. Any shares in the Company so purchased by the Company shall be dealt with in accordance with the Act and the guidelines or requirements issued by the Exchange and/or any other relevant authority from time to time.	Subject to the provisions of the Act and the rules, regulations, orders, guidelines or requirements issued by the Exchange and/or any other relevant authority from time to time, the Company may by ordinary resolution purchase its own shares and/or give financial assistance for the purpose of purchasing its own shares. Any shares in the Company so purchased by the Company shall be dealt with in accordance with the Act and the guidelines or requirements issued by the Exchange and/or any other relevant authority from time to time. **The provisions of Clause 56 shall not affect the power of the Company to cancel any shares or reduce its share capital pursuant to any exercise of the Company's powers under this Constitution.**

APPENDIX A
(Cont'd)

Clause No.	Existing Clause	Proposed Clause
22. Call on shares	The Directors may from time to time make such calls upon the Members as the Directors may think fit in respect of the amounts unpaid on their shares and not by the conditions of allotment made payable at fixed times, provided that no call shall be payable at less than thirty (30) days from the date fixed for the payment of the last preceding call. Except in the case of calls payable at fixed times pursuant to the conditions of allotment, each Member shall be entitled to receive at least fourteen (14) days' notice specifying date, time and place of payment.	**The Directors may from time to time make calls upon the Members in respect of any money unpaid on their shares and not by the conditions of allotment thereof made payable at fixed times, provided that no calls shall exceed one-fourth (1/4) of the issued price of the share or be payable at less than thirty (30) days from the date fixed for the payment of the last preceding call, and each Member shall (subject to receiving at least fourteen (14) days' notice specifying the date, time and place of payment) pay to the Company, the amount called on his shares. A call may be revoked or postponed as the Directors may determine.**
45. Execution	The instrument of transfer of a share shall be executed by or on behalf of the transferor and transferee, subject to compliance with the Central Depositories Act and the Rules.	**Subject to this Constitution, the Central Depositories Act and the Rules, any Member may transfer all or any of his Securities (except those Deposited Securities which are for the time being designated as securities in suspense) by instrument in writing in the form prescribed and approved by the Stock Exchange. The instrument shall have been executed by or on behalf of the transferor and the transferee and the transferor shall remain the holder of the Securities transferred until the transfer is registered and the name of the transferee is entered in the Record of Depositors.**
56. Alteration of Share Capital	56.1 The Company may alter its share capital by passing a special resolution to: (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; (b) divide its share capital or any part thereof into shares of smaller amount than is fixed by the Consitution by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act and so that as between the resulting shares, one or more of such shares may, by the resolution by which such sub-division is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares and; (c) cancel any shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.	56.1 **Subject to the provisions of this Constitution and the Act, the Company may by ordinary resolution:** **(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;** **(b) subdivide its share capital or any part thereof into shares of smaller amounts by subdivision of its existing shares or any of them subject nevertheless to the provisions Act;** **(c) convert and/or re-classify any class of shares into any other class of shares; or** **(d) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.**

APPENDIX A
(Cont'd)

Clause No.	Existing Clause	Proposed Clause
	56.2 The Company may, subject to the Act, by special resolution reduce its share capital.	**56.2 The Company may by special resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Act and the Applicable Laws.**
57 Annual General Meeting	The Company shall once in a every calendar year within six (6) months of the Company's financial year end hold a general meeting as its annual general meeting in addition to any other meetings in that year, and not more than fifteen (15) months shall elapse between the date of one annual general meeting and that of the next, but so long as a Company holds its first annual general meeting within eighteen (18) months of its incorporation, it need not hold any other annual general meeting in the year of its incorporation or in the year following its incorporation.	**An annual general meeting of the Company shall be held once in every calendar year and in accordance with the requirements of the Act.**
61A. Notice of Meetings	The notices convening meetings shall be given to all Members (other than those who are not entitled to receive notices of general meetings of the Company under the provisions of this Constitution or the terms of issue of the shares held by them) and to the Directors and auditors for the time being of the Company at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, the day and the hour of the meeting and, in the case of special business shall also specify the general nature of that business and shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days' notice or twenty-one (21) days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall also be given by advertisement in at least 1 nationally circulated Bahasa Malaysia or English daily press and in writing to the Exchange.	**Every notices convening meetings shall be in writing and shall be given to the Members either in hard copy, publication on the Company's website or in electronic form, or partly in hard copy and partly in electronic form specify the venue, the date and the time of the meeting and the general nature of the business of the meeting and shall be given to all Members at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business; PROVIDED that a meeting of the Company shall, notwithstanding that it is called by a shorter notice than that specified in this Constitution, be deemed to have been duly called if it is so agreed:-** **(i) in the case of an annual general meeting, by all the members entitled to attend and vote thereat; and** **(ii) in the case of any other meeting, by a majority in number of the Members having a right to attend and vote thereat, together holding not less than ninety-five per cent (95%) of the issued shares giving that right.** **NOTWITHSTANDING the foregoing at least fourteen (14) days' notice or twenty-one (21) days' notice in the case where any special resolution is proposed or where it is an annual general meeting, of every such general meeting shall also be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper.**

