

**MESB**  
BERHAD



**ANNUAL REPORT 2022**



GENTS' & LADIES' LEATHERWARE



GENTS' APPAREL



GENTS' APPAREL



GENTS' APPAREL,  
GENTS' & LADIES' LEATHERWARE



GENTS' APPAREL,  
GENTS' & LADIES' LEATHERWARE



GENTS'  
APPAREL & LEATHERWARE



GENTS' & LADIES' LEATHERWARE



LADIES' LEATHERWARE



LADIES' LEATHERWARE



BABIES & KIDS' WEAR



BABIES & KIDS' WEAR



ROUTIQUE

## OUR VISION

- To be the leading fashion group in Malaysia with exclusive portfolio of brands by delivering quality products to the customers.
- To protect the environment and preserve resources empowering our community to reduce, reuse and recycle (3R).

## OUR MISSION

- To ensure continuous elevation in product quality and designs by creating an innovative and dynamic team and designs with healthy work ethic.
- To inspire and challenge our communities to achieve the highest waste reduction, recycling and reuse goals through innovation, creativity and efficient programs that improve economic vitality and environmental sustainability. We aim to have a location in every municipality and to make Malaysia on par with other developed countries in recycling awareness.

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# CORPORATE INFORMATION

## DIRECTORS



### Chua Jin Kau

(Executive Chairman)

### Tan Yew Kim

(Independent Non-Executive Director)

### Lee Kok Heng

(Independent Non-Executive Director)

### Loke Lee Ping

(Executive Director / Chief Executive Officer)

### Datuk Wong Sak Kuan

(Non-Independent Non-Executive Director)

### Dato' Lee Ban Seng

(Independent Non-Executive Director)  
Appointed on 1 March 2022

### Chen, JianHua

(Independent Non-Executive Director)  
Appointed on 30 September 2022

### Wong Yu Perng

(Non-Independent Non-Executive Director)  
Appointed on 30 September 2022

## AUDIT AND RISK MANAGEMENT COMMITTEE

Tan Yew Kim (Chairman)

Datuk Wong Sak Kuan

Lee Kok Heng

## NOMINATION AND REMUNERATION COMMITTEE

Lee Kok Heng (Chairman)

Datuk Wong Sak Kuan

Tan Yew Kim

## 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

Securities Services (Holdings)  
Sdn. Bhd.  
Level 7, Menara Milenium,  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Malaysia  
Tel. No. : 03 - 2084 9000  
Fax. No. : 03 - 2094 9940

## 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

Ambank (M) Berhad  
Standard Chartered Bank Malaysia  
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

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

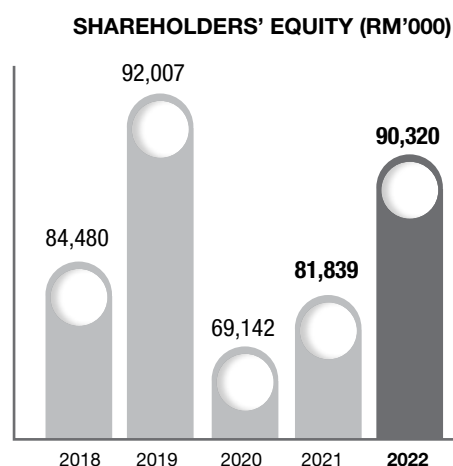
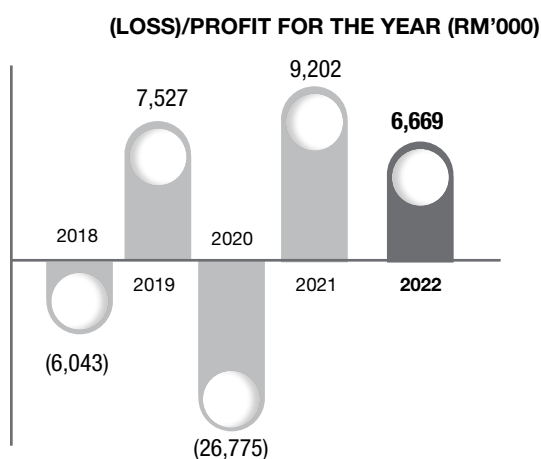
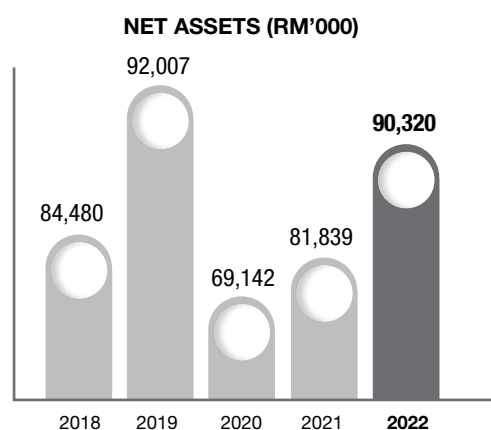
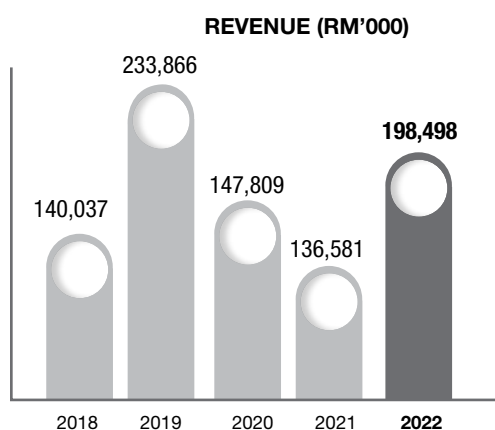


# GROUP FINANCIAL HIGHLIGHTS

RM'000 (unless otherwise stated)

	12 months to March 2018	15 months to June 2019*	2020	12 months to June 2021	2022
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>					
Revenue	140,037	233,866	147,809	136,581	<b>198,498</b>
(Loss)/Profit for the year/period	(6,043)	7,527	(26,775)	9,202	<b>6,669</b>
(Loss)/Profit attributable to owners of the Company	(6,043)	7,527	(26,775)	9,202	<b>6,669</b>
Basic (loss)/earnings per share (sen)	(8.39)	9.19	(30.71)	8.92	<b>6.13</b>
<b>STATEMENT OF FINANCIAL POSITION</b>					
Total assets	129,635	157,835	132,960	147,178	<b>150,761</b>
Total liabilities	45,155	65,828	63,818	65,339	<b>60,441</b>
Net assets	84,480	92,007	69,142	81,839	<b>90,320</b>
Shareholders' equity	84,480	92,007	69,142	81,839	<b>90,320</b>
<b>CASH POSITION</b>					
Cash and cash equivalents	26,597	21,779	32,323	44,187	<b>72,535</b>

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



## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of MESB Berhad (referred to as “MESB” or the “Group”), I am pleased to present the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 30 June 2022 (“FY2022”).

MESB was incorporated on 28th March 1995 and is a public listed company on the Main Market of Bursa Malaysia Securities Berhad. The Group comprises subsidiaries which are engaged in investment holding, retailing and waste recycling.

MESB's focus on its core competencies and prudent management of investments has enabled the Group to remain competitive in the market. MESB has continued to deliver its growth strategies by generating profit to create long term shareholders' value.

The Group's retailing segment maintains licensing and distribution agreements with international licensors and partners as well as house brands. The retailing segment

offers a wide range of products which includes apparels and accessories, such as wallets, purses, handbags, backpacks, belts, and sling bags. Our brand portfolio includes Pierre Cardin, Feraud, Giamax, Jeep, Alain Delon, Giossardi, Tocco Toscano, Crocodile, and Ducati.

Our products are mainly distributed to major department stores on a consignment basis. As at 30 June 2022, we have 837 consignment counters at AEON, Parkson, The Store, Pacific, Isetan, SOGO, Metrojaya, Billion, etc. Besides, we own 5 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 The Mines Shopping Mall, Mitsui Outlet, Melawati Mall, IOI City Mall and SACC Mall. We are also selling our products on outright basis to other retailers.

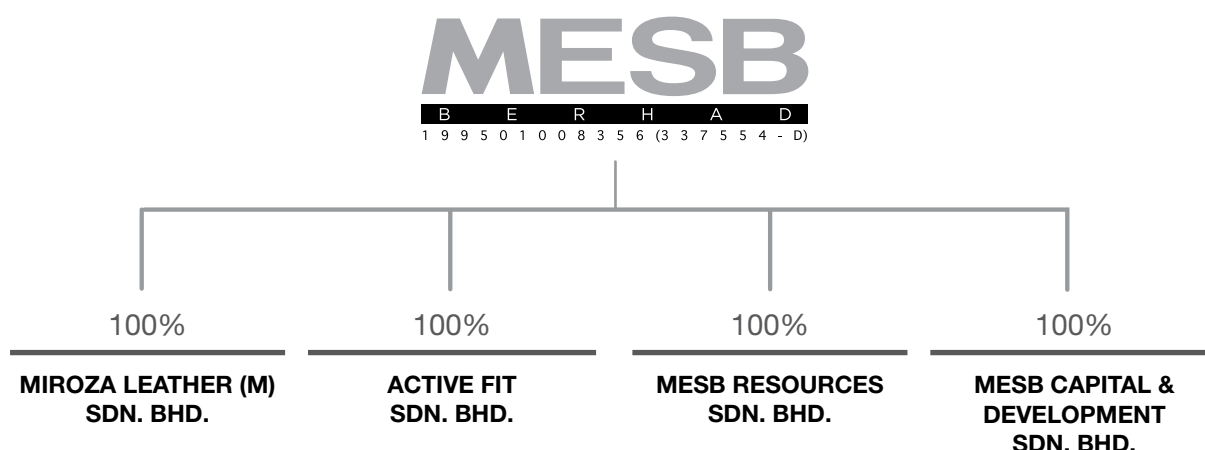
In addition to traditional distribution channels, the Group has also continuously developed and enhanced its e-Commerce site, [www.miroza.com.my](http://www.miroza.com.my), in order to improve customer satisfaction with better user experience and product variety. We also offer our products through third party platforms such as Lazada and Shopee.

The Group has also continued the expansion of its waste recycling business which includes collecting, sorting, recycling and distribution of scrap and waste materials, such as wastepaper, plastic scrap, and scrap ferrous metal. The sorted and recycled materials are distributed to plastic resin and paper manufacturers as well as other large second hand scrap dealers.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CORPORATE STRUCTURE

### FINANCIAL SUMMARY



### Group

	As at 30 June 2022 RM'000	As at 30 June 2021 RM'000
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Revenue	198,498	136,581
Profit for the year	6,669	9,202
Profit attributable to owners of the Company	6,669	9,202
Basic earnings per ordinary share (sen)	6.13	8.92
<b>Statement of Financial Position</b>		
Total assets	150,761	147,178
Total liabilities	60,441	65,339
Total equity	90,320	81,839
Equity attributable to owners of the Company	90,320	81,839

## FINANCIAL REVIEW

Following the recovery from global economic uncertainty brought upon by the COVID-19 pandemic, the Group recorded consolidated revenue of RM198.50 million, representing an increase of 45.34% over the previous financial year's amount of RM136.58 million despite the challenging business environment.



## Management Discussion and Analysis (Cont'd)

### FINANCIAL REVIEW (CONT'D)

The significant improvement in the Group's revenue was a result of the well performance during Hari Raya festive holiday sales in 4th quarter of FY2022, where revenue has increased by 79.70% to RM66.79 million as compared to 4th quarter of FY2021. With the successful roll-out of vaccination programmes by the Government of Malaysia to combat COVID-19 over the past two years as evidenced by the high vaccination rate, Malaysia has transitioned into the endemic COVID-19 phase on 1 April 2022 with more economic sectors being reopened while practising the new norms. On 27 April 2022, Malaysia's Ministry of Health (MOH) shared a set of relaxed standard operating procedures (SOPs) that would take place in the country effective 1 May 2022. MOH has announced that physical distancing would no longer be required between individuals and that people would no longer be required to use the MySejahtera app to register before entering premises from 1 May 2022. Further, the Employees Provident Fund (EPF) has offered special withdrawal facility where members of EPF are allowed to withdraw up to RM10,000 per person from the EPF from 1 April 2022 to help alleviate their burden to spend during the Raya festive season. Consequently, foot traffic in major departmental stores has increased significantly and revenue spending is enticed as the nation enjoyed its first Hari Raya without movement restrictions in two years. The retail sector is seeing a revival as footfall at major shopping malls has returned to pre-pandemic levels in conjunction with a noticeable pickup in consumer spending.



The Group recorded a slight increase in profit before taxation of RM12.21 million in the current financial year ended 30 June 2022 as compared to RM11.52 million in FY2021. However, profit after taxation has decreased by 28% to RM6.67 million as compared to RM9.20 million in FY2021. An increase was observed in the Group's operating expenses from RM128.15 million in the previous financial year to RM188.54 million in the current financial year.

The performance of the Retailing Segment was impacted due to an audit that has been carried out by the auditor engaged by Active Fit Sdn. Bhd.'s ("Active Fit") licensor covering the period from 1 March 2016 up to 30 June 2019 pursuant to a licensing agreement between the licensor and Active Fit. The Audit Findings by the licensor's auditor concluded that a potential additional sum amounting to USD1.05 million is to be paid by Active Fit to the licensor. Based on the same bases highlighted by the licensor's auditor and considering the actual financial results of Active Fit from 1 March 2016 up to 30 June 2022, the Group has estimated the additional amount payable to the licensor at RM18.10 million instead. The potential additional sum amounting to USD1.05 million is not final as the Group is currently in negotiations with the licensor to try to reach an amicable solution.

In current financial year, Covid-19 has very minimal impact towards the waste recycling business. With most of the economic sectors being allowed to operate progressively, the recycling business grew steadily during the financial year.

In terms of the investment holding segment, the level of business activities remains minimal, and reported a loss before interest and tax amounting to RM0.79 million.

#### Statement of Cash Flows

The Group reported a net cash inflow from operating activities of RM31.04 million in FY2022 (2021: RM16.29 million). As a result, the Group's cash and cash equivalents (net of pledged deposits) increased by RM27.47 million to RM49.75 million as at 30 June 2022 from RM22.28 million as at 30 June 2021.



## Management Discussion and Analysis (Cont'd)

### Statement of Financial Position

As at 30 June 2022, the Group's net assets increased to RM90.32 million from RM81.84 million as at 30 June 2021. This was mainly due to the increase in receivable and cash and bank balances, and the reduction in the bank borrowings and lower payable balance.

### COVID-19 PANDEMIC

The Novel Coronavirus ("Covid-19") pandemic which started in March 2020 appears to be continuing and is not ending anytime soon judging from the recent development particularly in China. New variants keep popping out every few months and this has caused massive disruptions in the world economy as well as in Malaysia. Though many countries including Malaysia have eased most of the earlier restrictions, a lot of businesses are still trying to come out of the woods.

The prolonged COVID-19 pandemic and numerous containment measures introduced by the Malaysian Government in dealing with resurgence of cases have resulted in negative impact on the local economy. However, the primary markets where the Group operates in have achieved high vaccination rate and are expected to recover gradually in the next financial year as the economic activities progressively re-opened after the transitioning into the endemic phase effective from 1 April 2022 with relaxed standard operating procedures (SOPs).

The Group has successfully navigated through many challenges during the year which included putting in place a host of SOPs not only to keep our staff and customers safe but also to ensure that our business could be operational as much as possible.

We are constantly monitoring changes in the economic conditions and their subsequent impact to consumer market for our products.

### RISK AND EXPOSURE

With the key enablers progressively put in place, the Group has continued to forge ahead notwithstanding the challenging economic environment. Retailing has always been and will continue to be ever changing and evolving. Attracting new customers is a good way to grow and getting existing customers to return is the lifeblood of any business. In order to sustain or stand out in such challenging 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

Following the aftermath of the Covid-19 pandemic, footfall in the shopping malls has been impacted negatively. The pandemic has brought about a shift in customer and consumer behaviour. Moving to digitalisation and finding the right model for the online channel and distribution in the retail industry is a key success factor in digital retailing. 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 where we are also impacted by penetration of international players, which is the trend of borderless trading that promotes free trade among countries. International players may have greater resources and business models that provide a better shopping experience. Evolving into an important phase of digital adoption by the consumer, the continuous growth of e-commerce has led to changes in consumer consumption patterns. Incorporating technology into a brand can be a powerful marketing tool in driving consumer habits. The availability of technology and the myriad of choices and information at the consumers' disposal have made it even more challenging for retailers to stay relevant to their customers.

We mitigate the risk by constantly monitoring changes in the above conditions and the subsequent impact on the consumer market for 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**

With the convenience of being able to access information at consumers' fingertips, brand loyalty of consumers has diminished. Consumers will switch brands when there are offers with better price and better value. Shopping landscape has changed from heavily on traditional business model, to a complex journey across online and offline touchpoints. Spending habit and purchase decision of consumer have also been greatly affected by new communication channels, especially social media, video streaming and peer reviews. The impact of brand loyalty is significant to the retailing segments as it will create brand prioritising mindset in customers.

We shall continuously enhance the product quality and innovate the design according to market needs and trend. We closely review customer feedback about our products via social media or physical counters, in order to maintain customer satisfaction.

#### **Seasonal**

The Group's core business is subject to the seasonal fluctuations in customer spending due to the festive and holiday seasons. Any risk that occurs 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 revises marketing plans from time to time. Furthermore, the Group observes the stock level in order to make necessary markdowns if the products are not performing within the relevant time frame. 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 on the organic growth of the business but will also explore new brands to enhance the portfolio of brands and consider to diversify the Group's investment portfolio.

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 minimise any potential losses from such new ventures, the Group will carry out a 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 an asset to the Group which is a success indicator to the Group. In order to retain the qualified personnel, Human Resources and the Recruitment Team have to work closely in monitoring the condition of the personnel. To mitigate the risk of loss of talents, the Group shall continue to provide a healthy and ethical working environment, placing particular emphasis on work-life balance which is one of the main considerations in the new trend of recruitment.

#### **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 an 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 a detailed evaluation of customers' financial position helps to minimise the 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

On 24 February 2022, Russia invaded Ukraine. The following month, on 16 March 2022, the US Federal Reserve raised interest rates, the first hike since December 2018. Expectations that Russia would quickly overrun Ukraine vapourised. Utilising their knowledge of the terrain, the Ukrainians rebuffed the Russian advance on the capital, Kyiv. Fortified by the continuing inflow of arms and ammunition from North Atlantic Treaty Organisation (NATO) countries and despite almost five months of war, Ukraine shows little inclination to concede defeat while Russia continues its quest for a decisive victory. Sanctions imposed on Russia, a major exporter of oil and natural gas to the European Union, caused prices of these commodities to escalate.

