KIM HIN JOO (MALAYSIA) BERHAD
197801000642 (37655-U)

ANNUAL REPORT 2019

KIM HIN JOO (MALAYSIA) BERHAD
197801000642 (37655-U)

CONTENTS

WHO **WE ARE**

VISION

We are experts in the creation, retail, marketing and distribution of products & services that will enable families to flourish.

MISSION

"A Family that grows together"

We create value for our community of customers, employees, partners and owners by growing together through a positive family culture.

We see everyone we work and serve as family;
seeking to Honour, Nurture & Unite our community for the mutual benefit of all.

Overview

Kim Hin Joo (Malaysia) Berhad ("KHJ") is one of Malaysia's largest premium baby, children and maternity product vendors. Our history traces back to 1986 when our Founder Pang Kim Hin, spearheaded our venture into the franchise retail business of baby, children and maternity products.

A brief timeline of our growth is set out as follows:

From 1987 to 2007

We established ourselves into a company with a strong retail client base.

From 2008 to 2013

We embarked on a robust growth trajectory and had successfully established our distribution business.

From 2014 onwards

We grew our business by expanding our retail business outside of Klang Valley and utilsing-E Commerce platforms. To further the growth, we have ventured into the toys market in 2020.

We converted to a public company on 31 October 2018 and assumed our present name to facilitate our listing on the ACE Market of Bursa Malaysia Securities Berhad on 8 July 2019.

As at 31 December 2019, we have a total of 19 Mothercare retail outlets in Malaysia together with 12 ELC store-in-store ("SIS") outlets offering more than 230 brands with more than 39,000 Stock Keeping Units ("SKU") and approximately 500 distribution points across our network.

Who We Are (cont'd)

Our Retail Business

Under the leadership of our Founder, we entered into our first exclusive development agreement with Mothercare UK in 1986, which began our retail business journey of operating Mothercare outlets in Malaysia. We subsequently renewed the development agreements with Mothercare UK in 1997 and 2011.

Our first Mothercare outlet opened in KL Plaza in April 1987, selling a selected range of baby, children and maternity products. Through our KL Plaza outlet, we gradually familiarised ourselves with retail outlet operations and developed our relationship with our franchisor, which led to the subsequent opening of 8 new Mothercare outlets within the Klang Valley between 1994 to 2006. Our particular focus on the Klang Valley was primarily driven by the increasing number of shopping malls during that period of time, availability of retail space and growing demand for our products.

In 2007, we expanded our retail presence outside the Klang Valley with the opening of our first Mothercare outlet in Gurney Plaza, Penang. Subsequently, we expanded our presence to East Malaysia and the Southern Region, by opening Mothercare outlets in Sabah, Sarawak and Johor in 2014, 2015 and 2016, respectively.

In 2010, we entered into a development agreement for Early Learning Centre ("ELC"), a brand of educational and developmental toys designed for babies and children up to the age of 6 years, originating from the United Kingdom, which granted us the exclusive rights to open and operate ELC outlets and sell ELC products within Malaysia. All our ELC outlets are operated as a store-in-store within our Mothercare outlets ("ELC SIS").

Our brand and product offerings, which initially began with a selected range of baby, children and maternity products, was further expanded over the years to include a wide range of Clothing, Home & Travel and Toys, through our close collaboration with Mothercare UK and established relationships with brand owners and manufacturers.

As at 31 December 2019, our retail business consists of 19 Mothercare outlets and 12 ELC SIS nationwide. To fuel our expansion further, we have embarked into the toy market by bringing The Entertainer brand from the UK to Malaysia with the first outlet which was opened on 19 June 2020 at Sunway Pyramid Shopping Mall, Klang Valley.

Our Distribution Business

In 2008, we began to expand our business by venturing into the distribution of baby, children and maternity products to complement our existing retail business. Through our subsidiary, Global Product Solutions Sdn Bhd, our distribution business enables us to carry a wider range of products and brands, as well as broaden our market reach to distribution points comprising specialty stores, department stores, hypermarkets and online stores across Malaysia.

As at 31 December 2019, we have a total of 491 local and 7 overseas distribution points excluding our MotherCare outlets.

We will constantly lookout for more opportunities to grow our distribution business especially in overseas markets to establish more footholds across the region for the KHJ and its subsidiaries ("Group").

Who We Are (cont'd)

Our Products

Clothing	Home & Travel	Toys
• Baby & Children's clothing and accessories • Maternity clothing	• Feeding and home safety • Bathing, nursery and bedroom products • Strollers, car seats and baby carriers	• Baby and children toys

Our Competitive Strengths

Exclusive Rights to sell Mothercare and ELC products in Malaysia, leveraging on the Mothercare and ELC's globally recognised brand names	**Established Track Record** and experience in the retail and distribution of baby, children and maternity products	**Large Portfolio** of baby and children products built on strong established relationships with our franchisors and other branded product suppliers	**Experienced Management Team** with expertise in retail, distribution, marketing and finance

OUR MILESTONES

1978	Incorporation of Kim Hin Joo (Malaysia) Sdn Bhd
1986	First Mothercare development agreement signed
1987	First Mothercare outlet at KL Plaza
1997	Second Mothercare development agreement signed
2007	Expanded our presence outside of the Klang Valley
	Opening of Mothercare outlet in Plaza Gurney
2008	Established distribution business, Global Product
	First sales secured from Tesco Stores (M) Sdn Bhd
2010	Early Learning Centre development agreement signed
2011	Third Mothercare development agreement signed
	Distribution business crossed over 100 distribution points
	Expanded Suria KLCC outlet to 9,554 sq ft and first flagship store
2014	Expanded our presence to East Malaysia
	Opening of Mothercare outlet and ELC SIS in Suria Sabah Mall
2016	Mothercare online store launched
2018	Reached 16 Mothercare outlets and 11 ELC SIS
	Distribution business crossed over 500 distribution points throughout Malaysia and overseas (Brunei, Hong Kong, Singapore and Thailand)
	Expanded Suria KLCC outlet to 12,949 sq ft as the largest store
	Converted to a public company and adopted the present name of Kim Hin Joo (Malaysia) Berhad
2019	Successfully listed on the ACE Market of Bursa Securities
	Reached a total of 19 Mothercare outlets and 12 ELC SIS
	Opening of Mothercare Johor flagship outlet in Mid Valley Southkey Johor Bahru
2020	Opening of the first The Entertainer outlet in Sunway Pyramid Shopping Mall in June 2020

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Pang Kim Hin
Non-Independent
Non-Executive Chairman

Pang Shu Ming
Managing Director

Goh Poh Teng
Executive Director

Pang Fu Wei
Non-Independent
Non-Executive Director

Chew Soo Lin
Senior Independent
Non-Executive Director

Yen Se-Hua Stewart
Independent Non-Executive Director

Kor Yann Ning
Independent Non-Executive Director

Hew Moh Yung
Independent Non-Executive Director

AUDIT COMMITTEE

Chew Soo Lin *(Chairman)*
Yen Se-Hua Stewart
Kor Yann Ning
Hew Moh Yung

REMUNERATION COMMITTEE

Yen Se-Hua Stewart *(Chairman)*
Pang Kim Hin
Chew Soo Lin
Kor Yann Ning
Hew Moh Yung

NOMINATION COMMITTEE

Chew Soo Lin *(Chairman)*
Pang Kim Hin
Yen Se-Hua Stewart
Kor Yann Ning
Hew Moh Yung

RISK MANAGEMENT COMMITTEE

Pang Shu Ming *(Chairperson)*
Goh Poh Teng
Chew Soo Lin
Yen Se-Hua Stewart
Kor Yann Ning
Hew Moh Yung
Pang Fu Wei

COMPANY SECRETARIES

Tai Yit Chan (MAICSA No. 7009143)
Tan Ai Ning (MAICSA No. 7015852)

REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

Wisma Pang Cheng Yean
Lot 5205C, Jalan Perindustrian
Balakong Jaya 1/3
Kawasan Perindustrian
Balakong Jaya
43300 Seri Kembangan
Selangor Darul Ehsan

Tel : +603-8940 6638
Fax : +603-8940 6637
Website: www.khj-my.com
Email: investor.relations@khj-my.com

AUDITORS

Deloitte PLT
(LLP0010145-LCA) (AF0080)
Level 16, Menara LGB
No. 1, Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur

Tel : +603-7610 8888
Fax : +603-7726 8986

PRINCIPAL BANKERS

AmBank (M) Berhad
[196901000166 (8515-D)]
Hong Leong Bank Berhad
[193401000023 (97141-X)]
OCBC Bank (Malaysia) Berhad
[199401009721 (295400-W)]
Malayan Banking Berhad
[196001000142 (3813-K)]

SPONSOR

UOB Kay Hian Securities (M) Sdn Bhd
Suite 19.03, 19th Floor
Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur

Tel : +603-2147 1888
Fax : +603-2147 1950

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5,
Jalan Professor Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

Tel : +603 7890 4700
Fax : +603 7890 4670

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

Listing Date : 8 July 2019
Stock Name : KHJB
Stock Code : 0210

GROUP **STRUCTURE**

The Group Structure of KHJ for the financial year ended 31 December ("FYE") 2019 was as follows:

KIM HIN JOO (MALAYSIA) BERHAD
197801000642 (37655-U)

100%	100%	100%
GLOBAL PRODUCT SOLUTIONS SDN BHD ("GPSSB")	GLOBAL RETAIL NETWORK SDN BHD ("GRNSB")	QUEEMAY TOYS (MALAYSIA) SDN BHD ("QTSB") **

*** Queemay Toys (Malaysia) Sdn Bhd was formerly known as Eldercare Solutions Sdn Bhd*

BOARD OF **DIRECTORS**

Board of Directors (from left to right) :

Hew Moh Yung, Chew Soo Lin, Pang Shu Ming, Pang Kim Hin, Goh Poh Teng, Kor Yann Ning, Yen Se-Hua Stewart

PROFILE OF **DIRECTORS**

PANG KIM HIN

Non-Independent Non-Executive Chairman
Singaporean, aged 70, Male

Date of Appointment as Director: 15 September 1986 (Re-designated as Non-Independent Non-Executive Chairman on 3 October 2018)

Length of Service as Director since Appointment: 33 years

Board Committee(s) Membership:
Member of Remuneration Committee
Member of Nomination Committee

Academic/Professional Qualification(s):
Bachelor of Engineering – Mechanical from McGill University, Canada

Present Directorship(s) in other Public Companies and Listed Companies:
Mr. Pang does not hold any directorship in other public companies and listed corporations.

Family Relationship with any Director and/or Major Shareholder of the Company:
Mr. Pang Kim Hin is the father of Ms. Pang Shu Ming, who is our Managing Director and Mr. Pang Fu Wei, who is our Non-Independent Non-Executive Director. Mr. Pang Kim Hin is a major shareholder of KHJ and also a director and major shareholder of Kim Hin International Pte Ltd ("KHI"), a major shareholder of KHJ.

Working Experience:
Mr. Pang has over 40 years of experience and has been exposed to a wide range of industries. He started his career as an engineer with Guthrie Engineering (S) Pte Ltd in Singapore. In 1981, he left Guthrie Engineering (S) Pte Ltd and joined Kim Hin Joo Pte Ltd, his family-owned business involved primarily in general investment in stocks and shares. He was responsible for managing and overseeing the daily operations of the company. He was subsequently appointed as director of Kim Hin Joo Pte Ltd in May 1987, where he still serves as a board member.