APPENDIX A
(Cont'd)

Clause No.	Existing Clause	Proposed Clause
61C Meetings of members	New provision	**The main venue of all meetings of Members and annual general meetings shall be held within Malaysia at such time and place as the Board shall determine. The Chairman shall be present at that main venue of the meeting. The Board may whenever it so decided by resolution convene a meeting of Members other than an annual general meeting. A meeting of Members shall be convened on such requisition or, in default may be convened by such requisitionists as provided by the Act.**
61D Meetings of members at two or more venues	New provision	**(a) The meeting of its Members may be held by fully virtual or hybrid at more than one venue using any technology or method that allows the Members of the Company to participate and to exercise their rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to rules, regulations and laws prevailing.** **(b) For a hybrid general meeting, the main venue of the meeting shall be in Malaysia and subject to Clause 69, the Chairman shall be present at the main venue of the meeting.** **(c) For a fully virtual general meeting, the broadcast venue or the online meeting platform which located in Malaysia shall be recognised as the main venue of the meeting and all the provisions of this Constitution as to meetings of Members shall also apply to such fully virtual general meeting.** **(d) For a fully virtual general meeting, the main venue of the meeting shall be the broadcast venue which shall be located in Malaysia and the Chairman shall be present at the broadcast venue of the meeting; or the Uniform Resource Locator ("URL") address of the online meeting platform or the physical address of the Registrant shall be in Malaysia and the chairman who is present virtually at the meeting shall be deemed to be present at the main venue of the meeting.**

APPENDIX A
(Cont'd)

<table>
<tr><th>Clause No.</th><th>Existing Clause</th><th>Proposed Clause</th></tr>
<tr><td>63
Business at Extraordinary General Meeting</td><td>Subject always to the provisions of Section 302 of the Act, no business shall be transacted at an extraordinary general meeting except business of which notice has been given in the notice convening the meeting.</td><td>Subject always to any provisions of Section 302 of the Act, no business shall be transacted at any extraordinary general meeting except business of which notice has been given in the notice convening the meeting and no business shall be transacted at an annual general meeting other than business of which notice has been given aforesaid, with the exception of declaring a dividend, the laying of audited financial statements and the reports of the Directors and auditors, the fixing of the fees and benefits of Directors, the election of Directors in the place of those retiring, and the appointment and fixing of the remuneration of the auditors.</td></tr>
<tr><td>72
Chairman of general meeting</td><td>The Chairman of the Board, shall preside as Chairman at every general meeting, but if no such Chairman is present within fifteen (15) minutes after the time appointed for holding the meeting, or shall decline to take or shall retire from the chair, the Directors present shall choose one of their number to act as Chairman of such meeting, and if there be no Director chosen who shall be willing to act, the Members present in person or by proxy and entitled to vote shall choose one of their own number to act as Chairman at such meeting.</td><td>The Chairman of the Board (if any), shall preside as Chairman at every general meeting. If the Company has no Chairman or if at any general meeting, the Chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting or if the Chairman of the Board is not willing to act as Chairman for the general meeting, the Directors present shall choose one of their number to act as Chairman or if one (1) Director only is present, he shall preside as Chairman if he is willing to act. If no Director is present, or if each of the Directors present declines to preside as Chairman, the Members present and entitled to vote shall elect one (1) of their number to be the Chairman. The election of the Chairman shall be by a show of hands. However, a proxy shall not be eligible for election as chairman of the meeting.</td></tr>
<tr><td>91
Form of proxy</td><td>Any instrument appointing a proxy shall be in the following form or as near thereto as circumstances will admit :