In addition, the impact on consumer spending will very much depend on the delicate balancing act of the Government in supporting the people via financial aids, aside to control the budget deficit versus the aim to put more disposable income into the hands of the rakyat in the face of global uncertainties, such as aftermath of Covid-19, rising trade war tensions, tighter global financial conditions and uncertainty over the government's fiscal situation. There are lingering concerns over unemployment, recession, rising cost of living and its impact on consumer sentiment as consumers remain cautious and selective in their spending.

The uncertain economic conditions 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.

#### External Risk (Cont'd)

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

#### Third Party Risk

Our sources of inventories are mainly from third party suppliers. Hence, the result of gross profit margin is highly dependent on the cost of goods. Beside keeping good relationship with existing good suppliers, sourcing new suppliers that are capable of meeting our requirements at better pricing is also one of the important key performance indicators for our Sourcing department. The Group also makes sure the suppliers are well communicated and assessed on a yearly basis in order to maintain their quality of work.

Basic factors to consider while sourcing new suppliers include pricing, quality, lead time, quality workmanship, production capacity and suppliers' ethical operation. The Group also further considers the environment, social and governance footprint of the supplier, such as ethical labour practices, sustainability of material used and production line. Cost inflation would be one of the factors as suppliers who rely heavily on imported goods to meet the Group's demand are feeling the heat due to the unfavourable foreign exchange rates and freight challenges. While news of incoming foreign labour may be a much-anticipated resolution for the sector, it also begs the question of whether the actual incoming headcount will suffice in the near term to solve the labour shortage problem within the supply chain.

Further, our brands are mostly under intellectual property of third-party licensors, where the brands are required to be renewed on a contract basis with the applicable terms and conditions. The Group will make sure to fulfill terms of these contracts and keep close relationship with licensors in order to mitigate the risk of discontinuation of the contracts.

#### 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. The Group continues its effort in monitoring the costs and inventory turnover period to mitigate the effect on the business performance.



## Management Discussion and Analysis (Cont'd)

### BUSINESS OVERVIEW

On 27 April 2022, Malaysia's Ministry of Health (MOH) shared a set of relaxed standard operating procedures (SOPs) that took place in the country effective 1 May 2022. MOH has announced that physical distancing would no longer be required between individuals. Public is allowed to travel with the relaxed SOP.

The financial and operation impact toward the end of COVID-19 pandemic have turned out to be better than expectation. Effective 1 May 2022, most of the non-essential stores and services are able to operate with relaxed SOP. The increase of foot traffic to the mall and shopping desirer have helped the significant improvement in the sales recorded by the retail sector after the relaxation of SOP. RHB Research regional head of consumer Soong Wei Siang expects the good pickup in retail sales to continue into the second half of the year, considering the wage recovery and growth amid normalisation of economic activities, as well as the stronger rural spending aided by the elevated commodity prices.

The Group has capitalised on the operating scenario in FY2022 to seek opportunities to rationalise its organisational structure and yield cost and operational efficiencies. During the past lock down periods, customer demand has changed due to the easy access to social medias and online platform as well as influencer from overseas. The new normal of FY2022 presented an impetus to the Group to better understand customer demand, to target the right customer segments and develop more incisive customer insights towards a better understanding of consumption patterns and customer behaviour. Customers are increasingly choosing to shop online in this digital age.

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 and the economy 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 FY2022 will place the Group in a stronger stead, which will ultimately translate into a sustainable business and operational performance going forward.

The Group will continue to review and re-strategise 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 the waste recycling business by capitalising on opportunities arising from the current COVID-19 pandemic.

The Group's new venture into the waste recycling business commenced in 4th quarter of FY2021. The waste recycling business sells a wide variety of waste papers, plastic scrap and scrap ferrous metal to plastic resin and paper manufacturers as well as other large second hand scrap dealers. The products are processed and packed according to the required specification and comply to the regulatory requirements. We are committed in providing a professional recycling service that presents significant value to customers and benefits the environment.

In terms of the 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. The Sustainability Statement has highlighted our measures to protect our employees from COVID-19.

## Management Discussion and Analysis (Cont'd)

### OUTLOOK

#### Overview and outlook of the retail sector in Malaysia

The Malaysian economy registered a strong growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%). While growth was lifted to some extent by the low base from the Full Movement Control Order in June 2021, growth in April and May 2022 was particularly robust, underpinned by the continued recovery in labour market conditions and policy support. The improvement also reflected normalising economic activity as the country moved towards endemicity and reopened international borders. Exports remain supported by strong demand for electrical and electronics products. In terms of economic activity, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy increased by 3.5% (1Q 2022: 3.8%). (Source: *Quarterly Bulletin 2Q 2022, Bank Negara Malaysia*)

Malaysia's retail sale is anticipated to see a 6.3% growth for 2022, an improvement over a prior estimate of 6% made in November last year, according to independent retail research firm Retail Group Malaysia ("**RGM**").

For the fashion and fashion accessories sector, it had eyed a strong recovery with a 34% growth in the quarter and retailers in the children and baby products is expected to see a 14.3% growth. Similarly, pharmacy operators expected a 12.3% expansion and those in the personal care sub-sector are hopeful for a 20.5% growth. Retailers of furniture & furnishing, home improvement as well as electrical & electronics are expecting to maintain their growth momentum with a growth rate of 14.0% in Q1.

In Q2'22, it projected retail to grow 4.2% attributed to the Hari Raya festival, followed by a third quarter growth of 3.4% on the back of a low base in the same period last year. By then, Malaysia should have begun its endemic phase of Covid-19. For the final quarter of 2022, Malaysia's retail industry is hopeful of a 3.6% growth rate after a rosy performance a year ago.

(Source: "RGM: Malaysia's retail sale to grow 6.3% in 2022" dated 9 March 2022, *The Sun Daily*)

The Malaysian economy is expected to improve further this year, with growth projected at 5.3% to 6.3% as announced by Bank Negara in March 2022. This is underpinned by stronger domestic demand, continued expansion in external demand, and further improvement in the labour market. Growth would also benefit from the easing of restrictions, reopening of international borders and implementation of investment projects.

Nevertheless, risks to Malaysia's growth momentum remain. These include a weaker-than-expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions, adverse developments surrounding COVID-19 and heightened financial market volatility.





## Management Discussion and Analysis (Cont'd)

### OUTLOOK (CONT'D)

#### Overview and outlook of the retail sector in Malaysia (Cont'd)

Since April 2020, the Group had taken immediate and pre-emptive measures to mitigate the negative impact from the COVID-19 pandemic and other global economic uncertainties by implementing aggressive cost optimisation plans which have kept and will continue to keep the Group relatively stable. The Group also reviewed the yearly marketing plan from time to time so it could take immediate actions according to any changes in market needs and trends..

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 the 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.

#### Overview and outlook of the recycling industry in Malaysia

In Malaysia, the population is increasing rapidly, reaching 32.8 million in 2021, generating a tremendous amount of solid waste, which is estimated to be 38,427 metric tonnes per day in 2021 (1.17 kg/capita/day). Of which, 82.5 per cent is disposed in landfills. By 2022, the amount of municipal solid waste collected would be 14 million metric tonnes per annum, enough to fill the Petronas Twin Towers every seven days. Therefore, there is an urgent need in response to these mounting issues and provide new facilities as Malaysia's rate has exceeded the Japan International Cooperation Agency study's proposed rate of 30,000 metric tonnes per day in 2020 for Malaysia. Meanwhile, the Solid Waste Corporation reported that the recycling rate achieved in 2020 is 30.67 per cent and is lower than other developed countries such as Singapore (59 per cent), Korea (49 per cent), and Taiwan (60 per cent).

Addressing these concerns, the Government of Malaysia ("**Government**") seeks to increase the recycling rate of household waste to 40 per cent under the Twelfth Malaysia Plan. This five-year development roadmap from 2021 to 2025 aims to advance green growth by implementing a clean, green and resilient development agenda with a whole-of-nation approach. Waste will be managed holistically and sustainably by enforcing waste separation at the source and intensifying the reduce, reuse and recycle initiative. Waste separation and recycling facilities will be enhanced, particularly in residential, institutional, and commercial areas. These efforts are in line with the National Cleanliness Policy 2019 to reduce waste pollution as well as to promote the circular economy and waste-to-wealth initiatives.

As Malaysia commits in supporting the circular economy, other areas that are emphasised include adopting the extended producer responsibility approach, user-pays and polluter-pays principles, as well as self-regulation among industries. The circular economy principles are applied in the form of sustainable sourcing or designing, enabling production waste to be fed back into the process to make other products or eventually to generate renewable energy, i.e. waste to energy. Businesses are encouraged to leverage economic instruments, environmentally motivated subsidies, existing green financing incentives and tax incentives to support their green activities.

Aimed at curbing waste generation, the Government provides targeted incentives to companies that undertake recycling of waste such as toxic and non-toxic waste, chemicals and reclaimed rubber. These companies can be considered for a Pioneer Status with 70 per cent tax exemption on the statutory income for five (5) years or an Investment Tax Allowance with 60 per cent tax exemption on the qualifying capital expenditure incurred within five years.

As of September 2021, a total of 372 recycling projects were approved with a total investment of RM15.13 billion. The companies involved are mainly from the paper, printing and publishing industry with investments of RM6.11 billion, followed by the chemicals and chemical products industry (RM3.17 billion) and the rubber products industry (RM2.15 billion). In exploring more integrated waste management solutions, the Government, through Budget 2020, has extended the Green Technology incentive to 31 December 2023, which was introduced in Budget 2014.

The incentive is expected to encourage firms to rethink their approach by incorporating waste management techniques that include collection, storage, composting and disposal with other core recycling, recovery or waste treatment activities. This aims to further strengthen the green technology ecosystem in Malaysia and enhance firms' operations to include a more holistic approach to waste management.

## Management Discussion and Analysis (Cont'd)

### OUTLOOK (CONT'D)

#### Overview and outlook of the recycling industry in Malaysia (Cont'd)

The rise in environmental degradation in developing countries can no longer be ignored. As the population grows, the increasing waste generation, urbanisation and open dumping ensuing the lack of landfill capacity are causing mounting environmental concerns. Despite policies to encourage consumer waste management through recycling efforts, it is significantly noticeable that the main contributor to waste is the externalities from industrial processes. Therefore, there is a greater need to incorporate and shift to integrated and sustainable waste management practices at all levels to improve and maintain environmental quality.

*(Source: Malaysian Investment Development Authority ("MIDA") e-Newsletter December 2021, MIDA)*

The outlook of waste recycling business remained bright. In year 2021, Malaysia has a nation's recycling rate of 31.52%, where the Government is targeting to achieve 40% recycling rate in year 2025. With a higher target of recycling rate, we are looking forward to achieving higher waste reduction and recycling in Malaysia.



# 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 continually contribute to and benefit the Economy, Social and Governance (“ESG”) 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 2021 to 30 June 2022, 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**”) 2022. This SS is prepared in accordance to 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 ESG information about our Group. We believe while we increased transparency and disclosure, it will strengthen trust and relationships with our stakeholders.

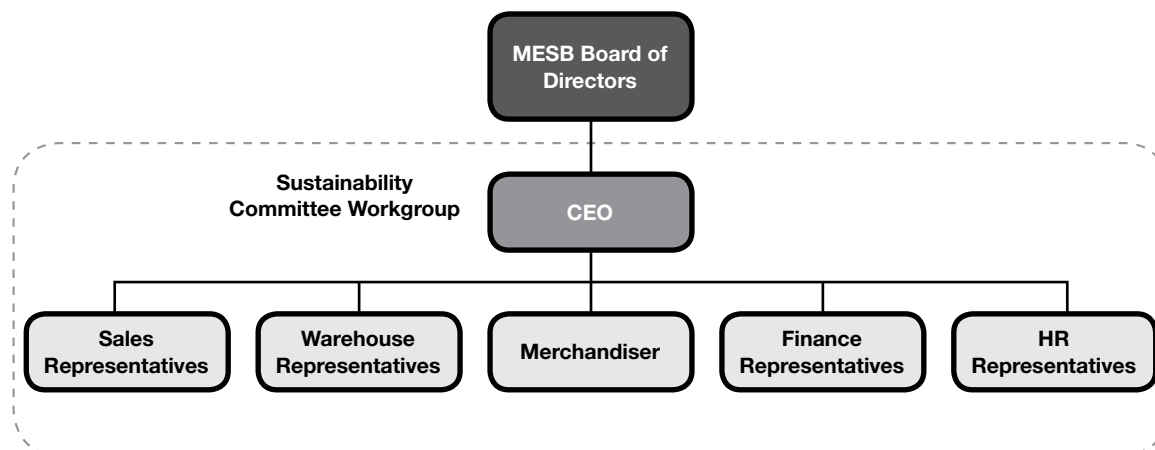
## GOVERNANCE OF THE SUSTAINABILITY

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 ESG by dedicating a Sustainability Committee Workgroup (“**SCW**”) comprising representatives from each respective head 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 a policy that promotes long term positive growth. The Group’s sustainability agenda is governed by the SCW.

We as a Group continuously 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



#### Responsibilities of Corporate Sustainability Committee

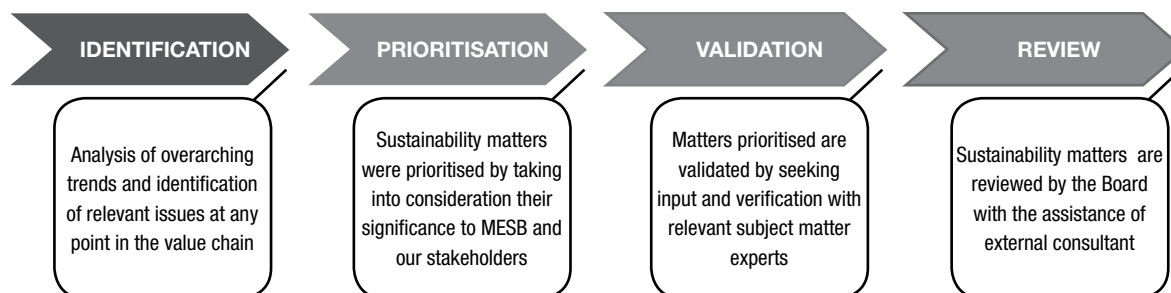
- Advising the Board on the sustainable strategies;
- Monitoring the implementation of sustainability strategies as approved by the Board;
- Overseeing stakeholder engagement to ensure that all issues, grievances and suggestions raised are taken into consideration in managing sustainability matters;
- Recommending to the Board its approval for its sustainability-related policies and goals;
- Monitoring the implementation of policies and initiatives of sustainability management;
- Overseeing the management of sustainability matters by focusing on matters material to the Group; and
- Overseeing the preparation of the Sustainability Statement and recommending it to the Board.

### MATERIALITY ASSESSMENT 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 prioritised 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 the 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 adoptive in our business strategies. The business and functional units are empowered to interact with their respective stakeholders on their chosen platforms. The issues raised by stakeholders are brought to the attention in the management meetings by the respective business and functional units. Ongoing engagements where applicable are carried out on a regular basis as they are integral to our business development, relationships with stakeholders and commitment to sustainability.

## Sustainability Statement (Cont'd)

### MATERIALITY SUSTAINABILITY MATTERS

Identifying the Group's ESG matters that have a 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 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:





## Sustainability Statement (Cont'd)

### CORPORATE GOVERNANCE

#### Human Rights

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 their observance of the Code. It is also expected that those who have business relations with the Group including customers, suppliers, agents and consultants will have 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 from 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 provisions in force in all the countries in which Group operates;
- Comply with legislation governing bribery and corruption;
- Comply with all policies and procedures established from time-to-time;
- Information about 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 Company's procedures which form an integral part thereof;
- Develop a reputation for honesty, fairness, responsibility and integrity with the person who has 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 reasonably expected to secure any improper advantage, or to influence a business decision.

Our management, supervisors and individuals of MESB who are professionally involved in recruitment and administration activities, undertake the responsibility for implementing these principle.

## Sustainability Statement (Cont'd)

### **CORPORATE GOVERNANCE (CONT'D)**

#### **Anti-Corruption and Bribery Policy**

The Group is committed to conduct its business with integrity and promote 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](http://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 their 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 and Risk Management 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 our right to terminate our contractual relationship with other persons in accordance. With our ongoing efforts, we continue to strive for zero violation of our policies in order to minimise potential conflicts of interests and bribery in our supply chain, members of the tender committee who are related to potential suppliers are required to abstain from the supplier selection process.

#### **Whistleblowing Policy**

We here at MESB Group of Companies recognise whistleblowing as an important mechanism for 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 FYE 2022, there is no incident reported.

## Sustainability Statement (Cont'd)

### 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	<ul style="list-style-type: none"> <li>After sale services</li> <li>Products and goods in compliance with standards, reasonable quality and on time delivery</li> <li>Events and campaigns</li> </ul>	<ul style="list-style-type: none"> <li>Customer feedback and product training</li> <li>Supplier engagement and procurement process</li> <li>Customer experience</li> </ul>	<p>As and when is required</p> <p>On-going</p> <p>As and when is required</p>
Employees	<ul style="list-style-type: none"> <li>Remuneration review</li> <li>Code of conduct</li> <li>Workplace health and safety</li> <li>Communications and meetings</li> </ul>	<ul style="list-style-type: none"> <li>Performance review</li> <li>Employee engagement program</li> <li>Compliance with health and safety policy</li> <li>Effective communication between employees</li> </ul>	<p>Annually</p> <p>On-going</p> <p>On-going</p> <p>On-going</p>
Suppliers & Business Partners	<ul style="list-style-type: none"> <li>Long-term business relationship</li> </ul>	<ul style="list-style-type: none"> <li>Supplier evaluation</li> <li>Fair procurement process</li> <li>Supplier engagement</li> </ul>	<p>On-going</p> <p>On-going</p> <p>On-going</p>
Regulators & Government Authorities	<ul style="list-style-type: none"> <li>Compliance with local authorities, government bodies/agencies and regulatory requirements</li> <li>Authorisation and license to operate</li> </ul>	<ul style="list-style-type: none"> <li>Audit, reporting, consultations and employee training program</li> <li>Full compliance with regulations</li> </ul>	<p>As and when is required</p> <p>On-going</p>

## Sustainability Statement (Cont'd)

### STAKEHOLDER ENGAGEMENT (CONT'D)

Stakeholder Group	Engagement focus/Objectives	Engagement approach	Frequency
Community	<ul style="list-style-type: none"> <li>Community development and engagement</li> </ul>	<ul style="list-style-type: none"> <li>Permanent employment opportunities</li> <li>Adherence to local authority and regulations</li> </ul>	<p>On-going</p> <p>On-going</p>
Economic Shareholders & the Investment Community	<ul style="list-style-type: none"> <li>Annual Reports/Annual audited financial statements</li> <li>Material announcement</li> <li>Quarterly financial results</li> <li>Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>Timely and transparent reporting</li> <li>Timely and transparent reporting</li> <li>Timely and transparent reporting</li> <li>Corporate governance</li> </ul>	<p>Annually</p> <p>As and when is required</p> <p>Quarterly</p> <p>As and when is required</p>
COVID-19 Measures	<ul style="list-style-type: none"> <li>Compliance to standard operating procedures (“SOPs”) enforced by the local authorities, government bodies/agencies and regulatory requirements</li> <li>Doing our part as a responsible corporate entity in efforts of curbing the spread of the virus</li> </ul>	<ul style="list-style-type: none"> <li>Wearing a face mask is mandatory in our premises</li> <li>Temperature checks with digitised check-in registration of employees</li> <li>Practicing the new norm of social distancing</li> <li>No handshake policy</li> </ul>	<p>On-going</p> <p>On-going</p> <p>On-going</p> <p>On-going</p>

## Sustainability Statement (Cont'd)



### ECONOMIC

Our Group strives to generate economic benefits for employees, suppliers, and other business partners whilst prioritising in the 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 FYE 2022, 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 2022, we have 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 details financial results, please refer to the following sections in our Annual Report 2022:

- Group Financial Highlights, page 3
- Financial Statements, pages 61 to 129

### 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 of 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 organised by the Group to promote a healthy and positive work environment for our employees. Our management takes a 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 its 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, an 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 FYE 2022, there has been no safety incidents 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 and complies strictly with 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:
  - o COVID-19 prevention at the workplace;
  - o COVID-19 social distancing advisory; and
  - o COVID-19 contact tracing procedure.