In March 1985, he founded Mothercare (S) Pte Ltd ("Mothercare SG") and brought the Mothercare brand into Singapore. Through Mothercare SG, he opened the first Mothercare outlet in The Centrepoint Singapore in 1985 and was responsible for overseeing the overall operations of Mothercare SG. In 2015, his son Pang Fu Wei, took over his role in Mothercare SG.

In September 1986, he was appointed as a Director of our Company and with the intention of bringing the Mothercare franchise into Malaysia. Subsequently, in April 1987, he opened the first Mothercare outlet in KL Plaza, Kuala Lumpur, and was responsible for spearheading and overseeing the overall operations and strategic business direction of our Group. He has, over the years, played a major role in expanding our network of retail outlets and range of brands and products offered. In April 2015, his daughter, Pang Shu Ming, joined our Group and took over his primary responsibilities in Malaysia. Since then, Pang Kim Hin's responsibilities in our Group have shifted towards a non-executive role.

In March 1992, he took over the entire business of Mother and Child Ltd, which was the franchise holder of the Mothercare franchise business in Hong Kong and has since been responsible for the company's business operations.

In 2003, he founded Global Outsource Solutions Pte Ltd ("Global Outsource"), with the intention of venturing into the distribution business of baby, children and maternity products in Singapore to complement the existing retail business of Mothercare. Subsequently, he introduced the distribution business to Malaysia in 2008 through GPSSB, as well as Hong Kong in 2017 through Trade Solutions Ltd.

Pang Kim Hin previously served as a board member of co-operatives and statutory boards in Singapore, namely the National Trades Union Congress and Co-operative Commonwealth for Transport Ltd in Singapore, and the Public Utilities Board, a Singaporean statutory board of the Ministry of Environment and Water Resources. He also served as a non-executive board member of Comfort Group Limited, a company that was listed on the Singapore Exchange Limited from July 1993 until its delisting and subsequent merger with DelGro Corporation Limited in April 2003.

Time Committed:
Mr. Pang attended 4 out of 4 Board of Directors' Meetings held during the FYE2019.

PANG SHU MING

Managing Director
Singaporean, aged 39, Female

Date of Appointment as Director: 22 April 2015

Length of Service as Director since Appointment: 5 years

Board Committee(s) Membership:
Chairman of Risk Management Committee

Academic/Professional Qualification(s): Bachelor of Arts from the University of Michigan, United States of America

Present Directorship(s) in other Public Companies and Listed Companies:
Ms. Pang does not hold any directorship in other public companies and listed corporations.

Family Relationship with any Director and/or Major Shareholder of the Company:
Ms. Pang Shu Ming is the daughter of Mr. Pang Kim Hin and sister of Mr. Pang Fu Wei. Ms. Pang Shu Ming is also a director of KHI, a major shareholder of KHJ.

Working Experience:
She joined Mothercare SG as a Marketing Manager in November 2003 and was responsible for planning and overseeing marketing and promotional activities of the Mothercare business in Singapore.

She was also appointed as the Managing Director of Global Outsource in November 2003, where she was responsible for growing the company's distribution business in Singapore. She then extended her role to growing the distribution business in Malaysia, where she was tasked with identifying new brands and products with good demand potential, and relationship management with brand principals.

She has been involved in our Mothercare business in Malaysia since 2006 and was appointed as our director in April 2015, where she assumed management responsibilities from Pang Kim Hin to oversee the business. She was subsequently appointed as our Managing Director in November 2017 to spearhead our business direction, develop business strategies and formulate company policies.

Time Committed:
Ms. Pang attended 4 out of 4 Board of Directors' Meetings held during the FYE2019.

GOH POH TENG
Executive Director
Malaysian, aged 59, Female

Date of Appointment as Director: 26 June 2014 (Re-designated as Executive Director on 3 October 2018)

Length of Service as Director since Appointment: 6 years

Board Committee(s) Membership: Member of Risk Management Committee

Academic/Professional Qualification(s): Bachelor of Economics from the University of Malaya, Malaysia

Present Directorship(s) in other Public Companies and Listed Companies:
Ms. Goh does not hold any directorship in other public companies and listed corporations.

Family Relationship with any Director and/or Major Shareholder of the Company: None

Working Experience:
She began her career in October 1984 as a management trainee for Kimisawa Department Store. During her tenure as a management trainee, she gained experience in operating different sections of a department store. She was subsequently promoted to supervisor in April 1985, where she was responsible for overseeing and managing the sales of stationery.

In February 1987, she left Kimisawa Department Store and joined our Group as an assistant store manager, where she assisted Pang Kim Hin in setting-up our first Mothercare outlet in KL Plaza. She was also responsible for managing the day-to-day retail outlet operations, comprising, amongst others, inventory management, sale and promotional activities, as well as conducting product and services training to new staff.

As our network of retail outlets grew, she took on more responsibilities and was promoted to retail manager in January 1997. She was responsible for overseeing the overall operations of all our Mothercare outlets, including financial, inventory management, human resource and merchandising. She was also tasked to set up new Mothercare outlets for our Group.

She was promoted to General Manager in January 2012 and was subsequently appointed as our Director in June 2014. She is currently responsible for managing the overall day-to-day operations of our retail business. Together with our Managing Director, she is involved in driving the strategic business direction of our retail and distribution businesses.

Time Committed:
Ms. Goh attended 4 out of 4 Board of Directors' Meetings held during the FYE2019.

Profile of Directors (cont'd)

CHEW SOO LIN
Senior Independent Non-Executive Director
Singaporean, aged 72, Male

Date of Appointment as Director: 3 October 2018

Length of Service as Director since Appointment: 1 year

Board Committee(s) Membership:
Chairman of Audit Committee
Chairman of Nomination Committee
Member of Remuneration Committee
Member of Risk Management Committee

Academic/Professional Qualification(s): Institute of Chartered Accountants in England and Wales

Present Directorship(s) in other Public Companies and Listed Companies:
Mr. Chew is currently the executive chairman of Khong Guan Limited. He is also acting as an independent director for China Real Estate Grp Ltd, Duty Free International Limited and MTQ Corporation Limited all of which are companies listed on the Singapore Exchange Limited.

Family Relationship with any Director and/or Major Shareholder of the Company: None

Working Experience:
He began his career in 1966 working in various audit firms in England. In 1971 he qualified as an UK Chartered Accountant and became a member of the Institute of Chartered Accountants in England and Wales until 1996.

In 1972, he joined Arthur Andersen & Co in Singapore as an audit senior, where he was primarily responsible for carrying out audit work for a portfolio of companies. He was subsequently promoted to audit manager in 1976.

In 1978, he joined the Khong Guan group of companies and gained experience working for and subsequently managing some biscuit factories and trading companies of the group in Southeast Asia and China. In September 1998, he was appointed an executive director of Khong Guan Limited and was subsequently re-designated as the executive chairman of Khong Guan Limited in August 2007.

Time committed:
Mr. Chew attended 4 out of 4 Board of Directors' Meetings held during the FYE2019.

YEN SE-HUA STEWART
Independent Non-Executive Director
Singaporean, aged 70, Male

Date of Appointment as Director: 3 October 2018

Length of Service as Director since Appointment: 1 year

Board Committee(s) Membership:
Chairman of Remuneration Committee
Member of Nomination Committee
Member of Audit Committee
Member of Risk Management Committee

Academic/Professional Qualification(s): Bachelor's Degree in Engineering from McMaster University, Canada

Present Directorship(s) in other Public Companies and Listed Companies:
Mr. Yen is currently the independent non-executive director of Huationg Global Limited, a company publicly listed on the Singapore Exchange Limited.

Family Relationship with any Director and/or Major Shareholder of the Company: None

Working Experience:
He began his career in January 1973 as a systems engineer with the Ministry of Defence, Singapore. In June 1977, he was posted to the Singapore Embassy in Washington, D.C., United States of America, as second secretary (logistics), where he was tasked to manage defence procurement.

In July 1979, he left the Ministry of Defence, Singapore, and joined Unicorn International Pte Ltd ("Unicorn International") as a sales manager in the agency sales department, where he was primarily responsible for the sale of defence systems to the Singapore Armed Forces. In July 1980, he left Unicorn International and joined Duce International Pte Ltd as a regional manager, where he was primarily responsible for marketing amusement park rides in the Asia Pacific Region.

In December 1982, he left Duce international Pte Ltd and joined CDC-Construction & Development Pte Ltd (later known as Sembawang Engineers & Constructors Pte Ltd) as an assistant general manager, where he was responsible for design-and-build of defence infrastructures in Singapore. In August 1988, he left CDC-Construction & Development Pte Ltd and re-joined Unicorn International as general manager, where he was responsible for defence agency sales and international marketing of Singapore-made equipment.

He left Unicorn International in October 1999 and founded SECOM (Singapore) Pte Ltd ("SECOM") in April 1992, serving as its chief executive officer where he was responsible for the day-to-day operations of the company. He was subsequently re-designated as the executive chairman of SECOM in 2017 and is presently a board member.

Time Committed:
Mr. Yen attended 4 out of 4 Board of Directors' Meetings held during the FYE2019.

Profile of Directors (cont'd)

KOR YANN NING
Independent Non-Executive Director
Malaysian, aged 36, Female

Date of Appointment as Director: 3 October 2018

Length of Service as Director since Appointment: 1 year

Board Committee(s) Membership:
Member of Remuneration Committee
Member of Nomination Committee
Member of Audit Committee
Member of Risk Management Committee

Academic/Professional Qualification(s): Bachelor of Commerce majoring in Accounting and Commercial Law from University of Sydney, Australia, and a member of Malaysia Institute of Accountants and Certified Practicing Accountants Australia.

Present Directorship(s) in other Public Companies and Listed Companies:
Ms. Kor is currently an independent non-executive director of UMS Holdings Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

Family Relationship with any Director and/or Major Shareholder of the Company: None

Working Experience:
She began her career in October 2005 with GJ Fong & Co, an accounting and law firm based in Sydney, Australia. In July 2010, she left GJ Fong & Co and joined Fusion Partners Pty Ltd in Malaysia to set up its outsourced accounting function in Malaysia and to head a new service line specialising in taxation and audit.

Subsequently in May 2012, she left Fusion Partners Pty Ltd and joined OSK Investment Bank Berhad as a vice president and financial product controller for the bank's finance department. She was primarily responsible for overseeing the bank's treasury forex activities. After the merger of OSK Investment Bank Berhad and RHB Investment Bank Berhad, she was redesignated as senior manager in April 2013 and was tasked to oversee derivatives and structured products and capital market activities.

In December 2015, she left RHB Investment Bank Berhad and joined S & F Construction Sdn Bhd as a financial controller of the firm. She was responsible for the overall finance, risk management and analysis, IT transformation, human resource, and audit operations of the company. In November 2019, she was appointed as a Chief Financial Officer of Leweko Resources Berhad, a company listed on the Main Market of Bursa Securities. She left S & F Construction Sdn Bhd on 31 December 2019.

Time Committed:
Ms. Kor attended 4 out of 4 Board of Directors' Meetings held during the FYE2019.