FORM OF PROXY

I/We , of being a Member of MESB BERHAD, hereby appoint * the Chairman of the Meeting or of or failing him, of
<table><tr><th></th><th>For</th><th>Against</th></tr><tr><td>SPECIAL RESOLUTION</td><td></td><td></td></tr><tr><td>ORDINARY RESOLUTION</td><td></td><td></td></tr></table>
as my/our proxy to attend and vote for me/us on my/our behalf at the (Annual or Extraordinary) General Meeting of the Company, to be held on and at any adjournment thereof.

My/Our Proxy is to vote as indicated with an "X" below: If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

Signed this day of

No. of shares held :

Signature of Member

*Delete if not applicable</td><td>An instrument of proxy may be in the common form or in any other form which the Directors may from time to time prescribe or approve and need not be witnessed.</td></tr>
</table>

APPENDIX A
(Cont'd)

Clause No.	Existing Clause	Proposed Clause
107 Vacation of office of Directors	The office of Director shall, ipso facto, be vacated:- (a) is an undischarged bankrupt; (b) has been convicted of an offence relating to the promotion, formation or management of a corporation; (c) has been convicted of an offence involving bribery, fraud or dishonesty; (d) become disqualified from being a Director by reason of any order made under the Act or he has been convicted of an offence under Sections 199, 213, 215, 216, 217, 218, 228 and 539 of the Act; (e) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office; (f) is absent from more than 50% of the total Board Meeting held during a financial year of the Company, except when an exemption or waiver is obtained from the Exchange; (g) if he is removed by a resolution of the Company in general meeting; (h) resigns from his office by notice in writing to the Company and deposited at the office; (i) has retired in accordance with the Act or the Constitution of the Company but not re-elected; or (j) otherwise vacates his office in accordance with the Act or the Constitution of the Company.	The office of a Director shall, ipso facto, become vacant if the Director:- **(i) becomes disqualified from being a Director under Section 198 or 199 of the Act;** **(ii) is absent from more than fifty percent (50%) of the total Board meetings held during a financial year, unless an exemption or waiver is obtained from the Exchange;** **(iii) is prohibited from being a Director or by any order made under, any provisions of the Act;** **(iv) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the Mental Health Act 2001;** **(v) resigns from his office by notice in writing to the Company and deposited at the Office of the Company subject to Sections 196 (3) and 209 of the Act;** **(vi) is removed from his office of Director by resolution of the Company in general meeting of which special notice has been given;** **(vii) dies;** **(viii) has retired in accordance with this Act or the Constitution of the Company but is not re-elected.** **If the office of a Director is vacated for any reason, he shall cease to be a member of any committee or sub-committee of the Board.**
115 Rights to payment for professional services	Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company.	Any Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company **and provided further that such shall be at normal commercial terms**.
120 Irregularity in Notice	An irregularity in the notice of a meeting is waived if all Directors entitled to receive notice of the meeting attend the meeting without objection to the irregularity.	**Unless otherwise determined by the Directors from time to time, notice of all Directors' meetings shall be given and circulated to all Directors and their alternates by facsimile, electronic mail or such other communication modes / equipment, unless such requirement is waived by a majority of them. Except in the case of an emergency, reasonable notice of every Director's meeting shall be given in writing. The majority of the Directors may waive notice of any meeting and any such waiver may be retroactive.**

APPENDIX A
(Cont'd)