Given the highly challenging circumstances created by the pandemic, the focus of our CRT in 2022 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 2022, 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 the 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.

## Sustainability Statement (Cont'd)



### ENVIRONMENT

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

#### Energy Management

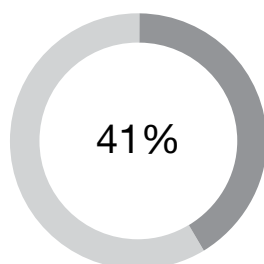
The Group has implemented various good practices to reduce energy consumption across our business' operations. For our office buildings, a 'Turn off before you take off' campaign has been implemented to encourage our employees to turn off their computers, laptops and monitors if they are going to be away from their desk for a break or a long period of time. The majority of the office lightings that are not in used 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:

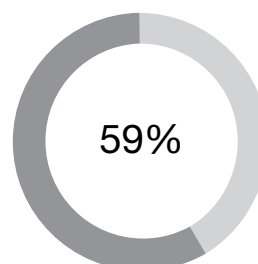
- A lighting schedule across key areas in our head office to switch off lights during certain hours of least use;
- Maintenance and replacement of electrical equipment and light fittings to maximise energy efficiency; and
- Switching off the electrical appliances in the office and pantry when they are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

The outcome of the electricity consumption has been observed by the Group.

**Electricity Consumption 2021**



**Electricity Consumption 2022**



#### Freshwater consumption

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

## Sustainability Statement (Cont'd)

### ENVIRONMENT (CONT'D)

#### Waste Management

Our continuing efforts to minimise 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 has been embedded and remains 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 organise 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 reused 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.

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 the 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.

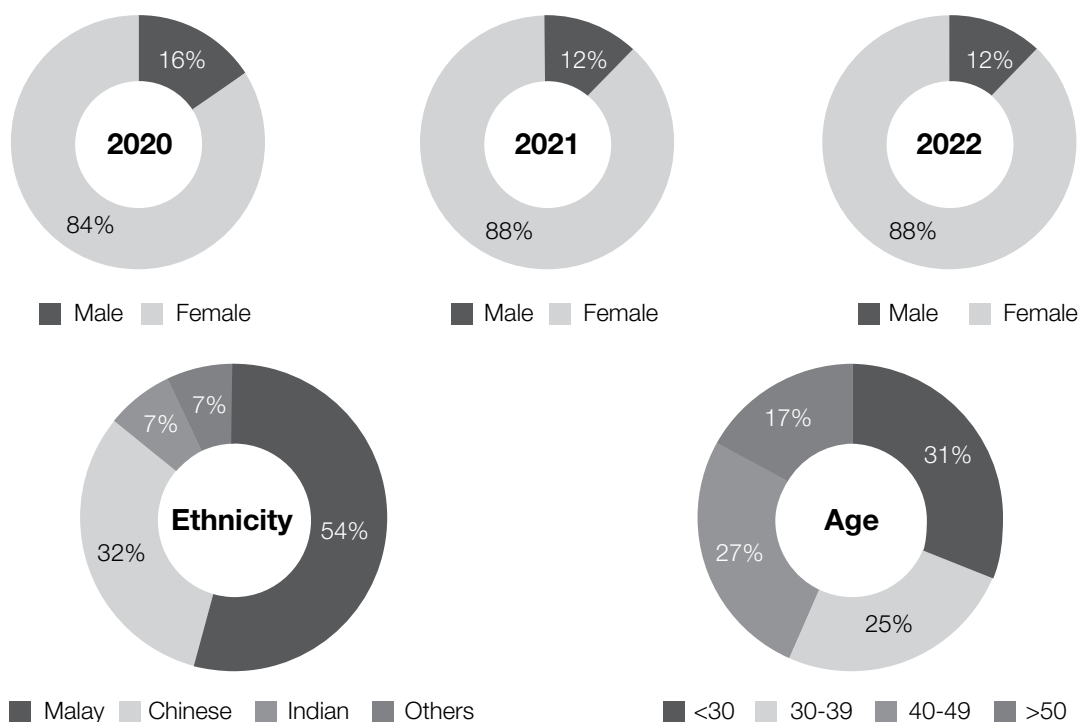
## Sustainability Statement (Cont'd)

### SOCIAL (CONT'D)

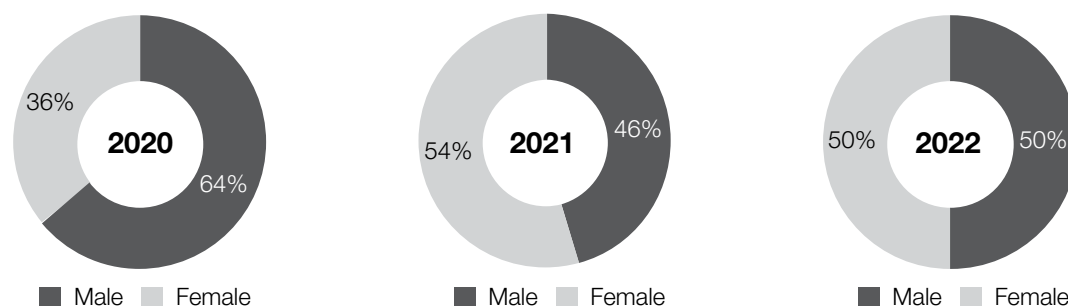
#### Employee Turnover Rate

As shown in the diagram below for the FYE 2022, the Group has a total of 1,082 employees of which 947 or a total of 88% are female employees as compared to the previous financial years being 88.26% and 84.45% in 2020 and 2021 respectively. The Group is well diverse in regards to ethnicity in our working environment, comprising of 585 or a total of 54% of our employees are of Malay heritage, 32% are of Chinese ancestry, 7% are of Indian descent and the remaining 7% are of other lineages. As for age grouping, 32% are under 30, 25% are within their 30s while 27% are within their 40s and 17% are well within their 50s.

#### Employees Turnover Rate by Gender, Age and Ethnicity



#### Composition of Senior Management by Gender



8 out of 16 senior positions comprised women for the FYE 2022, which has decreased slightly as compared to 54% in FYE 2021, and has however increased as compared to 36% in FYE 2020.

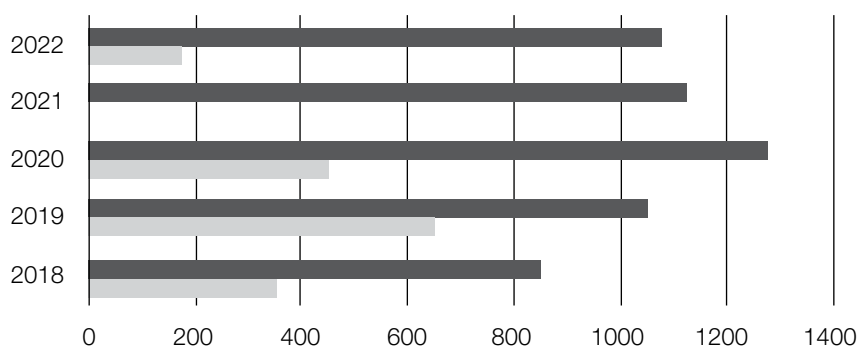
## Sustainability Statement (Cont'd)

### 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 in permanent employees, as we have 1,075 permanent employees in FYE 2022 as compared to 1,124 permanent employees in FYE 2021. On the other hand, as for part-time employee rates have fluctuated through the years. As Malaysia has come to Endemic, our group has gradually employed 173 part-time employees as of 30 June 2022.

#### Employment by Contract



	2018	2019	2020	2021	2022
■ Employees by contract Permanent	850	1050	1280	1124	1075
■ Employees by contract Part-Time	350	650	450	0	173

■ Employees by contract Permanent    ■ Employees by contract Part-Time

#### Workforce training and development

All Directors have completed the Mandatory Accreditation Program ("MAP") as prescribed by Bursa Securities. The Company will continue to identify suitable training 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 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.

#### 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 FYE 2022, all our employees 1,003 are local hires.

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



## Sustainability Statement (Cont'd)

### SOCIAL (CONT'D)

#### 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 FYE 2022 and our plans for the future are shown below:

Focus Areas	Progress in FYE2022	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	<ul style="list-style-type: none"> <li>Engagement with an independent party to conduct compliance verification</li> </ul>	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	<ul style="list-style-type: none"> <li>Streamlining Sustainability Committee Workgroup and management systems to support MESB's sustainability agenda</li> </ul>	By 2023
		<ul style="list-style-type: none"> <li>Conduct Sustainability Workshops on MESB's Sustainability Policy, including relevant requirements and its social requirements</li> </ul>	By 2023
		<ul style="list-style-type: none"> <li>Develop the necessary sustainability procedures in our management systems</li> </ul>	By 2023
		<ul style="list-style-type: none"> <li>Internal audit by Sustainability Committee Workgroup</li> </ul>	By 2023
Enhancing our stakeholder engagement process	Reported our stakeholder engagement process in this annual report on pages 19 and 20	<ul style="list-style-type: none"> <li>Reach out to key stakeholders for feedback on key sustainability focus areas.</li> </ul>	Annually
		<ul style="list-style-type: none"> <li>Develop Supplier Code of Conduct and Supplier Non-Compliance Protocol.</li> </ul>	By 2023

## Sustainability Statement (Cont'd)

### SOCIAL (CONT'D)

#### Our Way Moving Forward (Cont'd)

Focus Areas	Progress in FYE2022	Action Plan	Timeline / Target
Periodically reviewing our sustainability materiality assessment	The outcome of the materiality assessment conducted in this annual report on page 15	<ul style="list-style-type: none"> <li>Conduct comprehensive reassessments of material issues</li> </ul>	Annually
Expanding our sustainability reporting to include additional sustainability issues	Focused on reporting on sustainability issues that are most material to MESB	<ul style="list-style-type: none"> <li>Update sustainability information to be reported based on future reviews of materiality assessments, or changes to MESB's sustainability strategy</li> <li>Action Plan Development</li> </ul>	Annually  Annually

## PROFILE OF DIRECTORS

### **CHUA JIN KAU**

*Executive Chairman*

Malaysian

Male

Aged 64

**Mr. Chua Jin Kau** was appointed to the Board on 1 October 2016 as an Executive Director and subsequently re-designated as the Executive Chairman on 7 December 2021. 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's 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 2022.

### **LOKE LEE PING**

*Executive Director /  
Chief Executive Officer*

Malaysian

Male

Aged 43

**Mr. Loke Lee Ping** was appointed to the Board on 16 October 2015 as an Executive Director and subsequently re-designated as the Executive Director / Chief Executive Officer of the Company on 1 June 2016. He is responsible for the overall business development, management, financial affairs and strategic planning of the Group. He provides directions in the implementation of resolutions, strategies 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 of 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 2022.

## Profile of Directors (Cont'd)

### **TAN YEW KIM**

*Independent Non-Executive Director*

Malaysian

Male

Aged 64

- Chairman of Audit and Risk Management Committee
- Member of Nomination and Remuneration 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 2022.

### **LEE KOK HENG**

*Independent Non-Executive Director*

Malaysian

Male

Aged 60

- Chairman of Nomination and Remuneration Committee
- Member of Audit and Risk Management 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 2022.

## Profile of Directors (Cont'd)

### **DATUK WONG SAK KUAN**

*Non-Independent  
Non-Executive Director*

Malaysian

Male

Aged 54

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

**Datuk Wong Sak Kuan ("Datuk Wong")** 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").

Datuk Wong 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 five (5) Board Meetings held during the financial year ended 30 June 2022.

Datuk Wong is the father of Mr. Wong Yu Perng, the Non-Independent Non-Executive Director of the Company.

### **DATO' LEE BAN SENG**

*Independent Non-Executive Director*

Malaysian

Male

Aged 52

**Dato' Lee Ban Seng** was appointed to the Board on 1 March 2022.

He graduated with a Master in Business Administration from the America Liberty University.

He has over 25 years of experience in the industry of construction, F&B and hospitality. Currently, he is the Group Managing Director at JLF Holding Sdn. Bhd.; Managing Director of Uptown Concept Sdn. Bhd. and Innoglobal Construction Sdn. Bhd.; and Director of Melia Seasons Sdn. Bhd. and Total Café Sdn. Bhd.

Besides being an entrepreneur, he is active in NGO activities and holds important positions such as Deputy Chief Finance Officer of The Federation of Hokkien Association of Malaysia, the President of World Quanzhou Youth Friendship Association (Malaysia Chapter), the President of Persatuan Meninggikan Akhlak Chee Ying Khor Kajang Selangor and the Consultant - Persatuan Pegurusan Rumah-Rumah Ibdar Kaum Tiong Hua Daerah Hulu Langat.

He attended one (1) Board Meeting held during the financial year ended 30 June 2022 since his appointment to the Board on 1 March 2022.

## Profile of Directors (Cont'd)

### **WONG YU PERNG**

*Non-Independent  
Non-Executive Director*

Malaysian

Male

Aged 29

**Mr. Wong Yu Perng (“Mr. Wong”)** was appointed to the Board on 30 September 2022.

He graduated with a Master in International Business Management from the University of Tasmania in 2018.

In the year 2018, he joined Lotus KFM Berhad as a Sales Executive and was promoted to Head of Purchasing Department in 2019. In December 2020, he was promoted to Operations Manager overseeing the flour mill operation in Kuantan. He became the Deputy General Manager in 2022 heading the flour mill in Kuantan and the warehouse in Semenyih.

In the year 2018, he formed Millennial Automobile Maintenance Sdn. Bhd. with 2 partners to provide repair and maintenance services to commercial vehicles.

He was roped into the waste materials management business and led the operation division of Expert Resource Management Sdn. Bhd. In the year 2022, he is the project leader for the waste recycling business collaboration with KDEB Selangor & PETRONAS.

Mr. Wong was appointed on 30 September 2022, hence he did not attend any Board Meetings held during the financial year.

Mr. Wong is the son of Datuk Wong Sak Kuan, a Non-Independent Non-Executive Director and major shareholder of the Company.

### **CHEN, JIANHUA**

*Independent Non-Executive Director*

Malaysian

Male

Aged 49

**Mr. Chen, JianHua** was appointed to the Board on 30 September 2022.

He graduated with Degree in Business Administration from The Open University of China.

He has 30 years of experience in the industry of pulp & paper products and waste recycling management.

Currently, he is holding the position as General Manager of GuangZhou Howard Trading Co. Ltd., Managing Director of Dong Gong Environmental Technology Co. Ltd. and the Corporate Partner of Yingde Xiongying Plastic Products Co. Ltd., QingLu Environmental Technology Co. Ltd., Huizhou Zhicheng Environmental Protection Service Co. Ltd. and Gao Mi Hua Xi Recycle Technology Co. Ltd.. He also is the Corporate Consultant of GuangZhou Yu Hua Industrial Co. Ltd.

In December 2020, he was also appointed as the Director of Expert Resource Management Sdn. Bhd.

Mr. Chen, JianHua was appointed on 30 September 2022, hence he did not attend any Board Meetings held during the financial year.

### **Notes to the Directors’ Profiles:**

1. Save as disclosed above, none of the Directors has any family relationship with other Directors and/or major shareholders of the Company.
2. None of the Directors has any conflict of interest with the Company.
3. None of the Directors has been convicted of any offences within the past five (5) years or been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 30 June 2022, other than for traffic offences (if any).
4. Save for Datuk Wong Sak Kuan as disclosed above, none of the Directors has any other directorship in public companies and listed issuers



## KEY SENIOR MANAGEMENT'S PROFILE

### **LUI BOO HOCK**

*Chief Financial Officer*

Malaysian

Male

Aged 53

**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 56

**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's 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 54

**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 53

**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 at 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's 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 49

**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 48

**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's Human Resources matters. She holds a Certificate in Accounting.

### **NG KOK HUI**

*Advertising and Promotion Manager*

Malaysian

Male

Aged 52

**Mr. Ng Kok Hui**, joined the Group on 1 March 2007 as an Advertising and Promotion Executive. Subsequently, he was promoted to 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 in Art & Design.

### **Notes to the Key Senior Management's Profiles:**

1. None of the key senior management personnel has any directorships in public companies and listed issuers.
2. None of the key senior management personnel has any family relationship with any Director and/or major shareholders of the Company.
3. None of the key senior management personnel has 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 relevant regulatory bodies during the financial year ended 30 June 2022, other than for traffic offences (if any).

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors (“the Board”) is pleased to present the Audit and Risk Management Committee Report for the financial year ended 30 June 2022 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”). The Audit Committee and Risk Management Committee have been merged as a single committee known as Audit and Risk Management Committee (“ARMC” or “the Committee”) with effect from 15 July 2022 which aims to improve the efficiency and effectiveness of its members in discharging duties. The primary objective of the ARMC is to assist the Board in fulfilling its fiduciary duties and responsibilities in accordance with its Terms of Reference, providing additional assurance to the Board by giving an objective and independent review of financial, operational and administrative controls and procedures as well as establishing and maintaining internal controls.