Profile of Directors (cont'd)

HEW MOH YUNG
Independent Non-Executive Director
Singaporean, aged 64, Male

Date of Appointment as Director: 26 August 2019

Length of Service as Director since Appointment: Less than 1 year

Board Committee(s) Membership:
Member of Remuneration Committee
Member of Nomination Committee
Member of Audit Committee
Member of Risk Management Committee

Academic/Professional Qualification(s): Bachelor's degree from the National University of Singapore, majoring in Economics and Political Science.

Present Directorship(s) in other Public Companies and Listed Companies:
Mr. Hew is a director of Khong Guan Ltd, listed in Singapore, and holds directorships in several other private limited companies.

Family Relationship with any Director and/or Major Shareholder of the Company: None

Working Experience:
Mr. Hew Moh Yung has over 38 years of work and board member experience with multinational companies in sales, marketing and general management roles based in Singapore, Taiwan, Malaysia, Vietnam and Hong Kong.

He worked in Singapore in the East Asiatic Company, Cold Storage and Asia Pacific Breweries Ltd and left in 1992 for Taiwan to take on the role of general manager/director for consumer products of The East Asiatic Co (Taiwan) Limited, serving until 1997 when he was transferred to EAC Malaysia Sdn Bhd, as head of consumer products division as its director.

In 2002, Mr. Hew joined DKSH Vietnam Ltd as General Director and headed the country management team of DKSH Vietnam Ltd and its Representative Office. He was relocated to Hong Kong as regional vice president of FMCG Greater China in 2005, and head of country management team of DKSH Hong Kong Ltd. He was also a director of DKSH China Holdings Ltd, director for e-Sweets Shanghai and Hong Kong, and chairman for Chiao Tai Logistics (Taiwan) Corporation.

Since 2018, he is the chairman of Eu Yan Sang (Hong Kong) Ltd.

Time Committed:
Mr. Hew attended 1 out of 1 Board of Directors' Meeting held during the FYE2019 since his appointment.

PANG FU WEI
Non-Independent Non-Executive Director
Singaporean, aged 31, Male

Date of Appointment as Director: 27 February 2020

Length of Service as Director since Appointment: Less than 1 year

Board Committee(s) Membership:
Member of Risk Management Committee

Academic/Professional Qualification(s): Bachelor's degree in Science, Neuroscience & Behavioural Biology, Chinese Language & Culture from Emory University, Atlanta, Georgia, United States of America

Present Directorship(s) in other Public Companies and Listed Companies:
Mr. Pang does not hold any directorship in other public companies and listed corporations but holds directorships in several private limited companies.

Family Relationship with any Director and/or Major Shareholder of the Company:
Mr. Pang Fu Wei is the son of Mr. Pang Kim Hin and brother of Ms. Pang Shu Ming. Mr. Pang Fu Wei is also a director of KHI, a major shareholder of KHJ.

Working Experience:
Mr. Pang Fu Wei has 7 years' working experience in the areas of business development, marketing, retail and distribution segments from his involvement in Mothercare SG, where he is still attached.

He started his career in Mothercare SG in 2013 as a Business Development Manager and took on the responsibility as the Store Manager in their flagship retail outlet. During his tenure there, he implemented their e-Commerce strategy and also a retail diagnostics framework to drive business decisions for Mothercare SG.

In 2015, he was promoted to Executive Director and took on the responsibility of the Head of Merchandising and Marketing where he has successfully expanded the flagship store from 6,500 sq ft to 10,000 sq ft. He had also successfully secured new brands for their distribution business and also implemented the Emarsys system, a marketing CRM and automation system that supports Mothercare SG in sales management, delivering actionable insights and sales strategy.

In 2017, he was named as the Managing Director for Mothercare SG where he heads the retail and distribution business in Singapore. He also spearheaded Retail 2.0, a project that includes digitisation of their business, process redesign and brand repositioning for Mothercare SG.

Time Committed:
Mr. Pang was appointed after FYE2019 and therefore did not attend any of the Board of Directors' Meetings held during the FYE2019.

ADDITIONAL INFORMATION ON THE DIRECTORS

The details of the Directors' interest in the securities of the Company are set out on page 144 of this Annual Report.

Save as disclosed above, none of the Directors have:-

- any family relationship with any Director and/or major shareholder of the Company;
- any conflict of interests with the Company; and
- any conviction for offences other than traffic offences (if any) within the past 5 years nor any public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

KEY
SENIOR MANAGEMENT

Key Senior Management (from left to right) :

Lua Foong Ling, Chia Wei Wei, Phuan Siew Ling, Chang Yeen, Hoh Kam Hoong

PROFILE OF
KEY SENIOR MANAGEMENT

PHUAN SIEW LING
Chief Financial Officer
Malaysian, aged 44, Female

Date First Appointed to the Key Senior Management Position: 01 January 2018

Academic/Professional Qualification(s): Association of Chartered Certified Accountants ("ACCA")

Working Experience:
Ms. Phuan is responsible for overseeing all financial and accounting functions of our Group. She completed her professional studies with the ACCA in June 2002 and became a member of the ACCA in October 2002. She has been a fellow member of the ACCA since October 2007 and has been a registered chartered accountant with the Malaysian Institute of Accountants since September 2003.

Prior to joining our Group, her finance and accounting experience was predominantly in the construction industry. She began her career in Luxabuilt Sdn Bhd as an accounts clerk in March 1995 where she assisted in preparing the financial statements of the company. In September 1996, she left Luxabuilt Sdn Bhd and joined Taman Industri Selangor Sdn Bhd as an accounts clerk where she was responsible for preparing the annual financial accounts for the company and its subsidiaries. She was promoted to accounts executive in June 2000 and to assistant accountant in December 2002, and her role was extended to include supervising and managing the accounting department, as well as overseeing the preparation of the company's annual accounts.

In April 2004, she left Taman Industri Selangor Sdn Bhd and joined Enersave Waste Water Sdn Bhd as an accounts executive. She was responsible for managing the cash flows, budgeting and taxation of the company as well as preparation of the annual accounts. After a year in Enersave Waste Water Sdn Bhd, she joined Sun Engineering & Construction Sdn Bhd as an accountant in April 2005, where she was responsible for the preparation of management accounts, budgeting and taxation of the company. She was also responsible for developing and implementing the internal control policies for the finance department.

She left Sun Engineering & Construction Sdn Bhd in September 2007 and joined Menta Construction Sdn Bhd as an accounts and finance manager, where she was responsible for processing the payables of the company until March 2008. She then left Menta Construction Sdn Bhd and joined Asia Baru Construction Sdn Bhd in March 2008 as a manager for the finance and administration department and remained with the company until November 2010. She was responsible for overseeing the overall finance, accounting, human resource and administration functions of the company.

She joined our Group as an accountant in June 2011 and is responsible for leading the accounts department. She was appointed as our Head of Finance in April 2015 and was subsequently promoted to our Chief Financial Officer in January 2018. As our Chief Financial Officer, she is responsible for overseeing all financial and accounting functions of our Group, which include our budgeting, internal control policies, cash flow management and preparing financial projections.

Profile of Key Senior Management (cont'd)

LUA FOONG LING
Head of Retail & Marketing
Malaysian, aged 37, Female

Date First Appointed to the Key Senior Management Position: 01 September 2018

Academic/Professional Qualification(s): Diploma Part 2 in Business Administration from The Association of Business Executives

Working Experience:
Ms. Lua began her career as a purchasing assistant at Li-Foong Brass Industries (M) Sdn Bhd in January 2002 where she assisted in the procurement of raw materials for the company's manufacturing activity. In 2003, she left Li-Foong Brass Industries (M) Sdn Bhd and joined Maxicom Enterprise as a retail executive where she was responsible for retail sales of telecommunication products.

She left Maxicom Enterprise in July 2004 and joined Cosway (M) Sdn Bhd as a marketing assistant where she assisted in product development and conducting customer surveys for the company. In September 2004, she left Cosway (M) Sdn Bhd and joined CTOS-emr Sdn Bhd as a customer service officer where she was responsible for managing key account customers and conducting training programmes for users of the company's systems. In September 2005, she left CTOS-emr Sdn Bhd and joined YH Photo Supply as a retail supervisor, where she was responsible for the sales and operations, recruitment, cash flow and inventory management for one of their retail outlets.

In March 2007, she left YH Photo Supply and joined Leonard Drake (M) Sdn Bhd as a customer service executive, where she was responsible for assisting in the customer service management for the company's salons including upkeeping, conducting trainings and resolving customer complaints. In April 2008, she left Leonard Drake (M) Sdn Bhd and joined John Master (M) Sdn Bhd as a brand executive in the company's cosmetics division where she was responsible for managing the consignment counters in department stores, inventory management, as well as coordinating promotional and marketing events for the company.

In July 2009, she left John Master (M) Sdn Bhd and joined Baby Kiko Sdn Bhd as a brand executive, where she was responsible for product development, management and promotion of the company's baby and toddler clothing. She was subsequently promoted to assistant brand manager in August 2010 and to brand manager in August 2012. Her responsibilities were further extended to include inventory management, budgeting, promotion and marketing of the brand to local and overseas markets. She was also tasked to establish and manage the company's new and existing stores and consignment counters, as well as the company's online retail store

In September 2016, she left Baby Kiko Sdn Bhd and joined us as our Head of Retail. She oversees the operational management and planning of our Mothercare outlets, which includes setting-up new retail outlets, budgeting and stock management, customer service, and preparation of retail training modules. She also manages our Mothercare online store. She was promoted to our Head of Retail and Marketing in September 2018, and her responsibilities were extended to include management and coordination of marketing and promotional functions for our retail business.

CHIA WEI WEI
Head of Retail Merchandising
Malaysian, aged 40, Female

Date First Appointed to the Key Senior Management Position: 01 April 2015

Academic/Professional Qualification(s): Bachelor of Arts degree in Commerce from Liverpool John Moores University, United Kingdom

Working Experience:
Ms. Chia began her career in May 2004 in FJ Benjamin Fashion (M) Sdn Bhd as a merchandising assistant for the Guess Kids brand, and was promoted to merchandising officer in March 2007, where she was primarily responsible for preparing sales report, categorising and segmentation of the products, and the monitoring of inventory levels for children's clothing and footwear. In January 2008, she was promoted to sales support executive and was mainly responsible for consolidating and analysing sales report as well as providing system training to the merchandising assistants for all brands.

Profile of Key Senior Management (cont'd)

In August 2009, she left FJ Benjamin Fashion (M) Sdn Bhd and joined our Group as a Buyer. Her responsibilities as Buyer revolved around purchasing activities, merchandise category planning, inventory and supply management. She was also tasked to analyse and manage the sales reports, brand and inventory forecasting, product pricing and budgeting. As our business expanded, her responsibilities were also extended to include managing and overseeing the overall operations of our retail purchasing/procurement department. She was also tasked to drive the sales in our Mothercare outlets through marketing and promotional activities.

She was promoted to Head of Retail Merchandising in April 2015 and is responsible for overseeing and managing the overall retail merchandising activities for our Mothercare outlets.