Clause No.	Existing Clause	Proposed Clause
121 Quorum	The quorum necessary for the transaction of the business of the Directors shall be three (3) unless fixed by the Directors at any other number not being less than two (2).	**The quorum necessary for the transaction of business of the Directors shall be a minimum of two (2) and a meeting of the Director for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretions by or under this Constitution vested in or exercisable by the Directors generally. For the purpose of determining whether the quorum for the transaction of the business of the Directors exists: -** **(i) in the case of a resolution agreed by Directors in telephonic communications, all such Directors shall be counted in the quorum; and** **(ii) in the case of a meeting of Directors, in addition to the Directors present at the meeting, any Director in telephonic communication with such meeting shall be counted in the quorum.**
125 Participation of Directors' meetings by way of telephone and video conferencing	Any Director may participate at a meeting of Directors by way of telephone and video conferencing or by means of other communication equipment whereby all persons participating in the meeting are able to hear each other and be heard for the entire duration of the meeting in which event such Director shall be deemed to be physically present at the meeting. A Director participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting. Any meeting held in such manner shall be deemed to be held at such place as shall be agreed upon by the Directors attending the meeting PROVIDED that at least one of the Directors present at the meeting was at such place for the duration of that meeting. All information and documents must be made equally available to all participants prior to or at/during the meeting.	**The meeting of the Directors may be held by fully virtual or hybrid at more than one venue using any technology or method. A member of the Board or any invitees may participate in the meeting by means of a telephone conference or any other audio, or audio visual, or communication means which allows all persons participating in the meeting to hear and speak with each other and such Director or person shall be regarded for all purposes as personally attended such a meeting and such Director shall be counted in a quorum and be entitled to vote on the resolutions tabled at the meeting.**
133 Participation at committee meetings by way of telephone and video conferencing	Notwithstanding any provisions to the contrary contained in this Constitution, any Member of a committee may participate at a committee meeting by way of telephone and video conferencing or by means of other communication' equipment whereby all persons participating in the meeting are able to hear each other, in which event such Member shall be deemed to be physically present at the meeting whether for the purposes of these Constitution or otherwise. A Member participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting. Any meeting held in such manner shall be deemed to be held at such place as shall be agreed upon by the Members attending the meeting PROVIDED that at least one of the Members present at the meeting was at such place for the duration of that meeting.	**Notwithstanding any provisions to the contrary contained in this Constitution, the committee meetings may be held by fully virtual or hybrid at more than one venue using any technology or method. A committee member or any invitees may participate in the meeting by means of a telephone conference or any other audio, or audio visual, or communication means which allows all persons participating in the meeting to hear and speak with each other and such committee member or person shall be regarded for all purposes as personally attended such a meeting and such committee member shall be counted in a quorum and be entitled to vote on the resolutions tabled at the committee meeting.**

APPENDIX A
(Cont'd)

Clause No.	Existing Clause	Proposed Clause
139 ***Appointment***	The Directors may from time to time appoint any one or more of their body to be Managing Director or Managing Directors. Subject to Clause 97.1, any such appointment shall be subject to reappointment and on such terms as they think fit, and may vest in such Managing Director or Managing Directors as may be appointed by them such of the powers hereby vested in the Directors generally as they may think fit. The Managing Director or Managing Directors shall be subject to the control of the Board.	**(a) The Board of Directors shall appoint a chief executive (who may or may not be a member of their body) for such period and upon such terms as it thinks fit, and the Directors may from time to time (subject to the provisions of any contract between him and the Company) remove or dismiss him from office and appoint another in his place.** **(b) The Board may from time to time appoint an executive Director or managing Director or any person holding an equivalent position from among their numbers for such period and upon such terms as it thinks fit. All such persons appointed shall be subject to the control of the Board.** **The appointment of any Director to an executive position under this Constitution shall be subject to the same provisions as to resignation and removal as the other Directors and if he ceases to hold the office of Director for any cause shall ipso factor and immediately cease to be an executive Director or managing Director.**
140 ***Remuneration of chief executive, executive Director, managing Diraector***	The remuneration of the Managing Director or Managing Directors shall subject to the terms of any agreement entered into in any particular case may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.	**The remuneration of the chief executive, executive Director, managing Director or any person holding an equivalent position, shall, from time to time be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.**
140A ***Special position to chief executive, executive Director, managing Director***	New Provision	**The chief executive, executive Director, managing Director or any person holding an equivalent position shall act per delegation of the Board of Directors on all matters related to the administration of the Company and shall conduct the business of the Company according to the regulations, policies and decisions of the Board. For that purpose the Directors shall entrust to and confer upon the chief executive, executive Director, managing Director or any person holding an equivalent position for the time being the powers they may think fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they think expedient and, from time to time may revoke, withdraw, alter or vary any such powers but subject thereto such chief executive or any person holding an equivalent position shall be subject to the control of the Board.**