## COMPOSITION AND MEETINGS

During the financial year ended 30 June 2022, the ARMC met five (5) times. The composition of the ARMC and the attendance record of its members are as follows:-

Members	Designation	Directorship	Total Meetings Attended
<b>Tan Yew Kim</b>	Chairman	Independent Non-Executive Director	5/5
<b>Lee Kok Heng</b>	Member	Independent Non-Executive Director	5/5
<b>Datuk Wong Sak Kuan</b> (Appointed as a member of ARMC on 1 March 2022)	Member	Non-Independent Non-Executive Director	1/1

The Chairman of the ARMC, 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.

The ARMC’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 ARMC 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 ARMC on pertinent issues of the Company and its subsidiaries.

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

## TERMS OF REFERENCE

The Terms of Reference of the ARMC were last reviewed, updated and approved by the Board on 15 July 2022 which aims to improve the efficiency and effectiveness of ARMC members in discharging their duties and is published on the Company’s corporate website at [www.mesbbhd.com](http://www.mesbbhd.com).

## Audit and Risk Management 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 ARMC 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 ARMC 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 an independent assessment of 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 ARMC.

The total costs incurred for the IA function during the financial year ended 30 June 2022 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 ARMC meetings.

The ARMC 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 ARMC also reviews the adequacy of the scope, functions, competency and resources of outsourced internal audit functions from time to time.

The ARMC and the Board are satisfied with the performance of the outsourced Internal Auditors and have in the interest of greater independence and continuity in the 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 ARMC 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 ARMC and the Board to strengthen and improve current management and operating style in pursuit of best practices.

## Audit and Risk Management Committee Report (Cont'd)

### 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, prior to the merger of Audit Committee and Risk Management Committee as a single committee, the Risk Management Committee ("RMC") had met once. The composition and the attendance record of the RMC members were as follows:-

Members	Designation	Directorship	Total Meetings Attended
Lee Kok Heng	Chairman	Independent Non-Executive Director	1/1
Tan Yew Kim	Member	Independent Non-Executive Director	1/1
Loke Lee Ping	Member	Executive Director / Chief Executive Officer	1/1
Chua Jin Kau	Member	Executive Chairman	1/1

On 15 July 2022, the Audit Committee and RMC have been merged as ARMC and take the place of RMC in order to improve the efficiency and effectiveness of its members in discharging duties. Information on the Group's internal control is presented in the Statement on Risk Management and Internal Control set out on pages 55 to 58 of this Annual Report.

### SUMMARY OF ACTIVITIES

The summary of works undertaken by the Committee for the financial year ended 30 June 2022, amongst others, included the following:-

#### Financial Reporting

- 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.
- 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.
- Kept apprised of the changes in accounting policies and guidelines through regular updates by the External Auditors.
- Reviewed Management's analyses of significant issues in financial reporting and judgments made in preparing the financial statements.

## Audit and Risk Management Committee Report (Cont'd)

### SUMMARY OF ACTIVITIES (CONT'D)

The summary of works undertaken by the Committee for the financial year ended 30 June 2022, 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 statements for the financial year ended 30 June 2022.
- 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 2022 with the External Auditors and Management.
- d) Reviewed and assessed the External Auditors' independence, performance and engagement to perform non-audit services. Based on the assessment, ARMC 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 ARMC recommended to the Board the re-appointment of KPMG PLT as the External Auditors for the financial year ending 30 June 2023 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 2022.
- 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 ARMC Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2022.



# 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) key 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](http://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 the 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.

#### 1.2 The Chairman

Mr. Chua Jin Kau is the Executive Chairman of the Board, 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.

## Corporate Governance Overview Statement (Cont'd)

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

#### PART I - BOARD RESPONSIBILITIES (CONT'D)

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

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 who is a member of the Malaysian Association of Company Secretaries and she is holding a professional certificate as a qualified Company Secretary under the Companies Act 2016. She possesses over 29 years of experience in corporate secretarial practices.

The Company Secretary attended the necessary training programmes, conferences or seminars organised by the relevant authorities and/or 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 fulfils the functions for which she has been appointed.

During the financial year ended 30 June 2022 ("FYE 2022"), 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 performance and support rendered by the Company Secretary and her team to the Board in the discharge of her duties and functions.

## Corporate Governance Overview Statement (Cont'd)

### 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 is 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 a 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.

##### 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](http://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 Company's website at [www.mesbbhd.com](http://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 a 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 I - BOARD RESPONSIBILITIES (CONT'D)

##### 3.4 Directors' Fit and Proper Policy

In line with the new Paragraph 15.01A of the MMLR, the Board had on 24 May 2022 adopted the Directors' Fit and Proper Policy which serves as a guide to the NRC and the Board in their review and assessment of the potential candidates for appointment to the Board of the Group as well as the retiring Directors who are seeking re-election at the annual general meeting.

The Directors' Fit and Proper Policy shall be reviewed periodically by the Board and be revised at any time as it may deem necessary to ensure that they remain consistent with the Board's objectives, current law and practices. The Directors' Fit and Proper Policy is published on the Company's website at [www.mesbbhd.com](http://www.mesbbhd.com).

The Board has also adopted the Nomination and Appointment of New Directors Process and Procedures to formalise the process for the nomination and appointment of a new Director to be undertaken by the NRC and the Board in discharging their responsibilities in terms of the nomination and appointment of new Directors of the Group.

##### 3.5 Sustainability Governance

The Board believes that sustainable business practices are essential to the creation of long-term value and that running the business in a responsible manner is intrinsically tied to achieving operational excellence.

In terms of structural oversight over sustainability including strategies, priorities and targets, it is reposed at the Board level with Management being responsible for operational execution with respect to Environmental, Social and Governance factors as part of the Group's corporate strategy.

As fiduciary to the Company's shareholders, the Board is focused on maintaining exemplary corporate governance practices, which include a commitment to ethics, integrity and corporate responsibility. The Board also ensures the Company's internal and external stakeholders are well informed on the sustainability strategies, priorities, targets as well as overall performance which the Sustainability Statement has provided a detailed articulation in this Annual Report.

The Board on 10 September 2021 reviewed, revised, and approved the relevant amendments by incorporating the assessment of the Board's understanding of sustainability issues in the annual performance evaluation that are critical to the Company's performance.

## 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 eight (8) members as set out in the table below:-

Name	Designation
<b>Chua Jin Kau</b>	Executive Chairman
<b>Loke Lee Ping</b>	Executive Director / CEO
<b>Tan Yew Kim</b>	Independent Non-Executive Director
<b>Lee Kok Heng</b>	Independent Non-Executive Director
<b>Datuk Wong Sak Kuan</b>	Non-Independent Non-Executive Director
<b>Dato' Lee Ban Seng</b> (Appointed on 1 March 2022)	Independent Non-Executive Director
<b>Wong Yu Perng</b> (Appointed on 30 September 2022)	Non-Independent Non-Executive Director
<b>Chen, JianHua</b> (Appointed on 30 September 2022)	Independent Non-Executive Director

The current Board composition 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 also meets the requirements of MCCG to have at least half of the Board comprised of 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, 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. Notwithstanding that, the assessment of the independence of the Independent Directors was conducted annually via annual evaluation to ensure they are independent of any business or other relationship which could interfere with the interest of the Company.

## Corporate Governance Overview Statement (Cont'd)

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

#### PART II - BOARD COMPOSITION (CONT'D)

##### 4.2 Tenure of Independent Directors (Cont'd)

Mr. Tan Yew Kim who has served the Company for the tenure of more than nine (9) years and will retire pursuant to Clause 97 of the Company's Constitution, has expressed his intention not to seek re-election at the Twenty-Seventh Annual General Meeting ("27<sup>th</sup> AGM") and he shall retire as Director of the Company at the conclusion of the 27<sup>th</sup> AGM.

##### 4.3 Board Balance and Independence

The Board comprises one (1) Executive Chairman, one (1) Executive Director, four (4) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. The presence of a majority of Independent Non-Executive Directors provides effective checks and balances 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 2022, 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 that a vacancy in the Board arises, the Board, through the NRC, will consider 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 two (2) Board Committees and the membership of each committee is set out in the below table:-

Committee Compositions	ARMC	NRC
<b>Chua Jin Kau</b> (Executive Chairman)	N/A	N/A
<b>Loke Lee Ping</b> (CEO cum Executive Director)	N/A	N/A
<b>Tan Yew Kim</b> (Independent Non-Executive Director)	Chairman	Member
<b>Lee Kok Heng</b> (Independent Non-Executive Director)	Member	Chairman
<b>Datuk Wong Sak Kuan</b> (Non-Independent Non-Executive Director)	Member	Member
<b>Dato' Lee Ban Seng</b> (Independent Non-Executive Director)	N/A	N/A
<b>Wong Yu Perng</b> (Non-Independent Non-Executive Director)	N/A	N/A
<b>Chen, JianHua</b> (Independent Non-Executive Director)	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 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.

## Corporate Governance Overview Statement (Cont'd)

### 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 ARMC 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, NRC 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 searching for suitable candidates for the appointment of Directors, the NRC may receive suggestions from existing Board members, Management, and major shareholders. The NRC is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms. The NRC is allowed to use a variety of approaches and sources to ensure that it is able to identify the most suitable candidates.

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. Lee Kok Heng, Dato' Lee Ban Seng, Mr. Wong Yu Perng and Mr. Chen, JianHua, the Directors standing for re-election and collectively agreed that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their roles as Directors.

## Corporate Governance Overview Statement (Cont'd)

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

#### PART II - BOARD COMPOSITION (CONT'D)

##### 4.7 Board Appointment and Re-appointment Process (Cont'd)

Mr. Tan Yew Kim 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 27<sup>th</sup> AGM and shall retire as Director of the Company at the conclusion of the 27<sup>th</sup> AGM.

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

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
<b>Chua Jin Kau</b>	Executive Chairman	5/5
<b>Loke Lee Ping</b>	Executive Director / CEO	5/5
<b>Datuk Wong Sak Kuan</b>	Non-Independent Non-Executive Director	5/5
<b>Tan Yew Kim</b>	Independent Non-Executive Director	5/5
<b>Lee Kok Heng</b>	Independent Non-Executive Director	5/5
<b>Dato' Lee Ban Seng</b> (Appointed on 1 March 2022)	Independent Non-Executive Director	1/1
<b>Wong Yu Perng</b> (Appointed on 30 September 2022)	Non-Independent Non-Executive Director	–
<b>Chen, JianHua</b> (Appointed on 30 September 2022)	Independent Non-Executive Director	–

## Corporate Governance Overview Statement (Cont'd)

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

#### PART II - BOARD COMPOSITION (CONT'D)

##### 5.2 Time Commitment (Cont'd)

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.

##### 5.3 Directors' Training

The Directors are encouraged to attend relevant seminars and training programmes to equip themselves with the knowledge to effectively discharge their duties as Directors. 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 2022, the Directors have attended the following training programmes:-

Name of Directors	Title of Programmes/Seminars attended
<b>Chua Jin Kau</b>	➤ Amendments to the MMLR of Bursa Securities relating to Director appointment, independence and other amendments
<b>Loke Lee Ping</b>	➤ Amendments to the MMLR of Bursa Securities relating to Director appointment, independence and other amendments
<b>Datuk Wong Sak Kuan</b>	➤ Amendments to the MMLR of Bursa Securities relating to Director appointment, independence and other amendments
<b>Tan Yew Kim</b>	➤ Amendments to the MMLR of Bursa Securities relating to Director appointment, independence and other amendments
<b>Lee Kok Heng</b>	➤ Amendments to the MMLR of Bursa Securities relating to Director appointment, independence and other amendments
<b>Dato' Lee Ban Seng</b>	➤ Mandatory Accreditation Programme

In addition, the Directors were briefed by the Company Secretary, Internal Auditors and External Auditors on any updates or changes to the relevant guidelines on the regulatory and statutory requirements at the Board and ARMC 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](http://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 2022 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.

## Corporate Governance Overview Statement (Cont'd)

### 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 2022 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
<b>Executive Directors</b>								
Loke Lee Ping	16.80	-	-	-	5.20	-	-	22.00
Chua Jin Kau	16.80	-	-	-	5.20	-	-	22.00
<b>Non-Executive Directors</b>								
Tan Yew Kim	31.20	-	-	-	8.80	-	-	40.00
Lee Kok Heng	31.20	-	-	-	8.80	-	-	40.00
Datuk Wong Sak Kuan	31.20	-	-	-	5.20	-	-	36.40
Dato' Lee Ban Seng	10.40	-	-	-	0.80	-	-	11.20
Wong Yu Perng	-	-	-	-	-	-	-	-
Chen, JianHua	-	-	-	-	-	-	-	-
Saffie Bin Bakar	-	-	-	-	5.40	-	-	5.40
<b>TOTAL</b>	<b>137.60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39.40</b>	<b>-</b>	<b>-</b>	<b>177.00</b>

##### 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
<b>Executive Directors</b>								
Loke Lee Ping	16.80	259.54	37.80	6.50	5.20	42.50	-	368.34
Chua Jin Kau	16.80	52.89	2.84	6.50	5.20	5.00	-	89.23
<b>Non-Executive Directors</b>								
Tan Yew Kim	31.20	-	-	-	8.80	-	-	40.00
Lee Kok Heng	31.20	-	-	-	8.80	-	-	40.00
Datuk Wong Sak Kuan	31.20	-	-	-	8.80	-	-	36.40
Dato' Lee Ban Seng	10.40	-	-	-	0.80	-	-	11.20
Wong Yu Perng	-	-	-	-	-	-	-	-
Chen, JianHua	-	-	-	-	-	-	-	-
Saffie Bin Bakar	-	-	-	-	5.40	-	-	5.40
<b>TOTAL</b>	<b>137.60</b>	<b>312.43</b>	<b>40.64</b>	<b>13.00</b>	<b>39.40</b>	<b>47.50</b>	<b>-</b>	<b>590.57</b>



## 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 the 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 ARMC

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

In compliance with practice 9.1 of the MCCG, the Chairman of the ARMC, Mr. Tan Yew Kim is not the Chairman of the Board and is an Independent Director.

The Board through the ARMC 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 ARMC in the financial year ended 30 June 2022 are set out on pages 37 to 38 of this Annual Report.

## Corporate Governance Overview Statement (Cont'd)

### 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 ARMC, 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 ARMC in terms of compliance with the accounting standards and other related regulatory requirements.

The ARMC undertakes an annual assessment of the suitability and independence of the External Auditors. The factors considered by the ARMC in its assessment include the 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 ARMC had on 29 August 2022 conducted an assessment in the suitability and independence of the External Auditors, KPMG PLT. Having assessed their performance, the ARMC is satisfied with the competence and independence of the External Auditors and had recommended to the Board, the re-appointment of the External Auditors. However, the retiring External Auditors, KPMG PLT, have expressed their intention not to seek re-appointment 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 ARMC. 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 ARMC. The recommendations arising from the internal audit and its implementations would be monitored.

For the financial year ended 30 June 2022, 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, ARMC undertakes an annual assessment of the suitability and performance of the Internal Auditors. The ARMC, 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 ARMC with the responsibility to review the risk management and internal control system of the Group for ensuring that risks are identified and monitored. The ARMC 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 ARMC with the assistance of the Internal Auditors, has conducted annual risk assessment and evaluation. Each head of a 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 reports, quarterly and annual financial results, which provide investors with up-to-date financial information of the Group. All announcements made, annual reports and other information about the Company are available on the Company's website at [www.mesbbhd.com](http://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-Sixth AGM ("26th AGM") was issued by the Company on 29 October 2021, 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 27<sup>th</sup> AGM of the Company will be sent to the shareholders at least twenty-eight (28) days before the date of the AGM this year as well.

The Company had its fully virtual AGM and entirely via remote participation and voting at the broadcast venue last year and all the Directors at that point of time had attended the 26th AGM of the Company held on 7 December 2021.

All resolutions set out in the Notice of the 26th AGM were put to vote by poll and the votes cast were validated by an independent scrutineer appointed by the Company. The outcome of all resolutions proposed at the general meetings is announced to Bursa Securities on the same day.

Pursuant to Paragraph 2.19 of the MMLR and Clause 88 of the Company's Constitution, the Notice of 27<sup>th</sup> AGM proxy form and Annual Report 2022 can be downloaded from the Company's website at [www.mesbbhd.com](http://www.mesbbhd.com).

## Corporate Governance Overview Statement (Cont'd)

### **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 the 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 to properly and systematically.

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 the AGM will be made public on the Company's corporate website for the shareholders' information.

### **STATEMENT BY THE BOARD ON CORPORATE GOVERNANCE OVERVIEW STATEMENT**

The Board has deliberated, reviewed and approved this Statement. The Board considers and is satisfied that to the best of its knowledge the Company has fulfilled its obligations under the MCCG, the relevant chapters of the Listing Requirements of Bursa Securities on corporate governance and all applicable laws and regulations throughout the FYE 2022, except for the departures set out in the Corporate Governance Report.

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.

# 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 Audit and Risk Management Committee (“ARMC”) 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 ARMC 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 ARMC 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 ARMC meetings. Minutes of the ARMC 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 ARMC to the Board for its deliberation and approval and matters or decisions made within the ARMC’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 ARMC, 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.

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

### 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 its 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 in 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 ARMC;
- 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 ARMC.

### 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 ARMC in performing an independent assessment of 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 ARMC. The internal audit reports are presented in the ARMC 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 ARMC and the Board for deliberation.

The IA also reports on the activities performed and key strategic and control issues observed to the ARMC. The ARMC 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.



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

### INTERNAL AUDIT (CONT'D)

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.

During the year, internal audit reviews were performed on both Active Fit Sdn. Bhd and Miroza Leather (M) Sdn. Bhd. based on the following areas:

- o Finance
- o Human Resources
- o Warehouse
- o Sales & Marketing
- o Stock Review
- o Merchandising
- o Information Technology

Internal audit reviews were also performed on MESB Resources Sdn. Bhd. covering a few key areas such as Human Resources, Account & Finance, Information Technology, Operations and other general aspects, and on the Recurrent Related Party Report of MESB Resources Sdn. Bhd.

All reports from the internal audit reviews carried out were submitted and presented to the ARMC 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 ARMC.

### INFORMATION AND COMMUNICATION

While Management has full responsibility for ensuring the effectiveness of the internal control that it establishes, the Board has the authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to enquire about information and clarifications from Management as well as to seek inputs from the ARMC, 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 2022, and reported to the Board that nothing has come to their attention that causes 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.