CHANG YEEN
Head of Distribution
Malaysian, aged 40, Female

Date First Appointed to the Key Senior Management Position: 11 November 2019

Academic/Professional Qualification(s): Degree in Business with Information Technology from Staffordshire University, United Kingdom and Certified Product Marketing Manager from the Association of International Product Marketing and Management

Working Experience:
Ms. Chang began her career in 3M Malaysia Sdn Bhd as an account specialist in the stationery and office supplies division in July 2005 and later as retail chain bookstore champion in January 2006. She handled sales with distributors and dealers in the Klang Valley, Northern Malaysia and East Coast Malaysia, as well as retail chain bookstores, winning the Top Salesperson Award for Year 2006 and a Sigma Green Belt.

In May 2008, she joined Johnson-Johnson Vision Care as team lead of senior customer development manager, responsible for sales development and marketing activities. Her achievements during her tenure in Johnson & Johnson Vision Care made her the President Award Winner in 2009 for Malaysia and a recipient of the Encore Gold Award.

She subsequently joined Lam Soon Edible Oils Sdn Bhd in November 2010 as a brand manager. In January 2013, she took on the responsibility of a product manager, managing the marketing for a few household brands which saw sales of her portfolio increase by 10% to 30% annually. She was also awarded the Best Presenter of Knowledge Management in 2014. In recognition of her achievements, she was sponsored by Lam Soon Edible Oils Sdn Bhd for the Certified Product Marketing Manager Course in 2013.

In 2014, DKSH Malaysia Sdn Bhd's healthcare services department welcomed her as a key account manager of sales to Guardian, Watsons, Caring, Cosway and Aeon Wellness, responsible for marketing and merchandising campaigns and ensuring all activities are in line with DKSH Malaysia Sdn Bhd's standards, policies and strategies.

A year later, she moved to Merck, Sharp & Dohme Sdn Bhd as a chain account manager of the pharmacy channel, managing the sale of all their prescription drugs and products to Multicare, Alpro, Health Lane, Cosway and Mediconstant chain pharmacies. She was also tasked with planning and managing key patient programmes as well as championing and coordinating pharmacist programmes with selected chain pharmacies across Malaysia.

In 2016, Ms. Chang joined Astra Baby Sdn Bhd as a national sales manager, where she helped grow the sales of their products by 20% to 70% in 2018, launched new digital initiatives for the company that led to the establishment of a new B2C sales channel, and set up a standard operating procedure for the sales team.

In 2019, she left Astra Baby Sdn Bhd and joined our Group as our Head of Distribution, where she oversees the overall operations and drives the strategic business direction of our distribution business.

Profile of Key Senior Management (cont'd)

HOH KAM HOONG
Warehouse Manager
Malaysian, aged 50, Male

Date First Appointed to the Key Senior Management Position: 4 November 2019

Academic/Professional Qualification(s): Master of Management from University of Malaya and Bachelor of Arts in Business Administration from the University of Wales

Working Experience:
In January 2001, he joined AM Sales and Marketing Sdn Bhd as a logistics and operations manager responsible for daily warehouse operations.

In November 2003, he joined Perwira Nadi Trading as operations manager, where he was responsible for daily warehouse operations involving the Duty-Free Market.

In December 2005, he left Perwira Nadi Trading and joined DIC (M) Sdn Bhd in May 2006 as the warehouse manager. His responsibilities included monitoring and arranging product shipments for the export market as well as overall safety procedures for the warehouse.

In November 2019, he joined YCH Logistics (M) Sdn Bhd as an operations manager. His responsibilities are in the area of planning and supervision of the company's daily operations and he had successfully achieved all the KPIs that were set.

He left YCH Logistics (M) Sdn Bhd in December 2011 and joined FJ Benjamin (M) Sdn Bhd as a senior manager of warehousing and logistics in November 2012. He was responsible for supervising daily warehouse operations as well as developing and implementing proper warehousing and logistics procedures. He left FJ Benjamin (M) Sdn Bhd in September 2015.

In November 2019, he joined our Group as Warehouse Manager, where he is responsible for planning and supervising daily warehouse operations and distribution of products to outlets and distribution points.

ADDITIONAL INFORMATION ON THE KEY SENIOR MANAGEMENT

Directorship in Public Companies and Listed Corporations:
None of the Key Senior Management have any directorships in public companies and/or listed corporations.

Family Relationship with any Director and/or Major Shareholder:
None of the Key Senior Management have family relationship with any Directors and/or major shareholders of the Company.

Conflicts of Interest:
The Key Senior Management do not have any conflicts of interest with the Company.

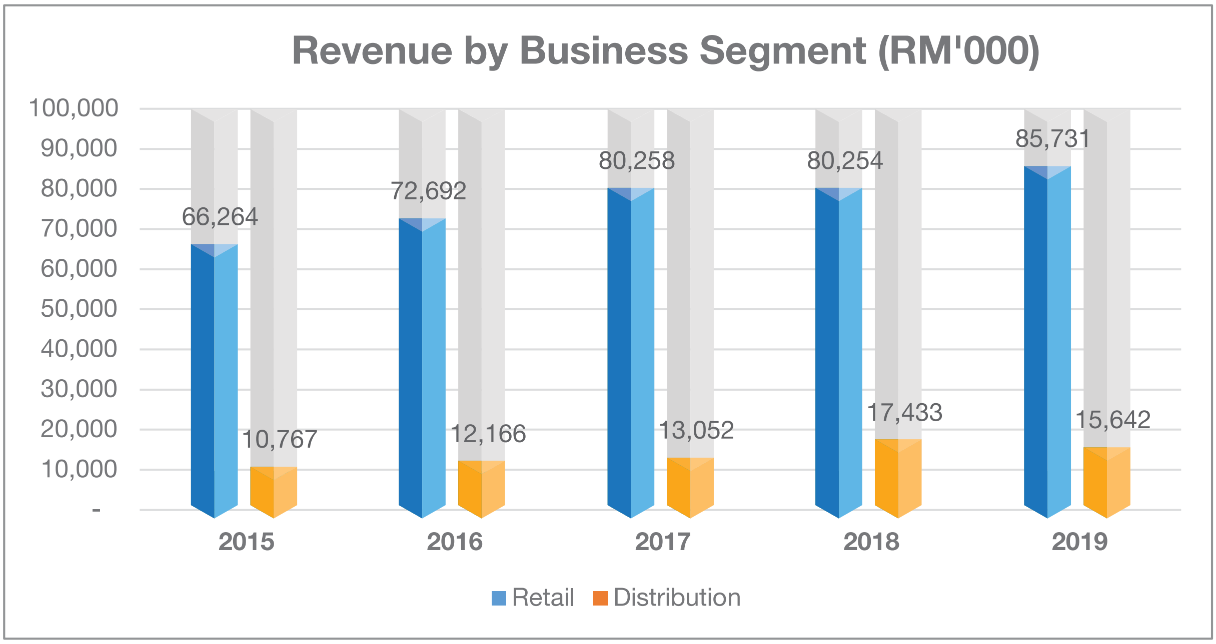
List of Convictions for Offences within the past 5 years and Particulars of any Public Sanctions or Penalty imposed by the Relevant Regulatory Bodies during the financial year, if any
- None of the Key Senior Management have any convictions for offences other than traffic offences (if any) within the past 5 years.
- None of the Key Senior Management were penalised or sanctioned by any regulatory bodies during the financial year.

FINANCIAL **HIGHLIGHTS**

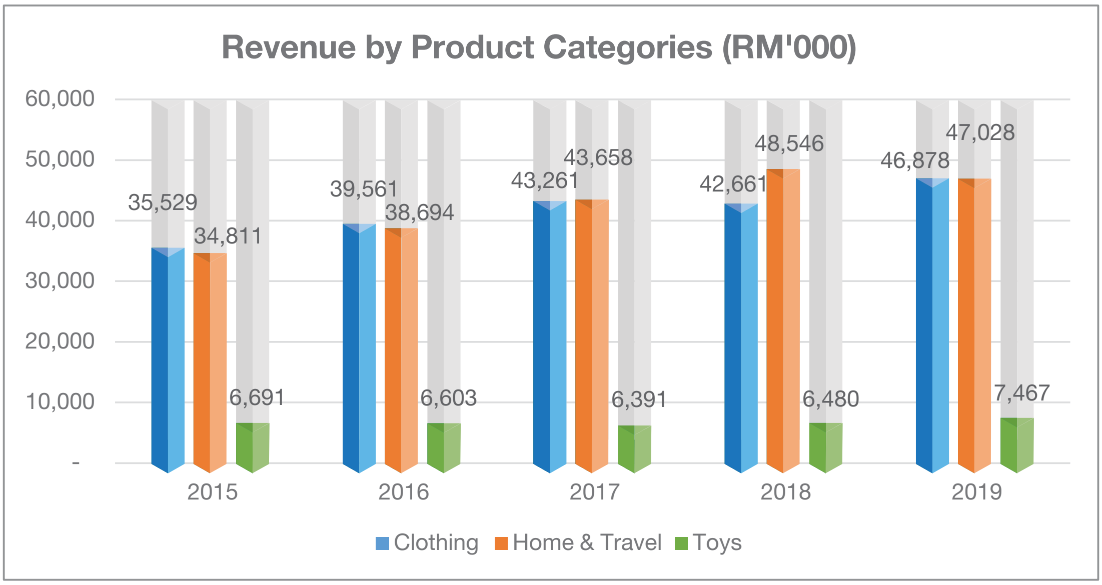
5 Years Financial Performance

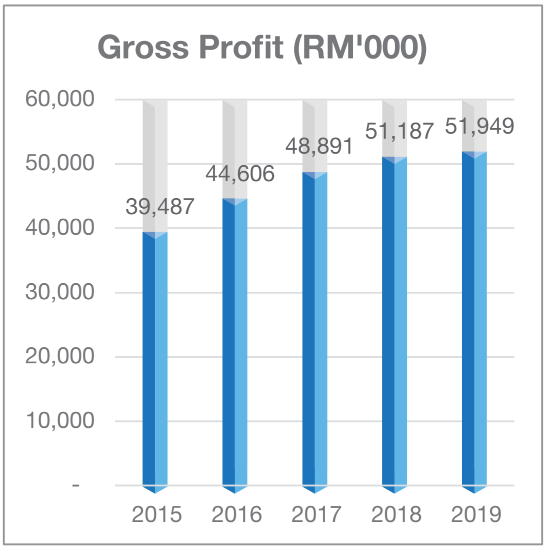
	Financial Year Ended 31 December ("FYE") 2015	2016	2017	2018	2019
STATEMENT OF PROFIT OR LOSS					
Revenue	77,031	84,858	93,310	97,687	101,373
Gross Profit	39,487	44,606	48,891	51,187	51,949
Listing Expenses	-	-	-	868	700
Profit before taxation ("PBT")	11,749	16,396	16,261	15,451	13,449
Profit attributable to owners of the Company ("PAT")	8,204	12,234	11,561	11,112	9,420
STATEMENT OF FINANCIAL POSITION					
Total equity attributable to owners of the Company	46,324	58,558	62,119	38,747	75,962
Total assets	60,802	75,439	77,140	53,127	110,917
Cash and bank balances, fixed deposits with licensed banks	6,767	15,867	15,695	7,590	40,235
Borrowings	4,198	1,140	132	-	-
FINANCIAL RATIOS					
GP Margin (%)	51.26	52.57	52.40	52.40	51.25
* Basic earnings per share ("EPS") (sen)	2.16	3.22	3.04	2.92	2.48
* Dividends per share (sen)	1.32	-	2.11	9.07	1.50
* Net assets per share (sen)	12.19	15.41	16.35	10.20	19.99