APPENDIX A
(Cont'd)

Clause No.	Existing Clause	Proposed Clause
141 ***Chief executive, executive Director, managing Director reckoned as Director for purposes of rotation and retirement***	The Managing Director or Managing Directors shall, while they continue to hold such offices, be subject to retirement by rotation in accordance with Clause 97, and they shall, subject to provisions of any contract between them and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and, if they cease to hold the office of Director from any cause, they shall ipso facto and immediately cease to be Managing Director or Managing Directors.	**The chief executive or executive Director or managing Director**, while they continue to hold such offices, be subject to retirement by rotation in accordance with Clause 97, and they shall, subject to provisions of any contract between them and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and, if they cease to hold the office of Director from any cause, they shall ipso facto and immediately cease to be **chief executive or executive Director or managing Director,**
165 ***Preparation, circulation and publication of audited financial statements and reports of directors and auditors***	The Directors shall from time to time in accordance with Section 248 of the Act, cause to be prepared and laid before the Company in general meeting such financial statements and report as are referred to in the section. A copy of each such documents shall not less than twenty-one (21) days (or such other shorter period as may be agreed by all Members entitled to attend and vote at the meeting) before the date of the meeting, be sent to every Member of, and to every holder of debentures of the Company under the provisions of the Act or of this Constitution. The requisite number of copies of each such document as may be required by the Exchange and the Securities Commission shall at the same time be likewise sent to the Exchange and the Securities Commission provided that this Clause shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.	**(a) The Directors shall cause to be prepared and circulated, sent to every Member and laid before the Company in its annual general meeting, the audited financial statements and the reports of directors and auditors thereon in accordance to the Act. The interval between the close of a financial year of the Company and the issue of such reports shall not exceed four (4) months or such other period as may be allowed by the Act and/or the provisions in the Listing Requirements.** **(b) A copy of each the audited financial statements and reports of directors and auditors thereon in printed form or in CD-ROM form or in such other form of electronic media or means or any combination thereof as permitted under the Act and the Listing Requirements, shall not less than twenty-one (21) days before the date of the meeting (or such shorter period as may be agreed by all Members entitled to attend and vote at the meeting), be sent or circulated to every Member of the Company, and to every holder of debentures of the Company, the auditors of the Company and every person who is entitled to receive notices of general meeting under the provision of the Act or of this Constitution, provided that this Clause shall not require a copy of these documents to be sent to any person of whose address the Company is not aware (or to the several persons entitled thereto in consequence of the death or bankruptcy of the holder or otherwise) and which does not appear on the Record of Depositors or the Register as the case may be, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy, free of charge on application at the Office.**

APPENDIX A
(Cont'd)

Clause No.	Existing Clause	Proposed Clause
181 ***Liquidator's fees in voluntary liquidation***	On a voluntary winding up of the Company, no commission or fee shall be paid to a liquidator without the prior approval of the Members in general meeting. The amount of such commission or fee shall be notified to all Members not less than seven (7) days before the meeting at which it is to be considered.	**On the voluntary liquidation of the Company, the liquidator shall be entitled to receive salary or remuneration as prescribed under the rules.**
186 Compliance with the Act, Central Depositors Act and Rules	Notwithstanding this Constitution, the Company shall comply with the Act, Central Depositories Act, the Listing Requirements and the Rules in respect of all matters relating to Securities or otherwise where applicable.	Notwithstanding **anything contained in** this Constitution, C~~entral Depositories Act, the Listing Requirements and the Rules in respect of all matters relating to Securities or otherwise where applicable~~. **nothing herein contained shall prevent the Directors from applying to the Exchange for a waiver from compliance or observance of any of the Listing Requirements. In the event the compliance or observance of such Listing Requirements are waived by the Exchange, the Company shall not be required to comply with any of this Constitution relating to those Listing Requirements in respect of which compliance or observance has been waived by the Exchange**.