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

### **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 26 October 2022.

# ADDITIONAL COMPLIANCE INFORMATION

## 1. UTILISATION OF PROCEEDS

The Company did not raise any funds through any corporate exercise during the financial year ended 30 June 2022 ("FYE 2022").

## 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 FYE 2022 are as follows:-

	Company RM	Group RM
Audit Fees	60,000	192,000
Non-Audit Fees		
- Review of Statement on Risk Management and Internal Control	8,000	8,000

## 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 24 of the audited financial statements, there were no other material contracts entered into by the Company and/or its subsidiary companies including the Directors', Chief Executive's or major shareholders' interests, which was still subsisting at the end of the previous financial year or which were entered into since the end of the previous financial year.

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

At the Twenty-Sixth Annual General Meeting of the Company held on 7 December 2021, the Company obtained the renewal of 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 31 October 2022 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 FYE 2022 are disclosed in Note 24 to the audited financial statements for the FYE 2022.

## 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 2022 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 responsibility 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.

# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2022

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 2022.

### 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	6,669	(643)

### 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	
Tan Yew Kim	
Chua Jin Kau	
Datuk Wong Sak Kuan	
Dato' Lee Ban Seng	(Appointed on 1 March 2022)
Chen, JianHua	(Appointed on 30 September 2022)
Wong Yu Perng	(Appointed on 30 September 2022)
Saffie Bin Bakar	(Retired on 7 December 2021)

### 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
Lee Wai Fun



## 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:

	At 1.7.2021	Number of ordinary shares		At 30.6.2022
		Bought	Sold	
<b>MESB Berhad</b>				
Datuk Wong Sak Kuan	35,507,898	2,000,000	—	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 2022 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 shown below) 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.

The directors' benefits paid to or receivable by Directors in respect of the financial year ended 30 June 2022 are as follows:

	From the Company RM'000	From subsidiary companies RM'000
Directors of the Company:		
Fees	138	—
Remuneration	39	366
Post-employment benefits	—	34
Estimated money value of any other benefits	—	13
Transactions between companies in which a Director has substantial financial interests and a subsidiary of the Company in the ordinary course of business	—	3,858
	177	4,271

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 6,042,000 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.

## Directors' Report (Cont'd)

### **WARRANTS 2017/2022 ("WARRANTS")**

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 (1) 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 RM22,896, 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) necessary actions had been taken in relation to the writing off of bad debts and the provisioning for doubtful debts and satisfied themselves that there are no bad debts to be written off and that adequate provision had been 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 it necessary to write off any 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 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.

## Directors' Report (Cont'd)

### OTHER STATUTORY INFORMATION (CONT'D)

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 accruals made for potential payments by the Group to a licensor and 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 2022 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.

### SUBSEQUENT EVENTS

On 22 September 2022, the Company entered into the following agreements:

- (i) a conditional share sale agreement for the proposed disposals of its entire equity interests in Active Fit Sdn. Bhd. ("Active Fit") and MESB Capital Development Sdn. Bhd., as well as 45% equity interest in Miroza Leather (M) Sdn. Bhd. to Trend Navigator Sdn. Bhd. (a company owned by a former Director of Active Fit) for a total cash consideration of RM46.0 million. Based on the financial results as at 30 June 2022, the gain on disposals of the Group and of the Company is estimated at RM1.4 million and RM18.4 million respectively.
- (ii) a conditional share purchase agreement for the proposed acquisitions of the entire equity interests in N.U. Recycle Sdn. Bhd., Formidex Sdn. Bhd. and Waier Trading Sdn. Bhd. from Lotus Essential Sdn. Bhd. (a company owned by Datuk Wong Sak Kuan), Datuk Wong Sak Kuan (Director of the Company and a subsidiary) and Lee Wai Fun (Director of a subsidiary) for a total cash consideration of RM51.0 million, satisfied via a combination of the proceeds from the aforementioned proposed disposals as well as internally generated funds and/or bank borrowings.

The proposed disposals and acquisitions are subject to regulatory and other customary approvals, including the approval from the Company's shareholders, and are expected to be completed by the first quarter of 2024.

### AUDITORS

The auditors, KPMG PLT, retire and do not seek re-appointment at the forthcoming Annual General Meeting of the Company.

The auditors' remuneration of the Group and the Company during the year are RM207,000 and RM60,000 respectively.

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: 7 October 2022

# STATEMENTS OF FINANCIAL POSITION

## AS AT 30 JUNE 2022

	Note	Group 2022 RM'000	2021 RM'000	Company 2022 RM'000	2021 RM'000
<b>Assets</b>					
Plant and equipment	3	3,543	3,899	–	–
Right-of-use assets	4	308	422	–	–
Investment properties	5	2,567	2,631	–	–
Intangible assets	6	795	–	–	–
Investments in subsidiaries	7	–	–	49,210	48,210
Deferred tax assets	8	1,152	329	–	–
<b>Total non-current assets</b>		8,365	7,281	49,210	48,210
Inventories	9	33,160	61,287	–	–
Current tax assets		460	2,446	46	36
Trade and other receivables	10	36,115	31,706	1	2,855
Prepayments		126	271	–	–
Cash and cash equivalents	11	72,535	44,187	4,334	1,304
<b>Total current assets</b>		142,396	139,897	4,381	4,195
<b>Total assets</b>		150,761	147,178	53,591	52,405
<b>Equity</b>					
Share capital	12	60,457	58,645	60,457	58,645
Retained earnings/ (Accumulated losses)		29,863	23,194	(7,074)	(6,431)
<b>Total equity attributable to owners of the Company</b>		90,320	81,839	53,383	52,214
<b>Liabilities</b>					
Loans and borrowings	13	682	1,499	–	–
Lease liabilities		137	175	–	–
<b>Total non-current liabilities</b>		819	1,674	–	–
Loans and borrowings	13	12,793	15,710	–	–
Lease liabilities		218	334	–	–
Trade and other payables	14	46,611	47,621	208	191
<b>Total current liabilities</b>		59,622	63,665	208	191
<b>Total liabilities</b>		60,441	65,339	208	191
<b>Total equity and liabilities</b>		150,761	147,178	53,591	52,405

The notes on pages 74 to 125 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Note	Group 2022 RM'000	2021 RM'000	Company 2022 RM'000	2021 RM'000
<b>Revenue</b>	15	198,498	136,581	–	–
Cost of sales		(87,641)	(59,351)	–	–
<b>Gross profit</b>		110,857	77,230	–	–
Other income		2,506	3,843	–	10
Selling and distribution expenses		(47,967)	(34,491)	–	–
Administrative expenses		(51,506)	(31,549)	(770)	(823)
Net reversal of loss/(loss) on impairment of financial assets	18	7	(66)	–	–
Other expenses		(1,434)	(2,697)	–	–
<b>Results from operating activities</b>		12,463	12,270	(770)	(813)
Finance income	16	524	431	127	146
Finance costs	17	(779)	(1,177)	–	–
<b>Net finance (costs)/income</b>		(255)	(746)	127	146
<b>Profit/(Loss) before tax</b>	18	12,208	11,524	(643)	(667)
Tax expense	19	(5,539)	(2,322)	–	–
<b>Profit/(Loss) and total comprehensive income/(loss) for the year</b>		6,669	9,202	(643)	(667)
<b>Profit/(Loss) attributable to:</b>					
Owners of the Company		6,669	9,202	(643)	(667)
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		6,669	9,202	(643)	(667)
<b>Basic earnings per ordinary share (sen)</b>	20	6.13	8.92		
<b>Diluted earnings per ordinary share (sen)</b>	20	5.43	8.10		

The notes on pages 74 to 125 are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

Group	<i>Non-distributable</i> Share capital RM'000	<i>Distributable</i> Retained earnings RM'000	Total equity RM'000
<b>At 1 July 2020</b>	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
<b>At 30 June 2021/1 July 2021</b>	58,645	23,194	81,839
Issue of shares pursuant to exercise of Warrants	1,812	–	1,812
Profit and total comprehensive income for the year	–	6,669	6,669
<b>At 30 June 2022</b>	60,457	29,863	90,320

Note 12

The notes on pages 74 to 125 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

Company	<i>Non-distributable</i> Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
<b>At 1 July 2020</b>	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)
<b>At 30 June 2021/1 July 2021</b>	58,645	(6,431)	52,214
Issue of shares pursuant to exercise of Warrants	1,812	–	1,812
Loss and total comprehensive loss for the year	–	(643)	(643)
<b>At 30 June 2022</b>	60,457	(7,074)	(53,383)

Note 12

The notes on pages 74 to 125 are an integral part of these financial statements.



# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from operating activities</b>					
Profit/(Loss) before tax		12,208	11,524	(643)	(667)
Adjustments for:					
Depreciation of investment properties	5	64	63	—	—
Depreciation of plant and equipment	3	1,126	1,422	—	—
Depreciation of right-of-use assets	4	299	1,197	—	—
Amortisation of intangible assets	6	52	—	—	—
Finance costs	17	779	1,177	—	—
Finance income	16	(524)	(431)	(127)	(146)
Gain on disposal of plant and equipment	18	(694)	—	—	—
(Reversal of impairment losses)/ impairment losses on trade receivables	18	(7)	66	—	—
Net unrealised loss/(gain) on foreign exchange	18	228	(111)	—	—
Plant and equipment written off	18	27	49	—	—
Write-down of inventories	9	977	410	—	—
<b>Operating profit/(loss) before changes in working capital</b>		14,535	15,366	(770)	(813)
Changes in inventories		27,150	7,150	—	—
Changes in trade and other receivables and prepayments		(4,257)	(11,562)	9	(9)
Changes in trade and other payables		(1,238)	9,539	17	20
<b>Cash generated from/(used in) operations</b>		36,190	20,493	(744)	(802)
Tax paid		(4,473)	(3,026)	(10)	(13)
Tax refunded		97	—	—	—
Interest paid		(779)	(1,177)	—	—
<b>Net cash from/(used in) operating activities</b>		31,035	16,290	(754)	(815)

## Statements of Cash Flows (Cont'd)

	Note	Group 2022 RM'000	2021 RM'000	Company 2022 RM'000	2021 RM'000
<b>Cash flows from investing activities</b>					
Acquisition of plant and equipment	3	(903)	(84)	—	—
Acquisition of intangible assets	6	(847)	—	—	—
Advances to subsidiaries		—	—	—	(2,489)
Repayment from subsidiaries		—	—	2,845	—
Change in deposits pledged		(1,051)	(2,044)	—	—
Interest received		524	431	127	146
Investment in a subsidiary		—	—	(1,000)	(100)
Proceeds from disposal of plant and equipment		800	—	—	—
<b>Net cash (used in)/from investing activities</b>		(1,477)	(1,697)	1,972	(2,443)
<b>Cash flows from financing activities</b>					
Net (repayment)/drawdown of bankers' acceptances		(233)	715	—	—
Repayment of term loans		(3,322)	(6,281)	—	—
Payment of lease liabilities		(339)	(1,240)	—	—
Proceeds from issue of share capital	12	1,812	3,495	1,812	3,495
<b>Net cash (used in)/from financing activities</b>		(2,082)	(3,311)	1,812	3,495
<b>Net increase in cash and cash equivalents</b>		27,476	11,282	3,030	237
Cash and cash equivalents at 1 July 2021/2020		22,277	10,995	1,304	1,067
<b>Cash and cash equivalents at 30 June</b>	(i)	49,753	22,277	4,334	1,304

## Statements of Cash Flows (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	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits placed with licensed banks	11	47,896	29,731	–	–
Less: Pledged deposits	11	(22,782)	(21,731)	–	–
		25,114	8,000	–	–
Cash and bank balances	11	24,311	14,131	4,006	979
Highly liquid investments					
with financial institutions	11	328	325	328	325
Bank overdrafts	13	–	(179)	–	–
		49,753	22,277	4,334	1,304

### (ii) Cash outflows for leases as a lessee

	Note	2022 RM'000	2021 RM'000
<b>Included in net cash from/(used in) operating activities:</b>			
Interest paid in relation to lease liabilities	17	23	114
Payment relating to short-term leases	18	1,471	563
Payment relating to leases of low-value assets	18	4	3
		1,498	680
<b>Included in net cash (used in)/from financing activities:</b>			
Payment of lease liabilities		339	1,240
<b>Total cash outflows for leases</b>		<b>1,837</b>	<b>1,920</b>

Statements of Cash Flows  
(Cont'd)

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

Group	At 1.7.2020 RM'000	Conversion		At 30.6.2021/ 1.7.2021 RM'000	Acquisition of a new lease RM'000	acceptances to term loan RM'000	Net changes from financing cash flows RM'000	At 30.6.2022 RM'000
		Acquisition of a new lease RM'000	from bankers' acceptances to term loan RM'000					
Bankers' acceptances - secured	19,706	-	(8,230)	12,191	-	-	(233)	11,958
Term loans - secured	2,890	-	8,230	4,839	-	-	(3,322)	1,517
Lease liabilities	1,388	361	-	509	185	185	(339)	355
Total liabilities from financing activities	23,984	361	-	17,539	185	185	(3,894)	13,830

The notes on pages 74 to 125 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 2022 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 7 October 2022.

## 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 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 17, *Insurance Contracts* – Initial application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101, *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-current 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, *Income 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 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 applicable 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.

## Notes to the Financial Statements (Cont'd)

### 1. BASIS OF PREPARATION (CONT'D)

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

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

##### (i) Write-down of inventories

The Group writes down its inventories relating to leather products, apparels and accessories 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 RM977,000 (2021: RM410,000).

##### (ii) Recognition of deferred tax assets

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

#### (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.



## Notes to the Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Basis of consolidation (Cont'd)

##### (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.

#### (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.

## Notes to the Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (c) Financial instruments (Cont'd)

##### (i) Recognition and initial measurement (Cont'd)

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.

###### **(b) Fair value through profit or loss**

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

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

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

## Notes to the Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (c) Financial instruments (Cont'd)

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

###### **Financial liabilities**

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

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

##### (iii) Financial guarantee contracts

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

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

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

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

##### (iv) Derecognition

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

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 is 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.

## Notes to the Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (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.

##### (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
• Plant and machinery	10 years

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

## Notes to the Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (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.

##### (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.

## Notes to the Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) Leases (Cont'd)

##### (ii) Recognition and initial measurement (Cont'd)

###### (a) As a lessee (Cont'd)

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.

##### (iii) Subsequent measurement

###### (a) As a lessee

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

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

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

#### ***Covid-19-related rent concessions***

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

## Notes to the Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (e) Leases (Cont'd)

##### (iii) Subsequent measurement (Cont'd)

##### (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 finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets which have indefinite useful lives are measured at cost less any accumulated impairment losses.

##### (iii) Subsequent expenditure

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

##### (iv) Amortisation

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

Other intangible assets are amortised from the date they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life of the trademarks for the current and comparative periods is 15 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

#### (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.



## Notes to the Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (g) Investment properties (Cont'd)

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

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

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

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

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

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

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

#### (h) Inventories

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

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

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

#### (i) Cash and cash equivalents

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

#### (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.

## Notes to the Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (i) Impairment (Cont'd)

##### (i) Financial assets (Cont'd)

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

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

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

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

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

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

##### (ii) Other assets

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

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.

## Notes to the Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (j) Impairment (Cont'd)

##### (ii) Other assets (Cont'd)

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

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

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

#### (k) Equity instruments

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

##### Ordinary shares

Ordinary shares are classified as equity.

#### (l) Employee benefits

##### (i) Short-term employee benefits

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

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.

## Notes to the Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (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.

##### (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.

## Notes to the Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (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.

#### (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.

## Notes to the Financial Statements (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (r) 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.

## Notes to the Financial Statements (Cont'd)

### 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	Plant and machinery RM'000	Total RM'000
<b>Cost</b>							
At 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 2021/1 July 2021	146	4,038	2,814	11,134	76	-	18,208
Additions	-	164	37	380	-	322	903
Written off	-	-	-	(1,074)	-	-	(1,074)
Disposals	-	-	-	(1,583)	-	-	(1,583)
At 30 June 2022	146	4,202	2,851	8,857	76	322	16,454
<b>Accumulated depreciation</b>							
At 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 2021/1 July 2021	69	1,617	2,803	9,759	61	-	14,309
Depreciation for the year	27	361	15	711	9	3	1,126
Written off	-	-	-	(1,047)	-	-	(1,047)
Disposals	-	-	-	(1,477)	-	-	(1,477)
At 30 June 2022	96	1,978	2,818	7,946	70	3	12,911
<b>Carrying amounts</b>							
At 1 July 2020	104	2,750	23	2,379	30	-	5,286
At 30 June 2021/1 July 2021	77	2,421	11	1,375	15	-	3,899
At 30 June 2022	50	2,224	33	911	6	319	3,543



## Notes to the Financial Statements (Cont'd)

### 3. PLANT AND EQUIPMENT (CONT'D)

Company	Computers RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>			
At 1 July 2020/30 June 2021/1 July 2021/30 June 2022	15	8	23
<b>Accumulated depreciation</b>			
At 1 July 2020/30 June 2021/1 July 2021/30 June 2022	15	8	23
<b>Carrying amounts</b>			
At 1 July 2020/30 June 2021/1 July 2021/30 June 2022	–	–	–

### 4. RIGHT-OF-USE ASSETS

Group	Buildings RM'000	Motor vehicles RM'000	Total RM'000
At 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 2021/1 July 2021	418	4	422
Additions during the year	185	–	185
Depreciation for the year	(295)	(4)	(299)
At 30 June 2022	308	–	308

The Group leases a number of boutiques, warehouses, office buildings and motor vehicles that run between 1 year and 3 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.

## Notes to the Financial Statements (Cont'd)

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

#### 4.2 Judgements and assumptions in relation to lease

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

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

#### 4.3 Security

The leased motor vehicles secured lease obligations.

### 5. INVESTMENT PROPERTIES

Group	Leasehold land RM'000	Buildings RM'000	Total RM'000
<b>Cost</b>			
At 1 July 2020/30 June 2021/1 July 2021/30 June 2022	1,740	2,000	3,740
<b>Accumulated depreciation</b>			
At 1 July 2020	396	650	1,046
Depreciation for the year	18	45	63
At 30 June 2021/1 July 2021	414	695	1,109
Depreciation for the year	18	46	64
At 30 June 2022	432	741	1,173
<b>Carrying amounts</b>			
At 1 July 2020	1,344	1,350	2,694
At 30 June 2021/1 July 2021	1,326	1,305	2,631
At 30 June 2022	1,308	1,259	2,567

Investment properties are not occupied by the Group and are used either to earn rentals or for capital appreciation, or both.