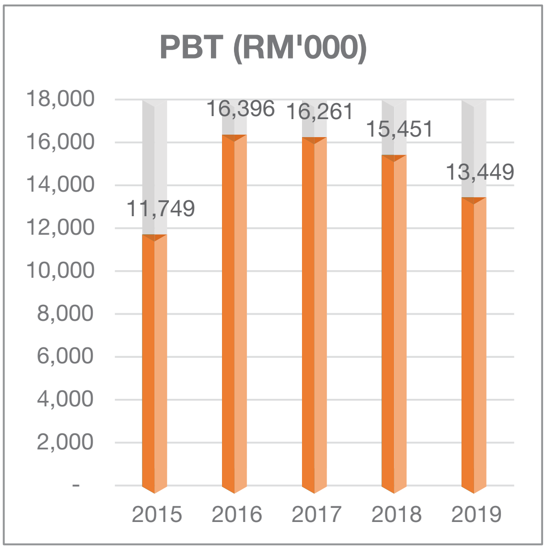
Note: * computed based on 380,000,000 shares in KHJ Group

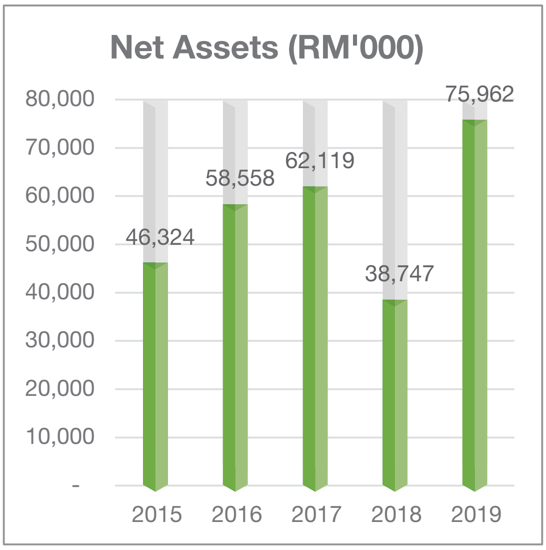


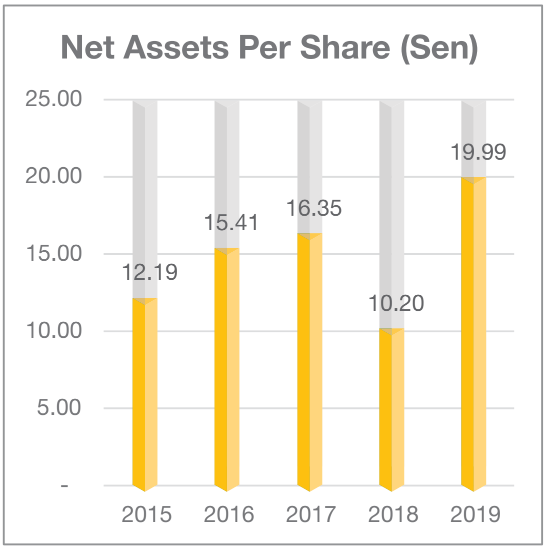
Financial Highlights (cont'd)











CHAIRMAN'S **STATEMENT**

" Dear Shareholders,

It is an honour and a privilege to deliver this statement on behalf of the Board of Directors ("Board") of Kim Hin Joo (Malaysia) Berhad and also to present the first Annual Report and Audited Financial Statements of KHJ for the financial year ended 31 December 2019.

SIGNIFICANT CORPORATE MILESTONE OF OUR GROUP

The year 2019 marked a significant milestone for all of us at KHJ as we successfully completed the Company's initial public offering ("IPO") and public listing on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 8 July 2019. Through the IPO, KHJ has managed to raise total gross proceeds of RM32.68 million to be utilised towards our business expansion and capital expenditure plans.

To-date, we have completed the successful opening of our Johor flagship store at Mid Valley SouthKey Megamall in Johor Bahru as well as new retail outlets in Sunway Velocity Mall and Empire Shopping Gallery in the Klang Valley. The performance of these outlets have been very encouraging and are contributing positively to the Group's revenue.

The IPO proceeds have also been channelled towards the expansion of our range of distribution products. As at FYE2019, we have utilised RM1.4 million to purchase new Home & Travel brands and products, which we believe will cater to the demand for innovative baby and parenting products that make raising a child not only easier, but fun too.

Chairman's Statement (cont'd)

REVIEW OF FINANCIAL PERFORMANCE

2019 proved to be a very challenging year for the global retail industry. The ongoing trade dispute between the People's Republic of China and the United States of America created an air of business uncertainty adversely affecting both the global and local retail sectors. Locally, with the election of the new government in 2018, businesses and the general public in particular decided to adopt a wait and see approach to their spending while awaiting the country's new economic direction and changes to the existing policies.

For the FYE2019, the Group posted a 3.8% increase in revenue to RM101.37 million as compared to FYE2018 while posting a PAT of RM9.42 million.

Revenue
RM101.4 mil

Profit After Tax
RM9.4 mil

Cash
RM40.2 mil

The steady financial performance of FYE2019 is consistent with the topline trend forecasted, with the Group's growth in revenue mainly attributable to the development of the Group's retail network via:

- the expansion of the existing retail outlet size at Suria KLCC mall from 9,554 sq ft to 12,949 sq ft in September 2018, which had led to the outlet recording a sales growth of 16% during FYE2019;
- the opening of the Johor flagship retail outlet at Mid Valley Southkey Megamall in Johor Bahru on 23 April 2019; and
- the opening of 2 new retail outlets in Klang Valley's Sunway Velocity Mall on 1 August 2019 and Empire Shopping Gallery on 1 September 2019.

PBT of RM13.45 million for FYE2019 was lower than the preceding year's RM15.45 million, representing a decrease of 13%.

This decrease in PBT was mainly due to the impact of MFRS 16 accounting changes relating to leases (which had been effected on 1 January 2019), as well as the increase in operating expenses arising from our Listing.

MFRS 16 affects primarily the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts.

Chairman's Statement (cont'd)

The major impact of MFRS 16 is that total lease expense is typically higher in the earlier years of a lease and lower in later years, while operating expense will be replaced with interest expense and depreciation. Hence, key metrics such as earnings before interest, tax, depreciation and amortisation ("EBITDA") will change accordingly. Likewise, operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest expense can continue to be presented as operating cash flows.

After adjusting for the adoption of MFRS 16 and non like-for-like income and expenses, the Group's adjusted profit before tax for the current financial period to-date remains consistent with the preceding year's corresponding period.

Forecasts:

-3.0 %
Global GDP

Expanding
Online Sales Channels

x2
Customers
by entering into the
Toy Sector

The Management Discussion and Analysis section in this Annual Report will provide further details on the performance of the Group.

CORPORATE GOVERNANCE

The Board is committed to good corporate governance to ensure the long-term performance and value creation of the Group's businesses.

The Board believes that maintaining high standards of corporate governance is key to continuously delivering value to our stakeholders. With the implementation of the Malaysian Code on Corporate Governance 2017 ("MCCG"), the Board has reviewed and approved the revisions to its Board Charter, Terms of Reference of its Committees and established relevant Policy and Procedures with the aim to enhance the governance ethics as promulgated by the MCCG.

MARKET OUTLOOK AND PROSPECTS

For 2020, the global economic outlook is greatly influenced by the coronavirus disease 2019 ("Covid-19") pandemic gripping the world. The International Monetary Fund announced that the global GDP is expected to contract 3% as of 18 April 2020, as virtually all industries are facing challenges associated with efforts to contain the outbreak. With lockdowns disrupting value chains and resulting in loss of productivity, the full impact of this black swan event on economic and financial futures is still unknown.

Locally, the Malaysian economy is also contending with the adverse impact of the Covid-19 as well as weak exports, slow manufacturing output and the collapse of global oil prices, all of which puts the nation's GDP projections by Bank Negara Malaysia at a range between -2.0% to +0.5% (as at 6 April 2020).

For KHJ, the Covid-19 development of foremost concern is its impact on the retail market, which will see sales affected by reduced purchasing power of the people and continued social distancing measures that have resulted in periods of mall closures and decreased foot traffic in shopping malls. KHJ has temporarily suspended operations at our retail outlets in compliance with the Movement Control Order ("MCO") enforced in March and April 2020, while continuing to utilise our existing online sales channels during that period.

We have seen a substantial rise in sales through our e-commerce stores during the MCO. However, it will be insufficient to replace the loss of store sales. Hence, our revenue for the year 2020 is expected to be adversely affected by the suspension of operations. Although many restrictions were lifted in May 2020 and malls resumed operations, we expect it will take some time for consumer sentiment to recover post MCO.

A silver lining from the pandemic is the expected baby boom to arise 9 months on from the MCO, thanks to most couples staying at home during the period. We also take comfort as well in the knowledge that growing kids will continue to require larger sized clothes, thus providing continued demand for our KHJ's products. We also carry a wide range of products at different affordability levels – good, better and best – allowing consumers flexibility to choose according to their means and needs. Under the current scenario, we expect to see sales of 'good' products outpace the 'best' range. And although consumer spending contracts during the pandemic, our performance will be less affected than other retail sectors such as high fashion.

The current business environment remains fluid and unpredictable as a result of the Covid-19 pandemic. As such, we wish to assure shareholders that we will be monitoring closely on all developments relating to the outbreak and will adjust our strategies accordingly to implement the necessary responses to the prevailing situation. We will also be keeping an eye out for favourable acquisition and expansion opportunities that may arise during this period.

To mitigate the financial risk, KHJ is focused on implementing measures to cushion the effects of Covid-19 pandemic with a three-pronged approach to improve revenue, contain cost and enhance cash flows of the Group and the Company.

We will be looking into accelerating the expansion of our online sales channels by collaborating and partnering with more e-commerce retailers to increase our online presence and also customer base. KHJ will also be using multi-channel content strategy to boost our online presence via social media and online media advertising to capitalise on having social media presence across all popular social media platforms.

In addition to expanding our customer base via e-commerce, KHJ plans to open new retail outlets at other urban areas outside of Klang Valley as the economy reopens to a new normal. After extensive market research, we believe this course of action will have great potential in increasing our customer base and also footprints across the country, as seen from the opening of our flagship store in Johor in April 2019, which has contributed positively to our revenue growth in the Southern Region.

The Group will also be diversifying into the toy sector by opening and operating The Entertainer toy stores in Malaysia. The move is timely as global statistics have shown a rise in toy sales as kids stay home and practice social distancing throughout the pandemic. Our first The Entertainer outlet opened in June 2020 in Sunway Pyramid Shopping Mall, with plans to open more stores in the next few years. Apart from the brick-and-mortar toy stores, the Group will have a multi-pronged strategy to sell the toys through its website and distribution channels.

By entering into the toy sector, KHJ is expecting to double its customers from this diversification as it would cater to children aged six to twelve. Currently, KHJ via its Mothercare and ELC stores, only caters for newborns, babies and children up to the age of six.

Chairman's Statement (cont'd)

Supported by accommodative macro policies which include the Malaysian government's economic stimulus package, we cautiously expect to see growth recover in the last quarter of 2020 once the international public health crisis calms down and the market stabilises. We believe that KHJ, being one of the most reputable and established retail companies in the country, will benefit from this expected recovery and we stand ready to respond to any changes in our operating environment.