ADMINISTRATIVE NOTES

ADMINISTRATIVE NOTES FOR THE FULLY VIRTUAL TWENTY-SIXTH ANNUAL GENERAL MEETING ("26th AGM" OR "MEETING") OF MESB BERHAD ("MESB" OR "THE COMPANY")

Meeting Day, Date	:	Tuesday, 7 December 2021
Time	:	3:00 p.m.
Online Meeting Platform	:	Fully virtual basis and entirely via remote participation and electronic voting through an online platform at https://Dvote.my (Domain registration number with MYNIC: D6A434007) provided by Dvote Services Sdn. Bhd. ("Dvote")
Depository of Form of Proxy	:	The Registered Office of MESB Berhad c/o Cospec Management Services Sdn. Bhd. Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Email : proxyform@cospec.com.my

MODE OF MEETING

In line with the Government's directive and the revised Guidance Note and Frequently Asked Questions (FAQs) on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 16 July 2021 ("SC Guidance"), the 26th AGM of the Company will be conducted **a fully virtual basis and via remote participation and voting through an online meeting platform at** https://Dvote.my (Domain registration number with MYNIC: D6A434007) provided by Dvote Services Sdn. Bhd. in Malaysia. All Meeting participants including the Chairman of the Meeting, board members, senior management and shareholders are required to participate in the Meeting online.

REMOTE PARTICIPATION AND VOTING ("RPV") FACILITIES

Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 26th AGM using the RPV Facilities provided by Dvote via its **Dvote Online Portal** at https://Dvote.my.

A shareholder who has appointed a proxy or attorney or authorised representative to participate at this 26th AGM via RPV Facilities must request his/her proxy or attorney or authorised representative to register himself/herself for RPV Facilities at Dvote Online Portal at https://Dvote.my.

As the 26th AGM will be held as a fully virtual meeting, shareholders who are unable to participate in this 26th AGM via RPV Facilities may also appoint the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the proxy form.

ENTITLEMENT TO PARTICIPATE AND VOTE AT THE 26TH AGM

In respect of deposited securities, only members whose names appear in the Record of Depositors on **30 November 2021** (Annual General Meeting Record of Depositors) shall be eligible to participate in the 26th AGM or to appoint proxy(ies) to participate and/or vote on his/her behalf.

FORM(S) OF PROXY

Shareholders who are unable to participate in our 26th AGM are encouraged to appoint the Chairman of the Meeting as your proxy and indicate the voting instructions in the Form of Proxy.

Please take note that you **must** complete the Form of Proxy for the 26th AGM should you wish to appoint a proxy(ies).

Please deposit your Form of Proxy at the Company's Registered Office, Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor or email to proxyform@cospec.com.my not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

Administrative Notes
(Cont'd)

VOTING PROCEDURES

The voting at the 26th AGM will be conducted by poll in accordance with Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Company has appointed Dvote Services Sdn. Bhd. ("**Dvote**") as Poll Administrator to conduct the poll by way of electronic voting or online remote voting ("**e-voting**").

Kindly refer to item (2) below on the Procedures for RPV Facilities for guidance on how to vote remotely from Dvote Online website at https://Dvote.my.

During the 26th AGM, the Chairman of the Meeting will invite the Poll Administrator to brief on the e-Polling housekeeping rules. The voting session will commence as soon as the Chairman of the Meeting calls for the poll to be opened and until such time when the Chairman of the Meeting announces the closure of the poll.

For the purposes of the 26th AGM, e-voting will be carried out via personal smart mobile phones, tablets or personal computers/laptops.

Upon the conclusion of the poll session, the Scrutineers will verify the poll results followed by the declaration by the Chairman of the Meeting whether the resolutions put to vote were successfully carried or not.

Kindly follow the steps below on how to register, request for login ID and password:-

1. REMOTE PARTICIPATION AND E-VOTING FACILITIES

Members are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, "**Participate**") remotely at the 26th AGM using RPV Facilities provided by Dvote via its Dvote Online website at https://Dvote.my. Please refer to the Procedures for RPV Facilities.