## Notes to the Financial Statements (Cont'd)

### 5. INVESTMENT PROPERTIES (CONT'D)

Included in the investment properties are certain commercial properties leased to third parties. The leases contain an initial non-cancellable period of up to 2 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:

	2022 RM'000	Group 2021 RM'000
Lease income	51	57
Direct operating expenses:		
- income generating investment properties	(17)	(15)

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.

#### 5.1 Fair value information

Fair value of investment properties is categorised as follows:

	2022 RM'000	Group 2021 RM'000
Fair value - Level 3		
Leasehold land and buildings	4,700	5,050

#### Valuation process applied by the Group for Level 3 fair value

The fair value of investment properties at the end of the reporting period was determined by the Directors by reference to the professional valuations carried out in June 2022 (2021: November 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.

## Notes to the Financial Statements (Cont'd)

### 6. INTANGIBLE ASSETS

Group	Goodwill RM'000	Trademarks RM'000	Total RM'000
<b>Cost</b>			
At 1 July 2020/30 June 2021/1 July 2021	25,190	500	25,690
Additions	–	847	847
Written off (Note 6.1)	(25,190)	–	(25,190)
At 30 June 2022	–	1,347	1,347
<b>Accumulated impairment losses</b>			
At 1 July 2020/30 June 2021/1 July 2021	25,190	500	25,690
Written off (Note 6.1)	(25,190)	–	(25,190)
At 30 June 2022	–	500	500
<b>Accumulated amortisation</b>			
At 1 July 2020/30 June 2021/1 July 2021	–	–	–
Amortisation during the year	–	52	52
At 30 June 2022	–	52	52
<b>Carrying amounts</b>			
1 July 2020/30 June 2021/ 1 July 2021	–	–	–
At 30 June 2022	–	795	795

Note 6.2

- 6.1 During the financial year, goodwill arising from the acquisition of Miroza Leather (M) Sdn. Bhd. and Active Fit Sdn. Bhd. that has been fully impaired in prior years was written off.
- 6.2 Included in trademarks are the rights of using trademarks of a brand in Malaysia granted by a licensor for a licence fee of RM847,000 for a period of 15 years.

## Notes to the Financial Statements (Cont'd)

### 7. INVESTMENTS IN SUBSIDIARIES

Company	Cost of investments RM'000
<b>Unquoted shares, at cost</b>	
At 1 July 2020	67,110
Additions during the year (Note 7.1)	100
At 30 June 2021/1 July 2021	67,210
Additions during the year (Note 7.1)	1,000
At 30 June 2022	68,210
<b>Accumulated impairment losses</b>	
At 1 July 2020/30 June 2021/1 July 2021/30 June 2022	19,000
<b>Carrying amounts</b>	
At 1 July 2020	48,110
At 30 June 2021/1 July 2021	48,210
At 30 June 2022	49,210

Details of the subsidiaries are as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest	
			2022 %	2021 %
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
Active Fit Sdn. Bhd. ("AFSB")	Malaysia	Trading and retailing of casual apparels and accessories	100	100
MESB Resources Sdn. Bhd. ("MRSB") <sup>#</sup>	Malaysia	Waste recycling	100	100

\* Not audited by KPMG PLT.

#### 7.1 Unquoted shares, at cost

During the financial year, the Company subscribed for 1,000,000 (2021: 100,000) ordinary shares in MRSB at RM1.00 per ordinary share for a total cash consideration of RM1,000,000 (2021: RM100,000).

## Notes to the Financial Statements (Cont'd)

### 8. DEFERRED TAX ASSETS

#### Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Plant and equipment	85	–	(23)	(61)	62	(61)
Leases	77	107	(74)	(100)	3	7
Inventories	573	285	–	–	573	285
Other deductible temporary differences	514	98	–	–	514	98
Tax assets/(liabilities)	1,249	490	(97)	(161)	1,152	329
Set off of tax	(97)	(161)	97	161	–	–
Net tax assets	1,152	329	–	–	1,152	329

#### Unrecognised deferred tax assets

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

Group	2022 RM'000	2021 RM'000
Inventories	430	651
Unutilised tax losses	34	5,171
Other deductible temporary differences	15,922	–
	16,386	5,822

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 2021.

Pursuant to the latest tax legislation, unutilised tax losses from a year of assessment can only be carried forward up to 10 (2021: 7) consecutive years of assessment. The table below shows the unutilised tax losses expire in respective years of assessment:

Group	2022 RM'000	2021 RM'000
2025	–	3,767
2027	–	1,404
2030	34	–
	34	5,171

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

## Notes to the Financial Statements (Cont'd)

### 9. INVENTORIES

	2022 RM'000	Group 2021 RM'000
Trading merchandise	33,109	61,142
Waste and scrap	51	145
	33,160	61,287
Recognised in profit or loss:		
- Inventories recognised as cost of sales	73,775	48,450
- Write-down of inventories	977	410

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

### 10. TRADE AND OTHER RECEIVABLES

	Note	2022 RM'000	Group 2021 RM'000	2022 RM'000	Company 2021 RM'000
<b>Trade</b>					
Trade receivables	10.1	35,130	30,824	—	—
<b>Non-trade</b>					
Amounts due from subsidiaries	10.2	—	—	—	2,845
Other receivables	10.3	420	156	—	9
Deposits		565	726	1	1
		985	882	1	2,855
		36,115	31,706	1	2,855

10.1 Included in trade receivables of the Group is an amount due from a company in which a Director has significant financial interests of RM468,000 (2021: Nil). The amount is unsecured, interest free and subject to negotiated trade terms.

10.2 The non-trade amounts due from subsidiaries related to interest-bearing advances to subsidiaries. Advances to subsidiaries were unsecured, subject to interest at 6.45% per annum and repayable on demand.

10.3 Included in other receivables of the Group is an amount due from a company in which a Director has significant financial interests of RM99,000 (2021: Nil). The amount is unsecured, interest free and repayable on demand.

## Notes to the Financial Statements (Cont'd)

### 10. TRADE AND OTHER RECEIVABLES (CONT'D)

#### 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
<b>2022</b>				
Trade receivables		38,752	(3,622)	35,130
Trade payables	14	(27,078)	3,622	(23,456)
<b>2021</b>				
Trade receivables		33,725	(2,901)	30,824
Trade payables	14	(44,493)	2,901	(41,592)

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 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Highly liquid investments with financial institutions	11.1	328	325	328	325
Deposits placed with licensed banks	11.2	47,896	29,731	—	—
Cash and bank balances		24,311	14,131	4,006	979
		72,535	44,187	4,334	1,304

#### 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 RM22,782,000 (2021: RM21,731,000) pledged as security for banking facilities granted to the Group (see Note 13).



## Notes to the Financial Statements (Cont'd)

### 12. SHARE CAPITAL

	Note	Number of shares 2022 '000	Group and Company		Amount 2021 RM'000
			Amount 2022 RM'000	Number of shares 2021 '000	
Issued and fully paid ordinary shares with no par value					
At 1 July 2021/2020		106,750	58,645	91,100	55,150
Issued during the year via private placement	12.1	–	–	15,000	3,300
Issued during the year via exercise of Warrants	12.2	6,042	1,812	650	195
At 30 June		112,792	60,457	106,750	58,645

#### 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, the Company issued 15,000,000 new ordinary shares to eligible investors at an issue price of RM0.22 per share via private placement.

#### 12.2 Warrants 2017/2022 ("Warrants")

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, 6,042,000 (2021: 650,000) Warrants have been exercised where 6,042,000 (2021: 650,000) new ordinary shares were issued at an issuance price of RM0.30 per ordinary share for a total cash consideration of RM1,812,000 (2021: RM195,000).

As at 30 June 2022, there are 34,258,000 Warrants (2021: 40,300,000 Warrants) which remain unexercised.

## Notes to the Financial Statements (Cont'd)

### 13. LOANS AND BORROWINGS

	Note	2022 RM'000	Group 2021 RM'000
<b>Non-current</b>			
Term loans - secured	13.1	682	1,499
<b>Current</b>			
Term loans - secured	13.1	835	3,340
Bank overdrafts - secured	13.2	–	179
Bankers' acceptances - secured	13.2	11,958	12,191
		12,793	15,710
		13,475	17,209

#### 13.1 Term loans

Details of 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 2022 RM'000	2021 RM'000
1	60	40,103	November 2016	189	416
2	60	10,079	January 2017	–	60
3	60	59,811	April 2018	1,328	1,620
4	12	685,833	November 2020	–	2,743
				1,517	4,839

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.

## Notes to the Financial Statements (Cont'd)

### 14. TRADE AND OTHER PAYABLES

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
<b>Trade</b>					
Trade payables	14.1	23,456	41,592	–	–
<b>Non-trade</b>					
Other payables	14.2	1,312	786	208	133
Accrued expenses	14.3	21,843	5,243	–	58
		23,155	6,029	208	191
		46,611	47,621	208	191

14.1 Included in trade payables of the Group is an amount due to a company in which a Director has significant financial interests of RM710,000 (2021: RM211,000). The amount is 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 interests of RM75,000 (2021: RM90,000). The amount is unsecured, interest free and repayable on demand.

14.3 Included in accrued expenses of the Group is an amount payable to a licensor of RM18,099,000 (2021: RM860,000), which comprise the following:

- (i) Accruals of RM2,868,000 (2021: RM860,000) relating to royalty expenses, common marketing funds and advertising and marketing expenses for a brand.
- (ii) Accruals made for potential payments by the Group to the licensor of RM15,231,000 (2021: Nil) relating to claims by the licensor on additional amounts payable for royalty expenses, common marketing funds, advertising and marketing expenses and late payment charges for the brand based on sales made by the Group in the current and previous financial years.

### 15. REVENUE

	Note	Group 2022 RM'000	Group 2021 RM'000
Sale of goods		185,490	134,633
Commission income from consignment sales		2,274	823
Waste recycling		10,684	1,098
<b>Revenue from contracts with customers</b>	15.1	198,448	136,554
<b>Other revenue</b>			
Rental income		50	27
<b>Total revenue</b>		198,498	136,581

## Notes to the Financial Statements (Cont'd)

### 15. REVENUE (CONT'D)

#### 15.1 Disaggregation of revenue

	2022 RM'000	Group 2021 RM'000
<b>Major product lines/services</b>		
Sale of leather products, apparels and accessories	187,764	135,456
Waste recycling	10,684	1,098
	198,448	136,554
<b>Primary geographical markets</b>		
Malaysia	197,734	134,705
Brunei	714	1,849
	198,448	136,554
<b>Sales channels</b>		
Directly to customers	19,250	7,562
Through departmental stores	179,198	128,992
	198,448	136,554
<b>Timing of recognition</b>		
At a point in time	198,448	136,554

#### 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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest income of financial assets calculated using the effective interest method that are:				
- at amortised cost	521	427	124	142
Interest income of financial assets measured at fair value through profit or loss	3	4	3	4
	524	431	127	146

### 17. FINANCE COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- Bankers' acceptances	525	517	—	—
- Bank overdrafts	46	90	—	—
- Debts factoring	26	21	—	—
- Term loans	159	373	—	—
- Others	—	62	—	—
	756	1,063	—	—
Interest expense on lease liabilities	23	114	—	—
	779	1,177	—	—

### 18. PROFIT BEFORE TAX

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Profit before tax is arrived at after charging/(crediting):</b>				
<b>Auditors' remunerations</b>				
Audit fees				
- KPMG PLT	192	165	60	52
- Other auditors	15	—	—	—
Non-audit fees				
- KPMG PLT	8	5	8	5

## Notes to the Financial Statements (Cont'd)

### 18. PROFIT BEFORE TAX (CONT'D)

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>Profit before tax is arrived at after charging/(crediting) (Cont'd):</b>				
<b>Material expenses/(income)</b>				
Amortisation of intangible assets	52	–	–	–
Depreciation of investment properties	64	63	–	–
Depreciation of plant and equipment	1,126	1,422	–	–
Depreciation of right-of-use assets	299	1,197	–	–
Government grants (Note b)	(1,642)	(3,449)	–	–
Gain on disposal of plant and equipment	(694)	–	–	–
Internal audit fee	48	41	–	–
Net realised loss/(gain) on foreign exchange	189	(121)	–	–
Net unrealised loss/(gain) on foreign exchange	228	(111)	–	–
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provision Fund	3,110	2,762	4	11
- Wages, salaries and others	26,253	21,597	76	116
Plant and equipment written off	27	49	–	–
Royalty expenses (excluding the amount disclosed below)	8,370	10,833	–	–
Accruals made for potential payments to a licensor on the following expenses for a brand (Note 14.3(ii)):				
- Royalty expenses	6,036	–	–	–
- Common marketing funds	1,346	–	–	–
- Advertising and promotion expenses	5,517	–	–	–
- Late payment charges	2,332	–	–	–
Write-down of inventories	977	410	–	–
<b>Expenses arising from leases</b>				
Expenses relating to short-term leases (Note a)	1,471	563	–	–
Expenses relating to leases of low-value assets (Note a)	4	3	–	–
<b>Net (reversal of loss)/loss on impairment of financial assets</b>				
Financial assets at amortised cost	(7)	66	–	–

## Notes to the Financial Statements (Cont'd)

### 18. PROFIT BEFORE TAX (CONT'D)

#### Note a

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

#### Note b

The government grants of RM1,642,000 (2021: RM3,449,000) recognised during the financial year were related to the wage subsidies received from the Government of Malaysia in response to the Covid-19 pandemic. The grants were recognised in profit or loss as other income.

### 19. TAX EXPENSE

#### Recognised in profit or loss

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Current tax expense</b>				
- Current year	6,301	2,426	—	—
- Under/(Over) provision in prior year	61	(27)	—	—
Total current tax recognised in profit or loss	6,362	2,399	—	—
<b>Deferred tax expense</b>				
- Origination and reversal of temporary differences	(678)	(191)	—	—
- (Over)/Under provision in prior year	(145)	114	—	—
Total deferred tax recognised in profit or loss	(823)	(77)	—	—
Total income tax expense	5,539	2,322	—	—

#### Reconciliation of tax expense

Profit/(Loss) before tax	12,208	11,524	(643)	(667)
Income tax calculated using Malaysian tax rate of 24%	2,930	2,766	(154)	(160)
Effect of deferred tax assets not recognised	2,535	—	—	—
Non-deductible expenses	322	295	154	160
Non-taxable income	(164)	—	—	—
Utilisation of previously unrecognised deferred tax assets	—	(826)	—	—
(Over)/Under provision in prior year	(84)	87	—	—
	5,539	2,322	—	—

## Notes to the Financial Statements (Cont'd)

### 20. EARNINGS PER ORDINARY SHARE

#### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 30 June 2022 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	<b>2022 RM'000</b>	<b>Group 2021 RM'000</b>
Profit attributable to ordinary shareholders	6,669	9,202
<hr/>		
	<b>2022 '000</b>	<b>Group 2021 '000</b>
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares at 1 July 2021/2020	106,750	91,100
Effect of new ordinary shares issued via private placement and exercise of Warrants (Note 12.1 and Note 12.2)	2,058	12,100
Weighted average number of ordinary shares at 30 June (basic)	108,808	103,200
<hr/>		
	<b>2022 Sen</b>	<b>Group 2021 sen</b>
Basic earnings per ordinary share	6.13	8.92

#### Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 30 June 2022 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:

	<b>2022 RM'000</b>	<b>Group 2021 RM'000</b>
Profit attributable to ordinary shareholders	6,669	9,202
<hr/>		
	<b>2022 '000</b>	<b>Group 2021 '000</b>
Weighted average number of ordinary shares at 30 June (basic)	108,808	103,200
Effect of Warrants on issue	13,968	10,475
Weighted average number of ordinary shares at 30 June (diluted)	122,776	113,675



## Notes to the Financial Statements (Cont'd)

### 20. EARNINGS PER ORDINARY SHARE (CONT'D)

#### Diluted earnings per ordinary share (Cont'd)

	Group	
	2022 Sen	2021 sen
Diluted earnings per ordinary share	5.43	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.

### 21. OPERATING SEGMENTS

The Group has three 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, right-of-use assets, investment properties and intangible assets other than goodwill.

Group	Retailing RM'000	Investment holding RM'000	Waste recycling RM'000	Total RM'000
<b>2022</b>				
<b>Segment profit/(loss)</b>	12,375	(794)	1,406	12,987
<i>Included in the measure of segment profit/(loss) are:</i>				
Revenue from external customers	187,764	50	10,684	198,498
Finance income	518	6	–	524
Write-down of inventories	(977)	–	–	(977)
Plant and equipment written off	(27)	–	–	(27)
Amortisation of intangible assets	(52)	–	–	(52)
Depreciation of plant and equipment	(1,123)	–	(3)	(1,126)
Depreciation of right-of-use assets	(299)	–	–	(299)
Depreciation of investment properties	(14)	(50)	–	(64)
<i>Not included in the measure of segment profit/(loss) but provided to CODM:</i>				
Finance costs	(779)	–	–	(779)
Tax expense	(5,161)	(11)	(367)	(5,539)
<b>Segment assets</b>	141,189	6,896	3,075	151,160
<i>Included in the measure of segment assets is:</i>				
Additions to non-current assets other than financial instruments and deferred tax assets	1,613	–	322	1,935

## Notes to the Financial Statements (Cont'd)

### 21. OPERATING SEGMENTS (CONT'D)

Group	Retailing RM'000	Investment holding RM'000	Waste recycling RM'000	Total RM'000
<b>2021</b>				
<b>Segment profit/(loss)</b>	13,433	(845)	113	12,701
<i>Included in the measure of segment profit/(loss) are:</i>				
Revenue from external customers	135,456	27	1,098	136,581
Finance income	417	14	—	431
Write-down of inventories	(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)
<i>Not included in the measure of segment profit/(loss) but provided to CODM:</i>				
Finance costs	(1,177)	—	—	(1,177)
Tax expense	(2,315)	(7)	—	(2,322)
<b>Segment assets</b>	142,594	6,743	686	150,023
<i>Included in the measure of segment assets is:</i>				
Additions to non-current assets other than financial instruments and deferred tax assets	445	—	—	445
<b>Reconciliations of reportable segment profit or loss and assets</b>				
	<b>Group</b>			
	<b>2022</b>	<b>2021</b>		
	<b>RM'000</b>	<b>RM'000</b>		
<b>Profit or loss</b>				
Total profit for reportable segments	12,987	12,701		
Finance costs	(779)	(1,177)		
Consolidated profit before tax	12,208	11,524		
<b>Assets</b>				
Total assets for reporting segments	151,160	150,023		
Elimination of inter-segment balances	(399)	(2,845)		
Consolidated total assets	150,761	147,178		

## Notes to the Financial Statements (Cont'd)

### 21. OPERATING SEGMENTS (CONT'D)

#### 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

2022	Carrying amount RM'000	AC RM'000	FVTPL RM'000
<b>Group</b>			
<b>Financial assets</b>			
Trade and other receivables	36,115	36,115	–
Cash and cash equivalents	72,535	72,207	328
	108,650	108,322	328
<b>Financial liabilities</b>			
Trade and other payables	(46,611)	(46,611)	–
Loans and borrowings	(13,475)	(13,475)	–
	(60,086)	(60,086)	–
<b>Company</b>			
<b>Financial assets</b>			
Other receivables	1	1	–
Cash and cash equivalents	4,334	4,006	328
	4,335	4,007	328
<b>Financial liabilities</b>			
Other payables	(208)	(208)	–

## Notes to the Financial Statements (Cont'd)

### 22. FINANCIAL INSTRUMENTS (CONT'D)

#### 22.1 Categories of financial instruments (Cont'd)

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

#### 22.2 Net gains and losses arising from financial instruments

	<b>Group</b>		<b>Company</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Mandatorily required by MFRS 9	3	4	3	4
Financial assets measured at amortised cost	546	361	124	142
Financial liabilities measured at amortised cost	(1,191)	(831)	–	–
	(642)	(466)	127	146

## 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 and customers of its waste recycling business. 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.