The Management Discussion and Analysis section in this Annual Report will provide further details on the future plans of the Group.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, vendors, suppliers, business associates as well as policymakers, regulators and relevant Government agencies for their continued support.

My heartiest thanks go out to my fellow Board members for their expertise and guidance. We would also like to extend our deepest gratitude and appreciation for the loyalty, commitment, hard work and dedication of the Management and the employees of the Group – your co-operation and professional work ethics will be integral towards the Group's growth to greater heights of success.

Thank you.

Pang Kim Hin
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW OF THE KHJ GROUP

KHJ is one of the largest premium baby, children and maternity ("BCM") vendors in the country. Our Group's principal business activities are categorised into the following:

(i) Retail

19 Mothercare Outlets

12 ELC SIS

230 Brands of Products

The Group provides a range of BCM products through different sales channels which consist of Mothercare outlets, ELC SIS, Mothercare online store, online sales channels and Baby Expos.

The products for our retail segment are primarily sourced through Mothercare UK and ELC UK. A summary of our retail segment and sales channels are set out below:

Mothercare Outlets & ELC SIS

Our Mothercare outlets and ELC SIS are operated in accordance with the terms of our Development Agreements and Operational Agreement with Mothercare UK and ELC UK accordingly.

As at 31 December 2019, we operate 19 Mothercare outlets and 12 ELC SIS throughout Malaysia, where we sell Mothercare and ELC products as well as other branded products within our categories from third-party sources ("other branded products").

Currently, we carry a total of 230 brands of Clothing, Home & Travel products, and Toys at our Mothercare outlets and ELC SIS.

In addition to the above, we also offer 5 consignment brands at our Mothercare outlets.

Mothercare Online Store and Online Sales Channels

We also sell our products through the following:

Online Sales Channel	Launch Date	Types of Products Sold
Mothercare online store (www.mothercare.com.my)	October 2016	Mothercare, ELC and other branded Clothing, Home & Travel products and Toys
NotTooBig online store, which is hosted on Lazada, an e-commerce platform	April 2018	Other branded Home & Travel products

Currently, we host 111 out of our total of 230 brands of Clothing, Home & Travel products and Toys at our Mothercare online store, while featuring 4 brands of Home & Travel products at our NotTooBig online store. We are always reviewing the sales performance of our brands, our sales mix, promotions and sales channel usage and exploring opportunities to increase sales for the Group.

Baby Expos

Since 2010, we have regularly participated in Baby Expos to showcase our product offerings for some of our other branded products in the Home & Travel and Toys segment.

1. OVERVIEW OF THE KHJ GROUP (CONT'D)

(ii) Distribution

The Group distributes other branded Home & Travel products mainly to specialty stores, departmental stores, hypermarkets, online stores and other retailers and distributors. We also sell our products to pharmacies, confinement centres, and traditional Chinese medical halls, as well as corporate customers such as hotels, restaurants, nurseries/kindergartens and consumer reward companies. Products sold to such customers include baby nursing products and toiletries, strollers, travel cots, high chairs, toys, travel bags, baby seats, nursing pillows and toilet training mats.

Currently, we distribute a total of 23 brands of Home & Travel products throughout Malaysia and overseas such as Brunei, Hong Kong, Singapore and Thailand. The number of brands that we carry fluctuates from year to year depending on market demand and popularity of the brand.

These distribution sales to our customers are generally outright sales based on our customers' purchase orders. A small portion of our sales are on consignment basis to consignees who are departmental store retailers, whereby we place our products within their outlets to be sold to their customers.

2. OPERATIONAL REVIEW

Successfully listed on the ACE Market of Bursa Securities on 8 July 2019.

In 2019, Malaysia's retail industry continues to be affected by both internal and external market environment. Uncertain economic prospects due to global trade disputes among major economies led to slower growth export, declining stock market performance and a weakening of the local currency on the home front. The slow domestic economic momentum with limited policies to stimulate consumer spending hampered the growth of retail stores in the country, where low consumer confidence and uncertain future job prospects discouraged Malaysian consumer spending.

Nevertheless, the retail industry reported a 4.5% year on year growth rate in retail sales, up from 2.1% recorded in the previous year due in large part to the abolishment of the 6% goods and services tax ("GST") in June 2018.

It is against this backdrop that KHJ made our debut on the ACE Market of Bursa Securities on 8 July 2019 to a cautious stock market, opening 4 sen below our initial public offering ("IPO") price of 43 sen a share. The 19 million shares were oversubscribed by 7.67 times, raising total gross proceeds of RM32.7 million from this public issue.

The year 2019 also saw KHJ engaging in expansion activities, opening three new outlets – in Mid Valley Southkey Megamall in Johor Bahru, and Sunway Velocity Mall and Empire Shopping Gallery in the Klang Valley, measuring 5,619 sq ft, 3,060 sq ft and 3,656 sq ft respectively. Our KLCC outlet also expanded in size to a luxurious 12,949 sq ft to enhance shoppers' experience and to accommodate our growing portfolio of brands and products. This brings our outlet count to a total of 19 Mothercare outlets and 12 ELC SIS outlets by 2019's year end, offering more than 230 brands with a total of more than 39,000 SKU.

At the same time, we finalised our development agreement with The Entertainer UK to sell a broad range of toys through the opening of The Entertainer toy outlets in Malaysia, which was signed in September 2019.

3. FINANCIAL PERFORMANCE REVIEW

In the FYE2019, the Group recorded a revenue of RM101.4 million and a PAT of RM9.4 million, as compared to a revenue of RM97.7 million and a PAT of RM11.1 million reported in FYE2018.

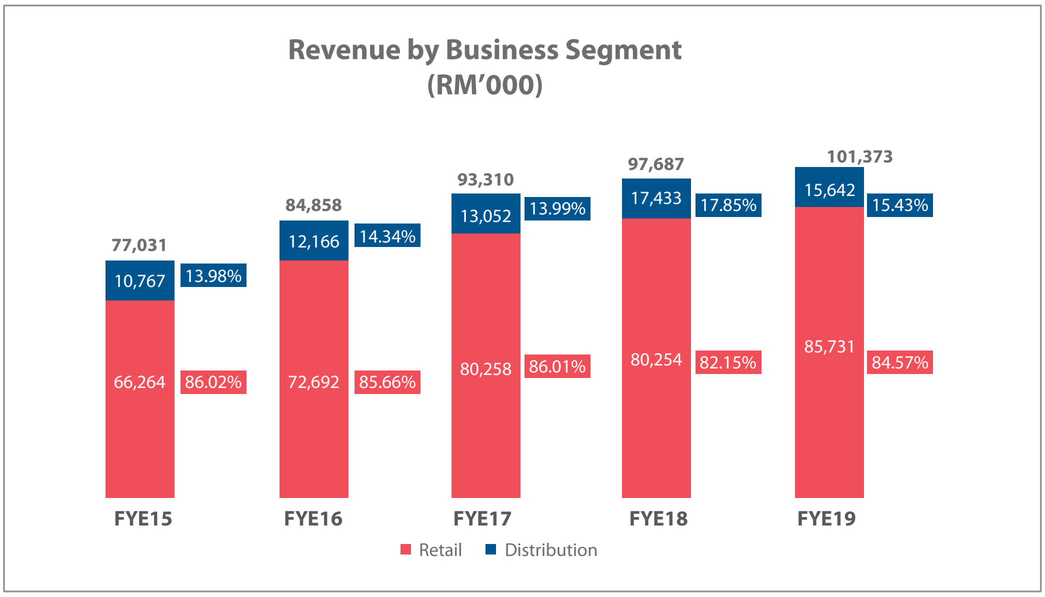
Profit After Tax RM9.4 mil

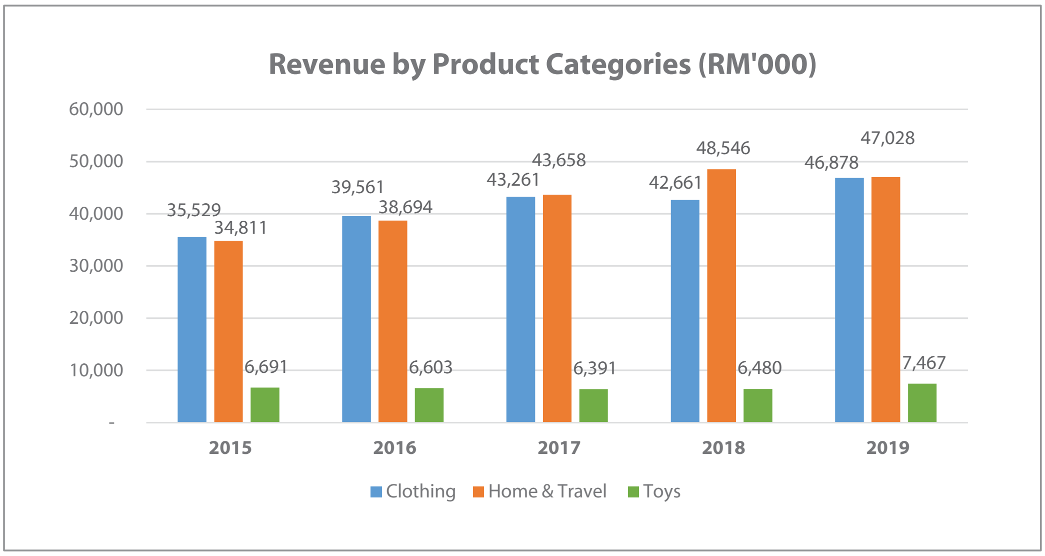
Revenue Analysis

The Group recorded an overall increase in revenue of 3.8% mainly contributed from the expansion of existing retail outlet size and opening of the three new outlets.

The major contributor to the revenue stream of the Group for FYE2019 was from the Retail segment, recording sales totalling RM85.7 million which represents an increase in sales of approximately 6.8% as compared to the retails sales recorded in the previous financial year. The sales from the Retail segment accounted for approximately 84.6% of the total revenue for FYE2019.

The FYE2019 revenue breakdown by business segment and product category are provided below:





3. FINANCIAL PERFORMANCE REVIEW (cont'd)

Gross Profit Analysis

For FYE2019, the Group recorded lower profitability primarily due to the impact of MFRS16 accounting changes to leases and the increase in operating expenses arising from the listing.

Our gross profit for FYE2019 stands at RM51.95 million, a slight increase from RM51.19 million in FYE2018. However, the gross profit margin decreased by 1.15% from 52.40% in the previous year to 51.25% during the current financial year. The drop in the gross profit margin is within the acceptable range of the Group, where margins of our products generally ranges from 51.26% to 52.57% depending on changes in sales mix, type of promotion, varied purchase cost and so on. The reduction of our profit margin led to a decrease in our PAT for FYE2019.

Financial Position

KHJ's balance sheet as at FYE2019 is reflected below:

	2019 (RM'000)
Total Assets	110,917
Total Liabilities	34,955
Debt to Assets	31.51%

Zero Borrowings

4.8x Current Ratio

Net Assets RM76.0 mil

Net Assets Per Share 19.99 sen

The Company has cash and bank balances, including fixed deposits with licensed banks, which amounted to RM40.2 million as at 31 December 2019 – a significant increase of RM32.6 million from RM7.6 million in the preceding financial year. This is mainly due to proceeds arising from the Company's IPO during the current financial year.