Administrative Notes
(Cont'd)

2. PROCEDURES FOR RPV FACILITIES

Member(s)/proxy(ies)/corporate representative(s)/attorney(s) who wish to participate in the 26th AGM remotely using the RPV Facilities are to follow the requirements and procedures as summarised below:

BEFORE MEETING DAY		
A. USER REGISTRATION		
	Procedure	**Action**
(a)	Sign-up as a user with **Dvote Online**	*Note: If you are already a user with Dvote Online, you are not required to sign-up again. You may proceed to sign-in using your email address and password.* • Access the website at https://Dvote.my. • Click on [**Sign up**] to register as a new user with Dvote Online. • Complete registration and upload softcopy of Malaysia Identification card (front and Back) or passport (foreigner(s). You will be notified via email once your user registration is accepted/rejected by Dvote Online.
(b)	Register Meeting with **Dvote Online**	• Registration for Remote Participation will remain open from **2 November 2021** until the commencement of the polling during the 26th AGM. • Login to https://Dvote.my/user-login with your user ID (i.e.: email address) and password. • Select event: "**MESB Berhad – 26th Annual General Meeting**" and click [**Register**]. • You will receive an email notifying on your registration for the remote participation and verification. • Once your registration has been verified against the Record of Depositors as at 30 November 2021, you will be notified via email whether your request for remote participation is approved/rejected. • If approved, you will receive an invitation email together with the meeting link to "***Join Meeting***".

ON THE DAY OF 26TH AGM		
A. USER REGISTRATION		
	Procedure	**Action**
(a)	Join the Live Stream Meeting	• Click on "***Join Meeting***" link in the invitation email and you will be directed to the live streaming room. • You are advised to log in early, at least 20 minutes, before the Meeting time.
(b)	Post Questions during Live Streaming	• If you have any question(s) for the Board of Directors, you may use the "**Post Question**" box to transmit your question(s).
(c)	Online Voting during Live Streaming	• Click on [**Proceed to Vote**], to cast your votes for each resolution(s). • Review your casted votes, confirm and submit your votes.
(d)	End of remote participation	• Upon the announcement by the Chairman on the closure of the 26th AGM, the live streaming room will end.

Administrative Notes
(Cont'd)

Notes to users of the RPV Facilities:

- The quality of the live streaming is highly dependent on the bandwidth and stability of the internet connection at the location of the user and the device of the user.
- Users are advised to afford ample time to complete the log in process in advance of the meeting.
- In the event you encounter any issues with logging-in, connection to live streamed meeting or online voting on the meeting day, kindly call 603-22766138 and email to Dvoteservice@gmail.com for assistance.
- Member(s)/proxy(ies)/corporate representative(s)/attorney(s) are encouraged to register as a user with Dvote Online before the meeting day. The user registration is open from 2 November 2021.

3. APPOINTMENT OF PROXY(IES)/CORPORATE REPRESENTATIVE(S)/ATTORNEY(S)

A member who has appointed a proxy(ies)/authorised representative(s)/attorney(s) to participate in the 26th AGM via RPV Facilities must request his/her proxy(ies)/authorised representative(s)/attorney(s) to register himself/herself for RPV Facilities via Dvote Online website at https://Dvote.my.

NO DOOR GIFTS OR FOOD VOUCHERS

There will be no distribution of food vouchers or door gifts during the 26th AGM as the meeting is conducted on a fully virtual basis.

NO RECORDING OR PHOTOGRAPHY

By participating at the 26th AGM, you agree that no part of the 26th AGM proceedings may be recorded, photographed, stored in any retrieval systems, reproduced, transmitted or uploaded in any form, platform or social media or by any means whether it is mechanical, electronic, photocopying, recording or otherwise without the prior written consent of the Company. The Company reserves the right to take appropriate legal actions against anyone who violates this rule.

ENQUIRY

If you have any enquiry(ies) relating to the 26th AGM, Administrative Notes for the Fully Virtual 26th AGM, RPV Facilities or encounters issues with the log in, steps to connect to live streaming and online voting, you may send them in advance or contact the following during office hours from Monday to Friday (except for public holiday):-

For Agenda of the 26th AGM related:

Email : eric@miroza.com.my

For Pre-Registration via RPV Facilities:

DVOTE SERVICES SDN. BHD.
Lot 9-7, Menara Sentral Vista
No. 150, Jalan Sultan Abdul Samad
Brickfield, 50470 Kuala Lumpur

Name : Ms Sangetha / Mr Hugo
Telephone No. : 603 - 2276 6138
Email : Dvoteservice@gmail.com

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 recommendations of any government agencies from time to time.