##### Trade receivables

*Risk management objectives, policies and processes for managing the risk*

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

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

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

There are no significant changes as compared to 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.

## Notes to the Financial Statements (Cont'd)

### 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:

- 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
- 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 2022 and 30 June 2021.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
<b>2022</b>			
Current (not past due)	34,435	—	34,435
1 - 30 days past due	407	—	407
31 - 60 days past due	79	—	79
61 - 90 days past due	135	—	135
Past due more than 90 days	74	—	74
	35,130	—	35,130
<b>Credit impaired</b>			
61 - 90 days past due	10	(10)	—
Past due more than 90 days	49	(49)	—
	35,189	(59)	35,130

## 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 (Cont'd)*

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
<b>2021</b>			
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
<b>Credit impaired</b>			
Past due more than 90 days	74	(66)	8
	30,890	(66)	30,824

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 2020	—
Net remeasurement of loss allowance	66
Balance at 30 June 2021/1 July 2021	66
Net remeasurement of loss allowance	(7)
Balance at 30 June 2022	59



## Notes to the Financial Statements (Cont'd)

### 22. FINANCIAL INSTRUMENTS (CONT'D)

#### 22.4 Credit risk (Cont'd)

##### Cash and cash equivalents

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

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

##### Financial guarantees

*Risk management objectives, policies and processes for managing the risk*

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

*Exposure to credit risk, credit quality and collateral*

For banking facilities granted to the subsidiaries, the maximum exposure to credit risk amounts to RM13,475,000 (2021: RM17,209,000) 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.

## Notes to the Financial Statements (Cont'd)

### 22. FINANCIAL INSTRUMENTS (CONT'D)

#### 22.4 Credit risk (Cont'd)

##### Financial guarantees (Cont'd)

###### *Recognition and measurement of impairment loss (Cont'd)*

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 deposits paid for boutiques, office building and warehouse rented. The deposits will be received at the end of each lease term, where the Group manages the credit risk together with the leasing arrangement.

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

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

##### Inter-company balances

###### *Risk management objectives, policies and processes for managing the risk*

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

###### *Exposure to credit risk, credit quality and collateral*

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

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

###### *Recognition and measurement of impairment loss*

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

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

## Notes to the Financial Statements (Cont'd)

### 22. FINANCIAL INSTRUMENTS (CONT'D)

#### 22.4 Credit risk (Cont'd)

##### Inter-company balances (Cont'd)

##### *Recognition and measurement of impairment loss (Cont'd)*

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
<b>2022</b>			
Low credit risk	—	—	—
<b>2021</b>			
Low credit risk	2,845	—	2,845

As at the end of the reporting period, there was no indication that the advances to subsidiaries of the Company were not recoverable. As this amount was considered to have low credit risk, the Company was of the view that the loss allowance was not material and therefore, it was not provided for.

#### 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.

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

## Notes to the Financial Statements (Cont'd)

### 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:

Group	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
<b>2022</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	46,611	-	46,611	46,611	-	-
Lease liabilities	355	2.62 - 6.90%	379	234	82	63
Term loans - secured	1,517	*	1,618	910	708	-
Bankers' acceptances - secured	11,958	3.28 - 5.05%	11,958	11,958	-	-
	60,441		60,566	59,713	790	63
<b>2021</b>						
<b>Non-derivative financial liabilities</b>						
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

\* 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

## Notes to the Financial Statements (Cont'd)

### 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
<b>Company</b>				
<b>2022</b>				
<b><i>Non-derivative financial liabilities</i></b>				
Other payables	208	–	208	208
Financial guarantees	–	–	13,475	13,475
	<hr/> 208		<hr/> 13,683	<hr/> 13,683
<b>2021</b>				
<b><i>Non-derivative financial liabilities</i></b>				
Other payables	191	–	191	191
Financial guarantees	–	–	17,209	17,209
	<hr/> 191		<hr/> 17,400	<hr/> 17,400

#### 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 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)*

Group	Denominated in USD	
	2022 RM'000	2021 RM'000
Trade and other payables	(3,294)	(11,734)

*Currency risk sensitivity analysis*

A 10% (2021: 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.

Group	Profit or loss	
	2022 RM'000	2021 RM'000
USD	250	892

A 10% (2021: 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.

## Notes to the Financial Statements (Cont'd)

### 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:

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Fixed rate instruments</b>				
Financial assets	47,896	29,731	–	2,845
Financial liabilities	(11,958)	(12,191)	–	–
Lease liabilities	(355)	(509)	–	–
	35,583	17,031	–	2,845
<b>Floating rate instruments</b>				
Financial liabilities	(1,517)	(5,018)	–	–

###### *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.

	<b>Profit or loss</b>			
	<b>50 bp</b>	<b>50 bp</b>	<b>50 bp</b>	<b>50 bp</b>
	<b>increase</b>	<b>decrease</b>	<b>increase</b>	<b>decrease</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
<b>Group</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Floating rate instruments	(6)	6	(19)	19

## Notes to the Financial Statements (Cont'd)

### 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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022										
Financial liabilities										
Term loans	-	-	-	-	-	-	(1,524)	(1,524)	(1,524)	(1,517)
2021										
Financial liabilities										
Term loans	-	-	-	-	-	-	(4,771)	(4,771)	(4,771)	(4,839)

#### 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.



## Notes to the Financial Statements (Cont'd)

### 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:

	Note	2022 RM'000	Group 2021 RM'000
Loans and borrowings	13	13,475	17,209
Lease liabilities		355	509
Total debt		13,830	17,718
Total equity		90,320	81,839
Debt-to-equity ratio		0.15	0.22

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.

### 24. RELATED PARTIES

#### Identity of related parties

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

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

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

## Notes to the Financial Statements (Cont'd)

### 24. RELATED PARTIES (CONT'D)

#### 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.

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>A. Subsidiaries</b>				
Net advances to subsidiaries	–	–	–	2,489
Repayment from subsidiaries	–	–	(2,845)	–
Interest income	–	–	(121)	(132)
<b>B. Companies in which a former Director has significant financial interests</b>				
Sale of goods (net of selling and distribution expenses)	–	(648)	–	–
<b>C. Companies in which a Director has significant financial interests</b>				
Purchase of goods	3,639	428	–	–
Payments on behalf	402	–	–	–
Sale of goods	(715)	–	–	–
Commission paid	177	24	–	–
Transportation charges	8	–	–	–
Rental expense	347	30	–	–
<b>D. Key management personnel Directors</b>				
Directors' fees	138	133	138	133
Directors' remuneration	405	282	39	45
Post-employment benefits	34	27	–	–
	577	442	177	178

The estimated monetary value of Directors' benefit-in-kind of the Group is RM13,000 (2021: RM13,000).

## Notes to the Financial Statements (Cont'd)

### 25. SUBSEQUENT EVENTS

On 22 September 2022, the Company entered into the following agreements:

- (i) a conditional share sale agreement for the proposed disposals of its entire equity interests in Active Fit Sdn. Bhd. ("Active Fit") and MESB Capital Development Sdn. Bhd., as well as 45% equity interest in Miroza Leather (M) Sdn. Bhd. to Trend Navigator Sdn. Bhd. (a company owned by a former Director of Active Fit) for a total cash consideration of RM46.0 million. Based on the financial results as at 30 June 2022, the gain on disposals of the Group and of the Company is estimated at RM1.4 million and RM18.4 million respectively.
- (ii) a conditional share purchase agreement for the proposed acquisitions of the entire equity interests in N.U. Recycle Sdn. Bhd., Formidex Sdn. Bhd. and Waier Trading Sdn. Bhd. from Lotus Essential Sdn. Bhd. (a company owned by Datuk Wong Sak Kuan), Datuk Wong Sak Kuan (Director of the Company and a subsidiary) and Lee Wai Fun (Director of a subsidiary) for a total cash consideration of RM51.0 million, satisfied via a combination of the proceeds from the aforementioned proposed disposals as well as internally generated funds and/or bank borrowings.

The proposed disposals and acquisitions are subject to regulatory and other customary approvals, including the approval from the Company's shareholders, and are expected to be completed by the first quarter of 2024.

## 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 66 to 125 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 2022 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: 7 October 2022

## 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 66 to 125 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 7 October 2022.

**Lui Boo Hock**

Before me:

**Rosli Bin Saad**  
No. W904  
Commissioner for Oaths  
Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MESB BERHAD

### 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 2022 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 66 to 125.

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 2022, 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.

Valuation of inventories	
Refer to Note 1(d)(i) - Basis of preparation: Use of estimates and judgements - Write-down of inventories, Note 2(h) - Significant accounting policy: Inventories and Note 9 - Inventories.	
The key audit matter	How the matter was addressed in our audit
<p>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 (trading merchandise balance under "inventories" as at 30 June 2022 is RM33.11 million).</p> <p>We have identified valuation of trading merchandise 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.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>We assessed the basis for the inventory provisions and the consistency of provisioning with the Group policy;</li> <li>We checked whether items in the inventory ageing report were classified within the appropriate ageing bracket;</li> <li>We tested the provision calculations and determined that they appropriately reflected the ageing profile of inventories; and</li> <li>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 compared to the most recent sales during the year and the latest recommended selling prices.</li> </ul>

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)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (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)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (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

Petaling Jaya, Selangor

Date: 7 October 2022

**Eric Kuo Sze-Wei**  
Approval Number: 03473/11/2023 J  
Chartered Accountant

# LIST OF PROPERTIES

AS AT 30 JUNE 2022

Location	Description/ Existing use	Tenure	Approximate Land/ Built-up area (square feet)	Age of Properties/ Buildings (Years)	Net Book Value As At 30/06/2022 (RM'000)	Date of revaluation
No. 63, Jalan Tasik Selatan 8 (formerly Jaln 8/146) Bandar Tasik Selatan 57000 Kuala Lumpur	6 storey shopoffice/ Office	Leasehold expiring on 29/06/2087	17,835	32	2,139	16 June 2022
No. 33-1-48 Prangin Mall Komtar Jalan Dr Lim Chwee Leong 10100 Pulau Pinang	Shop lot/ Office	Leasehold expiring on 09/06/2096	452	24	428	21 June 2022



# ANALYSIS OF SHAREHOLDINGS

AS AT 3 OCTOBER 2022

Total number of Issued Share : 120,430,000 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	43	1.90	1,337	0.00
100 to 1,000	119	5.27	58,908	0.05
1,001 – 10,000	1,212	53.68	6,116,250	5.08
10,001 – 100,000	766	33.92	24,798,051	20.59
100,001 – less than 5% of issued shares	115	5.09	48,623,350	40.37
5% and above of issued shares	3	0.13	40,832,104	33.91
<b>Total</b>	<b>2,258</b>	<b>100.00</b>	<b>120,430,000</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDING AS AT 3 OCTOBER 2022

(As per the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shareholders	%	No. of Shares held	%
Datuk Wong Sak Kuan	38,407,898	31.89	–	–
Yau Ming Teck	11,324,206	9.40	–	–

## DIRECTORS' SHAREHOLDINGS AS AT 3 OCTOBER 2022

(As per the Register of Directors' Shareholdings)

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shareholders	%	No. of Shares held	%
Chua Jin Kau	–	–	–	–
Loke Lee Ping	–	–	–	–
Datuk Wong Sak Kuan	38,407,898	31.89	–	–
Tan Yew Kim	–	–	–	–
Lee Kok Heng	–	–	–	–
Dato' Lee Ban Seng	–	–	–	–
Wong Yu Perng	–	–	–	–
Chen, JianHua	–	–	–	–

## Analysis of Shareholdings (Cont'd)

### TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 3 OCTOBER 2022

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

No.	Name	No. of Shares	%
1.	Wong Sak Kuan	19,507,898	16.20
2.	CIMSEC Nominees (Tempatan) Sdn. Bhd. <i>CIMB for Yau Ming Teck</i>	11,324,206	9.40
3.	RHB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Wong Sak Kuan</i>	10,000,000	8.30
4.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Wong Sak Kuan (7000571)</i>	6,000,000	4.98
5.	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Shoraka Capgroup Sdn. Bhd.</i>	3,830,000	3.18
6.	Lee Wai Fun	2,985,000	2.48
7.	Wong Sak Kuan	2,900,000	2.41
8.	Tan Kuan Teck	1,538,200	1.28
9.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lee Wai Fun (7001743)</i>	1,500,000	1.25
10.	Toh Yan Tai	1,425,900	1.18
11.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tan Kuan Teck</i>	1,417,400	1.18
12.	Chong Fong Tai	1,270,000	1.05
13.	Lee Teck Keng	1,215,000	1.01
14.	Ang Kian You	1,029,800	0.86
15.	Chong Sin Hao	1,000,000	0.83
16.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ng Geok Wah (B BRKLANG-CL)</i>	868,900	0.72
17.	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lee Choo Chua</i>	800,000	0.66
18.	Aw Kheng Tong	600,000	0.50
19.	MV Consolidated Sdn. Bhd.	600,000	0.50
20.	Tan Phan Lieh	520,000	0.43

## Analysis of Shareholdings (Cont'd)

### TOP THIRTY (30) SECURITIES ACCOUNTS HOLDERS AS AT 3 OCTOBER 2022 (CONT'D)

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

No.	Name	No. of Shares	%
21.	Lee Chee Beng	467,700	0.39
22.	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Ong Hock Ka</i>	450,000	0.37
23.	Lim Peng Leong	384,650	0.32
24.	Lee Kok Hoong	384,350	0.32
25.	Toh Wah Chong	357,300	0.30
26.	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Wan Ahmad Nazim Bin Mohamed Noor</i>	350,000	0.29
27.	Chong Khai Mun	320,000	0.27
28.	Heng Ding Ding	302,300	0.25
29.	Fong Choong Toor	300,000	0.25
30.	Aw Yong Yu Heng	296,700	0.25
		<b>73,945,304</b>	<b>61.40</b>

# ANALYSIS OF WARRANT HOLDINGS

## AS AT 3 OCTOBER 2022

Type of Securities	:	2017/2022 Warrants
No. of unexercised Warrants	:	26,620,000
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	123	10.70	5,700	0.02
100 to 1,000	213	18.54	144,501	0.54
1,001 – 10,000	544	47.35	1,894,649	7.12
10,001 – 100,000	223	19.41	7,858,449	29.52
100,001 – less than 5% of issued warrant	44	3.83	13,330,801	50.08
5% and above of issued warrant	2	0.17	3,385,900	12.72
<b>Total</b>	<b>1,149</b>	<b>100.00</b>	<b>26,620,000</b>	<b>100.00</b>

### DIRECTORS' WARRANT HOLDINGS AS AT 3 OCTOBER 2022

(As per the Register of Directors' Warrant Holdings)

Name of Directors	Direct Interest		Indirect Interest	
	No. of Warrants Held	%	No. of Warrants Held	%
Chua Jin Kau	–	–	–	–
Loke Lee Ping	–	–	–	–
Datuk Wong Sak Kuan	–	–	–	–
Tan Yew Kim	–	–	–	–
Lee Kok Heng	–	–	–	–
Dato' Lee Ban Seng	–	–	–	–
Wong Yu Perng	–	–	–	–
Chen, JianHua	–	–	–	–

## Analysis of Warrant Holdings (Cont'd)

### LIST OF TOP THIRTY (30) WARRANT HOLDERS AS AT 3 OCTOBER 2022

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

No.	Name	No. of Warrants	%
1.	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Koo Fook Thian</i>	1,925,100	7.23
2.	Soo Lin Khai	1,460,800	5.49
3.	Lee Kao Choon	1,110,000	4.17
4.	Lee Wai Fun	962,101	3.61
5.	Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tan Chung Ching (E-PTS)</i>	910,000	3.42
6.	Low Yee Juan	705,200	2.65
7.	Aw Kheng Tong	600,000	2.25
8.	Loo Leong Aun	550,000	2.07
9.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tan Kuan Teck</i>	541,000	2.03
10.	RHB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Michael Hii Lu Pang</i>	495,000	1.86
11.	Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lok Wei Seong (E-BPJ)</i>	481,000	1.81
12.	Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tan Hong Lim (E-KLC)</i>	401,900	1.51
13.	Ng Xiao Qing	401,000	1.51
14.	Chong Sai King	400,000	1.50
15.	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lim Gim Leong</i>	365,875	1.37
16.	Raja Nur Najihah Binti Raja Muhamad	281,600	1.06
17.	Lee Wai Fun	274,700	1.03
18.	Chang Lik Sean	250,000	0.94
19.	Ding Nyok Choo	250,000	0.94
20.	Teh Yuan Huat	250,000	0.94

## Analysis of Warrant Holdings (Cont'd)

### LIST OF TOP THIRTY (30) WARRANT HOLDERS AS AT 3 OCTOBER 2022 (CONT'D)

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

No.	Name	No. of Warrants	%
21.	Khor Chao Hao	239,500	0.90
22.	Lim Tze Weng	224,900	0.84
23.	Lee Kok Hoong	220,575	0.83
24.	Lim Kuan Yew	218,300	0.82
25.	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Mah Mun Tack</i>	203,000	0.76
26.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Thian Mung Chuan (MY2349)</i>	200,000	0.75
27.	Chan Tin Wai	200,000	0.75
28.	Tan Kok Siang	200,000	0.75
29.	Yong Geok Kian	200,000	0.75
30.	Maybank Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Lee Choo Chua</i>	175,000	0.66
		<b>14,696,551</b>	<b>55.21</b>

# NOTICE OF THE TWENTY-SEVENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-Seventh Annual General Meeting ("27<sup>th</sup> 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 live streaming and online remote voting using Remote Participation and Electronic Voting facilities via the online platform at <https://www.digitizevote.my> (Domain Registration No. with MYNIC: D6A474651) on Tuesday, 6 December 2022 at 2:30 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 2022 together with the Reports of the Directors and Auditors thereon.   | <b>PLEASE REFER TO<br/>EXPLANATORY NOTE 1</b> |
| 2. | To approve the payment of Directors' fees and benefits of up to RM139,000 for the period commencing from the date immediately after this 27 <sup>th</sup> AGM until the date of the next AGM of the Company. | <b>ORDINARY RESOLUTION 1</b>                  |
| 3. | To re-elect Mr. Lee Kok Heng as Director who retires by rotation pursuant to Clause 97 of the Company's Constitution.  | <b>ORDINARY RESOLUTION 2</b>                  |
| 4. | To re-elect the following Directors who retire pursuant to Clause 104 of the Company's Constitution:-  |   |
|    | (i) Dato' Lee Ban Seng   | <b>ORDINARY RESOLUTION 3</b>                  |
|    | (ii) Mr. Wong Yu Perng   | <b>ORDINARY RESOLUTION 4</b>                  |
|    | (iii) Mr. Chen, JianHua  | <b>ORDINARY RESOLUTION 5</b>                  |
| 5. | To note the retirement of Mr. Tan Yew Kim as Director of the Company at the conclusion of the 27 <sup>th</sup> AGM.  | <b>PLEASE REFER TO<br/>EXPLANATORY NOTE 4</b> |
| 6. | To appoint Crowe Malaysia PLT as Auditors in place of the retiring Auditors, KPMG PLT and to authorise the Directors to fix their remuneration.  | <b>ORDINARY RESOLUTION 6</b>                  |

To consider and if thought fit, to pass the following ordinary resolution:-

"THAT Crowe Malaysia PLT be and are hereby appointed as Auditors of the Company in place of the retiring Auditors KPMG PLT and to hold office until the conclusion of the next annual general meeting at a remuneration to be agreed between the Directors and the Auditors."