The Group does not have any borrowings as at 31 December 2019. Our net current asset stands strong at RM61.7 million with a ratio of 4.77 times as at FYE2019. If not because of the lease liabilities arising from MFRS 16, the current ratio will be 8.41 times.

The Group remains prudent in maintaining a sound financial position to achieve its strategic objectives of generating higher revenue in the coming years. It is notable that the total equity attributable to owners of the Company was RM76.0 million as at FYE2019 whilst net assets per ordinary share attributable to owners of the Company is RM0.20.

Cash Flow

Our cash flow position is summarised in the table below:

	2019 (RM'000)
Operating	15,615
Investing	(2,495)
Financing	19,509

The Group continued to generate healthy cash flows from its operations, recording net cash from operating activities of RM15.6 million in FYE2019.

3. FINANCIAL PERFORMANCE REVIEW (CONT'D)

Cash Flow (Cont'd)

Cash flows used in investing activities amounted to RM2.5 million for FYE2019, mainly attributable to renovation cost, as well as the acquisition of furniture, fittings and equipment for expansion of the Group's retail network. In addition, the extra funds attributable to net proceeds from IPO during the current financial year has generated interest income of RM0.4 million to the Company.

Net cash from financing activities was RM19.5 million, mainly attributable to net proceeds from the Company's initial public offering of RM32.7 million.

Capital Expenditure

The Group's total capital expenditure ("Capex") in FYE2019 amounted to RM3.1 million, mainly used for expansion of the Group's retail network. As we move forward with our expansion plan to open more Mothercare outlets and launch The Entertainer toy outlets, it is anticipated that we incur more Capex in the coming months.

**FYE2019
Capex
RM3.1 mil**

Capital Structure and Capital Resources

The entire enlarged issued share capital of the Company comprising 380,000,000 ordinary shares was listed on the ACE Market of Bursa Securities on 8 July 2019.

The gross proceeds from the IPO amounting to RM32.7 million have been partially utilised during FYE2019 for business expansion activities, listing expenses and as working capital, amounting to 29.3% of the proposed utilisation within a 36-month timeframe.

In addition to that, the Group envisages that its working capital and capital resources for the short term as well as long term would be contributed from its retail and distribution activities.

Nevertheless, should the Group require additional funds (whether to maintain its current capacity or implementation of its business plan), the sources of funding may be from bank borrowings and/or fundraising exercises to be undertaken. In this regard, the Group would make the necessary announcement(s) in accordance with the ACE Market Listing Requirements of Bursa Securities ("ACE LR"), if so required.

4. DIVIDENDS

The Board had on 26 August 2019 declared a first interim single tier tax-exempt dividend of 0.5 sen per ordinary share for FYE2019 which was paid on 11 October 2019. In addition to that, the Board had on 27 February 2020 declared a second interim single tier tax-exempt dividend in respect of FYE2019 of 1.0 sen per share which was paid on 10 April 2020.

This brings the total pay-out for the year under review to RM5.7 million and a dividend yield of 6.0% based on a share price of RM0.25 on 21 February 2020.

This is a significant achievement in a highly challenging operating environment given that the initial dividend payout target stated in our listing prospectus was to be no less than 40% (or approximately RM3.8 million based on FYE2019 results) of the PAT.

The decision has been made upon considering the financial requirements of KHJ in the first year of listing.

5. BUSINESS RISKS

As with any company, our business is subject to risks that may have a material effect on our operations, performance, financial condition and liquidity. Below are the key risks that we are currently facing, as well as known risks that may develop in the future:

Key Risks	Description	Mitigation Measures
Dependence on Franchisor Agreements	We are dependent on our ability to renew and comply with the development agreements and operational agreements with our franchisors, namely Mothercare UK and ELC UK/TEAL Brands Limited for the operations of our outlets. Although we have been operating the Mothercare and ELC franchise for more than 32 years and 8 years respectively with no allegation of breach or threat of termination of these agreements with us, there can be no assurance that we will be able to renew the agreements which are determined at the discretion of the management of the franchisors.	• The Group closely monitors our agreement terms to ensure our activities are conducted in compliance with the agreement provisions. • Engagement with our franchisors to keep abreast of their company's business risks and strategies that may impact the continuity of these agreements. • Continue building on our good relations with the franchisors of more than 32 years.
Brand Name Reputation	Our success depends on our ability to operate retail outlets under the "Mothercare" and "ELC" brands and their reputation for consistent and high quality products. This concern extends as well to "The Entertainer" toy brand with which we have finalised a development agreement with The Entertainer UK group to operate their branded outlets, which is pending approval from the Registrar of Franchisee. We have no control over events and actions taken by the franchisor, or other franchisees of the "Mothercare", "ELC" and "The Entertainer" brands outside Malaysia, which could erode consumer confidence in these brands and negatively impact the future sustainability of our business operations	• Close monitoring of mass and social media to gauge consumer sentiment towards the "Mothercare", "ELC" and "The Entertainer" brands. • Sharing customer feedback with our franchisors. • Prudent marketing and promotional activities to enhance the value of the "Mothercare", "ELC", and soon, "The Entertainer" brands.

5. BUSINESS RISKS (cont'd)

As with any company, our business is subject to risks that may have a material effect on our operations, performance, financial condition and liquidity. Below are the key risks that we are currently facing, as well as known risks that may develop in the future: (Cont'd)

Key Risks	Description	Mitigation Measures
Outlet Location Appeal	Our existing retail outlets' performance is dependent on each outlet's continued appeal as an attractive shopping destination. All of our Mothercare outlets and ELC SIS are located in shopping malls. There can be no assurance that our existing retail outlet location's appeal will continue to meet our expectations or that the neighbourhood characteristics or demographic of the areas surrounding the existing retail outlet will not deteriorate or otherwise change in the future. Furthermore, performance of our retail outlets is contingent upon our ability to secure and maintain attractive outlet locations in high foot traffic area. Due to the demand for prime outlet locations, the cost to secure and maintain these choice locations may increase in the future.	• Continued engagement with mall management and town council on issues that may affect the appeal of the neighbourhood. • Active assessment of each outlet's need for renovation, expansion or relocation.
Rental & Tenancy Terms	We operate all Mothercare outlets and ELC SIS on properties tenanted from third-party mall operators/owners. Most of our tenancy arrangements are for a term of 3 years with an option to renew for a further 3 years. Upon expiry of our existing tenancies, the landlords may review and change the terms and conditions of the lease agreements. We therefore face the possibility of not being able to renew the leases on terms and conditions which are commercially acceptable to us. Prime and competitive outlet locations are also subject to significantly higher rental rates. While we do not foresee any major issues in renewing these tenancies, we may be subject to new terms and conditions imposed by the mall operators/owners on these tenancies. We may also face interruptions to our business operations if we are unable to renew our tenancies in a timely manner.	• Continued engagement with mall management to maintain good relations and strengthen the favourability of the terms of agreement of our lease.

5. BUSINESS RISKS (cont'd)

As with any company, our business is subject to risks that may have a material effect on our operations, performance, financial condition and liquidity. Below are the key risks that we are currently facing, as well as known risks that may develop in the future: (Cont'd)

Key Risks	Description	Mitigation Measures
Foreign Exchange Risks	Our purchases from our franchisors and overseas suppliers are denominated in foreign currencies, mainly GBP (for our purchases from Mothercare UK and ELC UK, which accounts for more than 40% of our total purchases) and USD (for purchases from Product Marketing Mayborn, which accounts for more than 10% of our total purchases). Given that our sales are denominated in RM, we are unable to naturally hedge our exposure to foreign exchange fluctuations. We are also reluctant to pass on cost increases arising from adverse fluctuations in foreign exchange to our customers in order to maintain our price competitiveness.	• Close monitoring of the FOREX market and vetting through economic data. • Engagement with our panel bankers on the outlook for FOREX. • Utilise foreign exchange forward contracts to hedge exposure against transactions in foreign currencies. • Maintain part of the cash and bank balances in foreign currency bank accounts to meet future foreign currency denominated payment obligations.

6. FUTURE PLANS OF THE GROUP

KHJ is committed to our vision to be experts in the creation, retail, marketing and distribution of products and services that will enable families to flourish and create value to our community of customers, employees, partners and owners.

To that end, the Management has set out a strategic plan to spur further growth of the Group, with an eye to deliver greater returns to the shareholders who have supported us in our IPO:

(i) Expansion of our Retail Network

The Group intends to open 4 to 5 new Mothercare outlets with primary focus on locations outside the Klang Valley within 3 years of our listing. With over 70% of our retail revenue contribution coming from the Klang Valley region, the Group has set our sights on the East Coast for the year 2020 before exploring further expansion into East Malaysia to diversify our geographic retail base. This move will enable KHJ to reach out to more customers and grow the revenue base further.

A methodical assessment of location and store suitability and lease term negotiations will be carried out before a strategic decision is made on each retail store opening depending on its commercial feasibility.

6. FUTURE PLANS OF THE GROUP (cont'd)

(ii) Expansion of our Toys Range

The Group had on 18 September 2019 finalised and signed a development agreement with The Entertainer UK to license the opening and operating of The Entertainer toy stores in Malaysia and Singapore, which will serve to extend our toy product offering to cater to our existing customers with children aged six and beyond. Currently, KHJ via its Mothercare and ELC stores only caters for kids up to the age of six.

For FYE2019, KHJ's toy product segment contributes just over 7% of the Group's total revenue, representing less than 1% of the RM637.1 million worth of imported baby toys in Malaysia for the year. The Management has identified the expansion through The Entertainer outlets as a blue ocean strategy to capture this lucrative market segment, which has been growing by 18% from RM506 million in 2015 to RM703 million in 2017.

Through our agreement with The Entertainer UK, the plan is to be selling high margin toys with a small footprint of retail outlets targeted at children aged 6 and above. By expanding into this toy sector, our Group is expecting to double its customers from diversification as it would cater to a target market currently underserved by KHJ.

The first outlet will be operating in June of 2020 in Sunway Pyramid Shopping Mall in the Klang Valley, with plans to open 3 to 4 outlets within 3 years of our listing. Apart from the brick-and-mortar toy outlets, the Group will have a multi-pronged strategy to sell the toys through its website and distribution channels.

(iii) Drive Sales through E-commerce

The Group currently has 3 online sales channels, namely www.mothercare.com.my, NotTooBig online store and Lazada online store, and we are always on the lookout for opportunities to start more online sales channels and increase our customer base. We are also looking into investing in more advertising and promotional activities together with multi-channel content strategy across all social media platforms to attract more customers via multiple distribution channels to cater to various customer segments in Malaysia and beyond.

(iv) Increase Product Portfolio for Distribution

The Group is always engaging with other branded product manufacturers to explore the potential of signing up more brands and a wider range of products that will enable us to secure more customers. We are in the midst of ongoing discussions with several brand principals and suppliers to expand our distribution portfolio. In our discussions, we are looking as well to take advantage of bulk purchase discounts to enhance our profit margin and ensure adequate levels of inventory for distribution.

7. PROSPECTS AND OUTLOOK

Based on the International Monetary Fund's report published in February 2020, the Malaysian economy was originally expected to grow at a rate of 4.5% in year 2020 with an optimistic view of the retail sector despite the prevailing prudent spending behaviour of consumers since last year.