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

This page has been intentionally left blank

MESB BERHAD

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

PROXY FORM

No. of shares held	
CDS Account No.	

I/We, ____ NRIC No./Passport No./Registration No. ________________________
(full name in capital letters)

of ____
(full address)

being a member/members* of **MESB BERHAD** ("the Company") hereby appoint(s):-

Full Name (in capital letters) NRIC/Passport No.	Proportion of Shareholdings	
	No of Shares	(%)
Full Address (in capital letters)		
CONTACT NO.:		
EMAIL ADDRESS:		

*and/or**

Full Name (in capital letters) NRIC/Passport No.	Proportion of Shareholdings	
	No of Shares	(%)
Full Address (in capital letters)		
CONTACT NO.:		
EMAIL ADDRESS:		

or failing him/her*, the Chairman of the Meeting as my/our* proxy to vote for me/us* on my/our* behalf at the Twenty-Sixth Annual General Meeting of the Company to be held on a fully virtual basis and entirely via remote participation and electronic voting through an online platform at https://Dvote.my (Domain registration number with MYNIC: D6A434007) provided by Dvote Services Sdn. Bhd. in Malaysia on Tuesday, 7 December 2021 at 3:00 p.m. or at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If no specific direction as to vote is given, the Proxy will vote or abstain from voting at his/her*discretion.

No.	Ordinary Resolutions	For	Against
1.	To approve the payment of Directors' fees of RM133,000 for the financial year ended 30 June 2021.		
2.	To approve the payment of Directors' fees and benefits of up to RM235,000 for the period commencing from 1 July 2021 until the date of the next Annual General Meeting of the Company.		
3.	To re-elect Mr. Loke Lee Ping as Director of the Company.		
4.	To re-elect Datuk Wong Sak Kuan as Director of the Company.		
5.	To re-appoint KPMG PLT as Auditors of the Company.		
6.	To retain Mr. Tan Yew Kim as an Independent Non-Executive Director of the Company.		
7.	To approve the general authority for the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
8.	To approve the Proposal Renewal of Shareholders' Mandate.		

No.	Special Resolution	For	Against
1.	To approve the Proposed Amendments to the Constitution of the Company.		

** delete whichever not applicable.*

Dated this ___________ day of ____________ 2021

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

NOTES:

(i) A member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting in his stead. Where a member appoints more than one (1) proxy, the member shall specify the proportion of his shareholdings to be represented by each proxy.

(ii) A proxy may, but need not, be a member of the Company. A member may appoint any person to be his proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak and vote at the Meeting.

(iii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) 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. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.

(iv) Where a member of the Company 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.

(v) The instrument appointing a proxy may be made via hardcopy or by electronic means in the following manner and must be deposited not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting at which the person named in the appointment proposes to vote:-

a) In Hardcopy Form
In the case of an appointment made in hard copy form, the proxy form must be deposited at the registered office situated at Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor.

b) By Electronic Means
The proxy form shall be electronically lodged by email to proxyform@cospec.com.my.

(vi) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.

(vii) For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 62 of the Company's Constitution to issue a General Meeting Record of Depositors as at 30 November 2021. Only members whose name appear in the General Meeting Record of Depositors as at 30 November 2021 shall be entitled to attend the Meeting and to speak and vote thereat.

(viii) All the resolutions set out in the Notice of Meeting will be put to vote by poll.

(ix) The members are advised to refer to the Administrative Notes on the registration process for the Meeting.

(x) Given the constantly evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 26th AGM at short notice. Kindly check Bursa Securities' website and the Company's website at https://mesbbhd.com/ for the latest updates on the status of the Meeting.

1st Fold Here

AFFIX
STAMP

THE COMPANY SECRETARY
MESB Berhad
c/o Cospec Management Services Sdn. Bhd.
Third Floor, No. 77, 79 & 81
Jalan SS21/60, Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia

2nd Fold Here

Fold This Flap For Sealing

MESB BERHAD 199501008356(337554-D)

Lot 1903A, 1st Floor, Jalan KPB7, Kawasan Perindustrian Kg. Baru Balakong,
43300 Seri Kembangan, Selangor. Tel : +(603) 8961 8818 Fax : +(603) 8961 8810
Email : mesb@mesbbhd.com www.mesbbhd.com