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

### As Special Business:

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

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

**ORDINARY RESOLUTION 7**

"THAT subject always to the Constitution of the Company, the 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 new ordinary shares in the Company ("Shares") 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 ("Mandate") 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 next 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.

THAT pursuant to Section 85 of the Act read together with the Company's Constitution, approval be given to waive the statutory pre-emptive rights conferred upon the shareholders of the Company AND THAT the Board is exempted from the obligation to offer such new Shares first to the existing shareholders of the Company in respect of the issuance and allotment of new Shares pursuant to the Mandate.

AND FURTHER THAT the new Shares to be issued pursuant to the Mandate, shall, upon issuance and allotment, rank pari passu in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new Shares."

8. **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 Securities, 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 31 October 2022 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;



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

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 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 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,

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."

9. 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  
31 October 2022

### Notes:

- (i) The 27<sup>th</sup> AGM will be conducted on a fully virtual basis through live streaming and online remote voting using Remote Participation and Electronic Voting facilities via the online meeting platform provided by Dvote Services Sdn. Bhd. at <https://www.digitizevote.my>. Please refer to the Administrative Notes for the 27<sup>th</sup> AGM on the procedures to register, participate and vote remotely via <https://www.digitizevote.my>.
- (ii) According to the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 7 April 2022, an online meeting platform located in Malaysia is recognised as the meeting venue and all meeting participants of a fully virtual general meeting are required to participate in the meeting online.

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

- (iii) Members may submit questions relating to resolutions to be tabled at the Meeting to the Board via e-mail to [mesb@mesbbhd.com](mailto:mesb@mesbbhd.com) no later than 2:30 p.m. on Friday, 2 December 2022. Alternatively, members may transmit questions to the Board via <https://www.digitizevote.my> platform during the live streaming of the Meeting.
- (iv) 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.
- (v) 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.
- (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) 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.
- (viii) 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.
- (ix) The instrument appointing a proxy may be made via hardcopy or by electronic means through 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 office of the Poll Administrator, Dvote Services Sdn. Bhd. at Lot 9-7, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia.
  - b) By Electronic Means  
The Proxy Form can be electronically lodged by email to [dvoteservice@gmail.com](mailto:dvoteservice@gmail.com). Kindly refer to the Administrative Notes on the procedures for the electronic lodgement of the Proxy Form.
- (x) 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 29 November 2022. Only members whose names appear in the General Meeting Record of Depositors as at 29 November 2022 shall be entitled to attend the Meeting and to speak and vote thereat.
- (xi) All the resolutions set out in the Notice of Meeting will be put to vote by poll.
- (xii) Given the constantly evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 27<sup>th</sup> 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.

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

### EXPLANATORY NOTES TO ORDINARY/SPECIAL BUSINESS

#### 1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 30 June 2022

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 and benefits

Pursuant to Section 230(1) of the Act, the directors' fees and any benefits payable to the directors of a listed company and its subsidiaries shall be approved by the shareholders at a general meeting. 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 the date immediately after this 27<sup>th</sup> AGM until the date of the next AGM of the Company to be held in the year 2023. In the event the proposed amount is insufficient due to more meetings or an enlarged Board size, approval will be sought at the next AGM for such shortfall.

#### 3. Items 3 and 4 of the Agenda – Re-election of Directors

Clause 97 of the Company's Constitution provides that one-third (1/3) of the Directors of the Company for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office and be eligible for re-election provided always that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

Clause 104 of the Company's Constitution provides that the Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following AGM, and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors to retire by rotation at such meeting.

Following thereto, Mr. Lee Kok Heng will retire pursuant to Clause 97 of the Company's Constitution whereas Dato' Lee Ban Seng, Mr. Wong Yu Perng and Mr. Chen, JianHua will retire pursuant to Clause 104 of the Company's Constitution ("collectively referred to as "the Retiring Directors"). The Retiring Directors being eligible, have offered themselves for re-election at the 27<sup>th</sup> AGM.

The Board has endorsed the Nomination and Remuneration Committee's recommendation to seek shareholders' approval to re-elect the Retiring Directors as they possess the required skill sets to facilitate and contribute to the Board's effectiveness and value.

The Retiring Directors had abstained from all deliberations and decisions on their respective eligibility to stand for re-election at the Board meeting.

The details and profile of the Retiring Directors are provided in the Board of Directors' Profile on pages 29 to 32 of the Company's Annual Report 2022.

#### 4. Item 5 of the Agenda – Retirement of Director

Mr. Tan Yew Kim who retires pursuant to Clause 97 of the Company's Constitution, has expressed his intention not to seek re-election at the 27<sup>th</sup> AGM and he shall retire as Director of the Company at the conclusion of the 27<sup>th</sup> AGM. The Company would like to thank Mr. Tan Yew Kim for his contribution during his tenure as Director of the Company.

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

### 5. Item 6 of the Agenda – Appointment of Auditors

The retiring Auditors, KPMG PLT, have expressed their intention not to seek re-appointment at the 27<sup>th</sup> AGM.

The Board of Directors has proposed Crowe Malaysia PLT for appointment as new Auditors of the Company in place of the retiring Auditors, KPMG PLT, to the members for approval at the 27<sup>th</sup> AGM.

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

The Ordinary Resolution 7 proposed under item 7 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 Act. 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 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).

The Company had at its Twenty-Sixth AGM held on 7 December 2021 ("26<sup>th</sup> 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 10% of the total number of issued shares of the Company (excluding treasury shares) at any point of time ("General Mandate"). This General Mandate will expire at the conclusion of the 27<sup>th</sup> AGM.

Pursuant to Section 85 of the Act and the Company's Constitution, shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company. This Ordinary Resolution 7, if passed, will exclude the shareholders' pre-emptive right to be offered new shares to be issued by the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the General Mandate granted to the Directors at the 26<sup>th</sup> AGM which will lapse at the conclusion of the 27<sup>th</sup> AGM.

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

The Ordinary Resolution 8 proposed under item 8 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 31 October 2022 for further information.

# ADMINISTRATIVE NOTES

## ADMINISTRATIVE NOTES FOR THE FULLY VIRTUAL TWENTY-SEVENTH ANNUAL GENERAL MEETING (“27<sup>TH</sup> AGM” OR “MEETING”) OF MESB BERHAD (“MESB” OR “THE COMPANY”)

Meeting Day, Date : Tuesday, 6 December 2022  
 Time : 2:30 p.m.

Online Meeting Platform : <https://www.digitizeVote.my>  
 (Domain registration number with MYNIC: D6A474651)

Depository of Proxy Form : The Poll Administrator's Office  
 c/o Dvote Services Sdn. Bhd.

Lot 9-7, Menara Sentral Vista,  
 No. 150, Jalan Sultan Abdul Samad, Brickfields,  
 50470 Kuala Lumpur,  
 Wilayah Persekutuan, Malaysia

Email : [dvoteservice@gmail.com](mailto:dvoteservice@gmail.com)

## REMOTE PARTICIPATION AND ELECTRONIC VOTING (“RPEV”) FACILITIES

Shareholders are to attend, speak (in the form of real time submission of typed texts) and vote (collectively, “participate”) remotely at the 27<sup>th</sup> AGM using the RPEV facilities provided by Dvote Services Sdn. Bhd. (“Dvote”) via its Dvote Online Portal at <https://www.digitizevote.my>.

A shareholder who has appointed a proxy or attorney or authorised representative to participate at this 27<sup>th</sup> AGM via RPEV facilities must request his/her proxy or attorney or authorised representative to register himself/herself for RPEV facilities at Dvote Online Portal at <https://www.digitizevote.my>.

As the 27<sup>th</sup> AGM will be held on a fully virtual meeting, shareholders who are unable to participate in this 27<sup>th</sup> AGM via RPEV 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 27<sup>TH</sup> AGM

In respect of deposited securities, only members whose names appear in the Record of Depositors on **29 November 2022** (27<sup>th</sup> AGM Record of Depositors) shall be eligible to participate in the 27<sup>th</sup> AGM or to appoint proxy(ies) to participate and/or vote on his/her behalf.

## PROXY FORM(S)

Shareholders who are unable to participate in our 27<sup>th</sup> 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 Proxy Form for the 27<sup>th</sup> AGM should you wish to appoint a proxy(ies).

Please deposit your Proxy Form at the Poll Administrator's office, Dvote Services Sdn. Bhd. at Lot 9-7, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia or email to [dvoteservice@gmail.com](mailto:dvoteservice@gmail.com) 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 27<sup>th</sup> AGM will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Company has appointed 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 RPEV facilities for guidance on how to vote remotely from Dvote online website at <https://www.digitizevote.my>.

During the 27<sup>th</sup> 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 27<sup>th</sup> 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, and request for login ID and password:-

#### 1. REMOTE PARTICIPATION AND E-VOTING FACILITIES

Members to participate at the 27<sup>th</sup> AGM using RPEV facilities provided by Dvote via its Dvote online website at <https://www.digitizevote.my>. Please refer to the procedures for RPEV facilities.

## Administrative Notes (Cont'd)

### 2. PROCEDURES FOR RPEV FACILITIES

Member(s)/proxy(ies)/corporate representative(s)/attorney(s) who wish to participate in the 27<sup>th</sup> AGM remotely using the RPEV 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 <b>Dvote Online</b>	<p><i>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.</i></p> <ul style="list-style-type: none"> <li>Access the website at <a href="https://www.digitizevote.my">https://www.digitizevote.my</a>.</li> <li>Click on <b>[Sign up]</b> to register as a new user with Dvote Online.</li> <li>Complete registration and upload softcopy of Malaysia identification card (front and back) or passport (foreigner(s)).</li> </ul> <p>You will be notified via email once your user registration is accepted/rejected by Dvote Online.</p>
(b)	Register Meeting with <b>Dvote Online</b>	<ul style="list-style-type: none"> <li>Registration for Remote Participation will remain open from 1 November 2022 until the commencement of the polling during the 27<sup>th</sup> AGM.</li> <li>Login to <a href="https://www.digitizevote.my/Identity/Account/Login">https://www.digitizevote.my/Identity/Account/Login</a> with your user ID (i.e. email address) and password.</li> <li>Select event: <b>"MESB Berhad – Twenty-Seventh Annual General Meeting"</b> and click <b>[Register]</b>.</li> <li>You will receive an email notifying you of your registration for the remote participation and verification.</li> <li>Once your registration has been verified against the Record of Depositors as at 29 November 2022, you will be notified via email whether your request for remote participation is approved/rejected.</li> <li>If approved, you will receive an invitation email together with the meeting link to <b>"Join Meeting"</b>.</li> </ul>

ON THE DAY OF 27 <sup>TH</sup> AGM		
	Procedure	Action
(a)	Join the Live Stream Meeting	<ul style="list-style-type: none"> <li>Click on <b>"Join Meeting"</b> link in the invitation email and you will be directed to the live streaming room.</li> <li>You are advised to log in early, at least 20 minutes, before the Meeting time.</li> </ul>
(b)	Post Questions during Live Streaming	<ul style="list-style-type: none"> <li>If you have any question(s) for the Board of Directors, you may use the <b>"Question"</b> box to transmit your question(s)</li> </ul>
(c)	Online Voting during Live Streaming	<ul style="list-style-type: none"> <li>Click on <b>[Vote]</b>, to cast your votes for each resolution(s).</li> <li>Review your casted votes, confirm and submit your votes.</li> </ul>
(d)	End of remote participation	<ul style="list-style-type: none"> <li>Upon the announcement by the Chairman on the closure of the 27<sup>th</sup> AGM, the live streaming room will end.</li> </ul>

## Administrative Notes (Cont'd)

Notes to users of the RPEV 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 03-2276 6138 and email to [dvoteservice@gmail.com](mailto: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 1 November 2022.

### 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 27<sup>th</sup> AGM via RPEV facilities must request his/her proxy(ies)/authorised representative(s)/attorney(s) to register himself/herself for RPEV facilities via Dvote Online website at <https://www.digitizevote.my>.

## NO DOOR GIFTS OR FOOD VOUCHERS

There will be no distribution of door gifts and food vouchers during the 27<sup>th</sup> AGM as the meeting is conducted on a fully virtual basis.

## NO RECORDING OR PHOTOGRAPHY

By participating in the 27<sup>th</sup> AGM, you agree that no part of the 27<sup>th</sup> 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 27<sup>th</sup> AGM, Administrative Notes for the fully virtual 27<sup>th</sup> AGM, RPEV facilities or encounter 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 27<sup>th</sup> AGM related:

Email : [mesb@mesbbhd.com](mailto:mesb@mesbbhd.com)

### For Pre-Registration via RPEV 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 Wong  
Telephone No. : +603-2276 6138  
Email : [dvoteservice@gmail.com](mailto:dvoteservice@gmail.com)





[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)

I/With email address \_\_\_\_\_ mobile phone no. \_\_\_\_\_

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

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-Seventh Annual General Meeting ("27<sup>th</sup> AGM" or "Meeting") of the Company to be held on a fully virtual basis and entirely via remote participation and electronic voting through live streaming and online remote voting using Remote Participation and Electronic Voting facilities via the online platform at <https://www.digitizevote.my> (Domain Registration No. with MYNIC: D6A474651) on Tuesday, 6 December 2022 at 2:30 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 and benefits of up to RM139,000 for the period commencing from the date immediately after this 27 <sup>th</sup> AGM until the date of the next AGM of the Company.		
2.	To re-elect Mr. Lee Kok Heng as Director of the Company.		
3.	To re-elect Dato' Lee Ban Seng as Director of the Company.		
4.	To re-elect Mr. Wong Yu Perng as Director of the Company.		
5.	To re-elect Mr. Chen, JianHua as Director of the Company.		
6.	To appoint Crowe Malaysia PLT as Auditors of the Company.		
7.	To approve the general authority for the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
8.	To approve the Proposed Renewal of Shareholders' Mandate.		

\* delete whichever not applicable.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022

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

### NOTES:

- The 27<sup>th</sup> AGM will be conducted on a fully virtual basis through live streaming and online remote voting using Remote Participation and Electronic Voting facilities via the online meeting platform provided by Dvote Services Sdn. Bhd. at <https://www.digitizevote.my>. Please refer to the Administrative Notes for the 27<sup>th</sup> AGM on the procedures to register, participate and vote remotely via <https://www.digitizevote.my>.
- According to the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 7 April 2022, an online meeting platform located in Malaysia is recognised as the meeting venue and all meeting participants of a fully virtual general meeting are required to participate in the meeting online.
- Members may submit questions relating to resolutions to be tabled at the Meeting to the Board via e-mail to [mesb@mesbbhd.com](mailto:mesb@mesbbhd.com) no later than 2:30 p.m. on Friday, 2 December 2022. Alternatively, members may transmit questions to the Board via <https://www.digitizevote.my> platform during the live streaming of the Meeting.



- (iv) 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.
- (v) 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.
- (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) 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.
- (viii) 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.
- (ix) The instrument appointing a proxy may be made via hardcopy or by electronic means through 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 office of the Poll Administrator, Dvote Services Sdn Bhd at Lot 9-7, Menara Sentral Vista, No. 150, Jalan Sultan Abdul Samad, Brickfields, 50470 Kuala Lumpur, Wilayah Persekutuan, Malaysia.
  - b) By Electronic Means  
The Proxy Form can be electronically lodged by email to [dvoteservice@gmail.com](mailto:dvoteservice@gmail.com). Kindly refer to the Administrative Notes on the procedures for the electronic lodgement of the Proxy Form.
- (x) 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 29 November 2022. Only members whose names appear in the General Meeting Record of Depositors as at 29 November 2022 shall be entitled to attend the Meeting and to speak and vote thereat.
- (xi) All the resolutions set out in the Notice of Meeting will be put to vote by poll.
- (xii) Given the constantly evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 27<sup>th</sup> 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.

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AFFIX  
STAMP

The Poll Administrator of  
**MESB BERHAD**  
**c/o DVOTE SERVICES SDN. BHD.**  
Lot 9-7, Menara Sentral Vista,  
No. 150, Jalan Sultan Abdul Samad, Brickfields,  
50470 Kuala Lumpur,  
Wilayah Persekutuan,  
Malaysia

2nd Fold Here

Fold This Flap For Sealing

BOUTIQUE

# whatsBag



IOI CITY PUTRAJAYA | SACC MALL SHAH ALAM | MELAWATI MALL  
THE MINES SHOPPING MALL | MITSUI OUTLET PARK KLIA SEPANG

f @ miroza