However, the global Covid-19 outbreak, which hit Malaysia in full force in March 2020, has naturally dampened the outlook rather significantly with businesses shuttered temporarily and permanently. Oil price has taken a plunge and global supply chain disruptions is bound to slow manufacturing output and weaken the nation's exports and therefore, our economy. On top of that, local businesses and the citizens will also exercise caution in their spending in light of the political turmoil brought on by the abrupt change in government which leaves many questions unanswered in terms of policy prospects. The combination of these factors have prompted Bank Negara Malaysia to revise GDP estimates to a range between -2.0% to +0.5% as at 6 April 2020.

7. PROSPECTS AND OUTLOOK (cont'd)

The more immediate effect that KHJ will be contending with is the Covid-19 containment measures which include a MCO implemented by the Government in March till mid June 2020, the World Health Organisation's ("WHO") recommendation of social distancing, as well as potential sporadic lockdowns to be carried out if this outbreak is protracted. Periods of mall closures and reduced footfalls at malls even when they're operational are key concerns for our retail segment.

As such, the Group seeks to enhance its online presence as it sees the growing appeal of electronic commerce activities complementing traditional brick and mortar retail business, especially to combat the Covid-19 situation. Digital initiatives will be launched by the Group and at the same time, a wider spectrum of products and services will be offered to cater for various customer segments in Malaysia and beyond.

KHJ's digital impetus is timely as the retail sector was already undergoing transformative changes with key trends observed including the rise of digital commerce and evolving consumer behaviour, especially among the younger generation. Increasing affluence and disposable income among Malaysian parents will continue to drive the growth of the sector as they demand better quality baby, children and maternity products, along with the desire for a wider range of products to select from.

Hence, even as the current challenges dampen consumer spending, we believe the market for baby, children and maternity products remain big enough to weather this storm. We have a well-established brand name that is synonymous with quality and safety and a large portfolio of reputable brands at varied affordability levels to leverage on, which we will support by continuing to employ aggressive marketing and branding strategies while keeping our products' pricing competitive to ensure that the Group's core business will thrive. Global statistics have already shown an increase in toy sales worldwide as kids stay home during the pandemic, speaking to the resilience of our baby, children and maternity product sector. We also look forward to an expected baby boom 9 months from the MCO, which should see a rise in demand for KHJ's products.

The poor market sentiment will also be a good opportunity for us to negotiate more favourable rental rates for new and existing outlets, and to keep a lookout for potential acquisitions favourable for the Group.

The Group acknowledges that its financial performance in 2020 will be impacted by many challenges. We will remain vigilant and periodically review and adapt our business strategy towards improving revenue and profitability. We take heart at the success of other nation's containment measures, such as that of China, which puts the potential of a rebound on the horizon. In the interim, our strong financial position with zero borrowings and ample free cash flows and the highly experienced Management team will ensure that KHJ makes prudent decisions to steer the Company through these trying times.

On behalf of the Management,

Pang Shu Ming
Managing Director

3 June 2020

SUSTAINABILITY **STATEMENT**

OUR COMMITMENT TO BUSINESS SUSTAINABILITY

We are pleased to present our first report on the sustainability performance of KHJ. The statement provides an overview of the measures we have implemented in the FYE from 1 January 2019 to 31 December 2019, covering the activities of KHJ and our initiatives on economic, environmental, and social related sustainability matters.

In preparing this report, we are guided by the Global Reporting Initiative ("GRI") Sustainability Reporting Standards. We have also put into consideration key sustainability matters affecting direct and indirect stakeholders, which includes customers, employees, shareholders and investors, government authorities, the surrounding community, and the general public.

This report has been tabled to the Board on 3 June 2020. The Board has reviewed the contents of this report and acknowledges it to be a fair, balance and accurate representation of our Economic, Environmental and Social ("EES") impacts.

Sustainability Governance

The Board provides oversight on the Group's sustainability and is assisted by the Management who oversees the implementation of the Group's sustainability measures. Representatives from each department meet regularly to discuss sustainability-related material issues to ensure sustainability is considered and integrated throughout the Group.

Material Sustainability Matters and Stakeholder Engagement

Material sustainability matters were identified to prioritise subjects that would be of utmost concern and have an impact on our stakeholders. The table below provides an overview of the material subjects and their groupings under the 3 main sustainability pillars, namely, EES.

Pillar	Material Sustainability Matters
Economic	• Local hiring • Business Code of Conduct and regulations
Environmental	• Compliance with laws and regulations • Carbon Footprint
Social	• Diversity and equal opportunity • Employee turnover and hires • Training and development • Maternity leave • Occupational health and safety • Employment diversity and equal opportunity • Engaging the communities

We are committed to engaging in constructive and meaningful dialogue with our stakeholders. Effective bilateral dialogue with our stakeholders helps us build trust, gain insights into the most pressing issues affecting our economic, environmental and social sustainability, and allows us to share our perspective on key issues to help them understand the Group's journey more clearly.

Throughout the course of the year, we have engaged with a diverse group of stakeholders comprising employees, customers, shareholders, NGOs, suppliers, industry groups and local communities. Their views on a wide range of topics have influenced our sustainability strategy in several key areas.

OUR COMMITMENT TO BUSINESS SUSTAINABILITY (cont'd)

Material Sustainability Matters and Stakeholder Engagement (Cont'd)

The table below presents salient issues of interest for each stakeholder group and our means of engagement with them during 2019 to address those issues:

Stakeholder Group	Key Areas of Interest	Addressing Their Interests
Shareholders and Investors	• KHJ's business direction • Key corporate developments • Financial performance	• Announcements on Bursa Malaysia • Investor updates and briefings for fund analysts • Annual general meeting • Annual reports • Corporate website
Customers	• Service satisfaction • Quality management • Customer appreciation	• Responsible product design • Marketing campaigns/ promotions • Customer satisfaction survey • Customer feedback channel
Employees	• Career development • Competitive remuneration • Employee welfare • Value diversity and equal opportunity • Ensure occupational health and safety	• Employees Appreciation Awards / Long Service Awards • Open communication • Teamwork • Events and functions • Provide skills development and training opportunities
Suppliers, Brand Owners and Mall Operators	• Fair procurement • Suppliers' development • Adherence to development agreement	• Group procurement policy and procurement system • Development agreement discussions • Lease negotiations
Government and Regulatory Authorities	• Regulatory compliance	• Attended dialogue / seminar organised by Bursa Malaysia • Reporting
Local Communities and Public	• Transparent and quality products and services • Community development and enrichment	• Community programmes • Donations and other philanthropic contributions

ECONOMIC

The principles of sustainability are integral in our pursuit of economic growth. Through local hiring and the establishment of our Code of Conduct and Ethics ("Code"), we are endeavouring to build long-term commitment with the stakeholders by maintaining strong financial results and providing benefits to the communities.

Local Hiring

Employing locals is important as it can increase the economic benefit to the local community and improve our ability to understand local needs. As such, the hiring and development of local people is prioritised as we strive to improve local economic conditions.

As at 31 December 2019, other than our Managing Director and the Non-Executive members of our Board, all our employees (i.e. key management, warehouse worker, clerk, officer, assistant supervisor, technician, operators and above) of the Group are Malaysians.

ECONOMIC (cont'd)

Code of Conduct and Ethics

Ethical standards have been formulated through the inclusion of the Code in the Group. The Code has been approved and adopted by the Board on 31 December 2019. The Code requires all employees to observe high ethical business standards, and to apply these values to all aspects of the Group's business and act in the interest of its shareholders.

A summary of the Code is as follows:

- Employees should avoid external business, financial, or employment interests that conflict with the Group's business interests or with the employee's ability to perform his/her duties;
- Employees should not solicit anything of value from any person or organisation with whom the Group has a current or potential business relationship with;
- Employees should not accept any item of value from any party in exchange for or in connection with a business transaction between the Group and that third party; and
- Employees may not accept items of incidental value from customers, suppliers, or others.

This serves as guidance which employees are expected to comply with as part of the Group's commitment to its stakeholders in preserving economic sustainability.

ENVIRONMENTAL

We recognise the potential impact our business activities can have on the environment. We are committed to enhance our environmental performance in order to minimise adverse environmental impact from our business activities. This is managed through compliance with the relevant laws and regulations.

Compliance with Laws and Regulations

It is our priority to ensure compliance and strict adherence to environmental requirements and regulations at all times in all our operations. This is achieved through our internal system of continuous self-regulation and monitoring on a day-to-day basis.

As a result, we are proud to report that there was no incidence of non-compliance with environmental laws and regulations, and no costs incurred on fines or non-monetary sanctions for non-compliance with laws and/or regulations, in the FYE2019.

Carbon Footprint

The Group supports initiatives to create greater environmental awareness and enhance environment protection. For the Group, a significant portion of its carbon footprint is from its distribution and retail outlets. Lighting and air-conditioning are the main sources of energy consumption, which are also significant contributors to greenhouse gas emissions.

As part of our efforts to reduce the carbon footprint from the Group's activities, employees of the Group are encouraged to minimise the use of finite resources and also reduce harmful emissions to the environment. These are included into our Code that should be adhered to by all the staff in the Group.

SOCIAL

We are very much aware of the value in engaging and connecting with people through cultivating a healthy relationship with our employees and the surrounding communities. This includes developing our human capital, promoting a safe and dynamic workplace, as well as contributing to the society and community.

Sustainability Statement (cont'd)

SOCIAL (CONT'D)

Diversity and Equal Opportunity

Significant benefits can be generated for both organisation and workers when an organisation actively promotes diversity and equality at work. These benefits also flow through to society in general, as greater equality promotes social stability and supports further economic development. Therefore, employees are one of the most important assets to us, providing both economic and social value, and we strive to provide the best working conditions for all employees, free from discrimination and harassment.

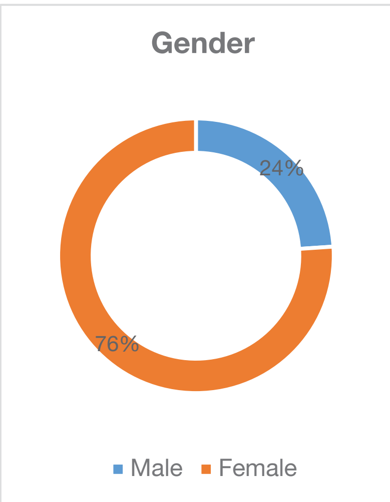
To that end, we have developed a Diversity Policy to address these issues. The Diversity Policy has been approved and adopted by the Board on 31 December 2019.

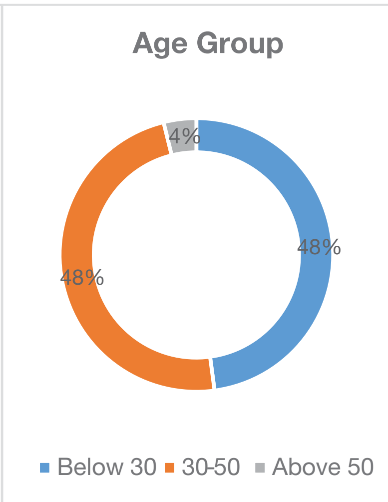
The Diversity Policy provides a framework for KHJ Group to achieve:

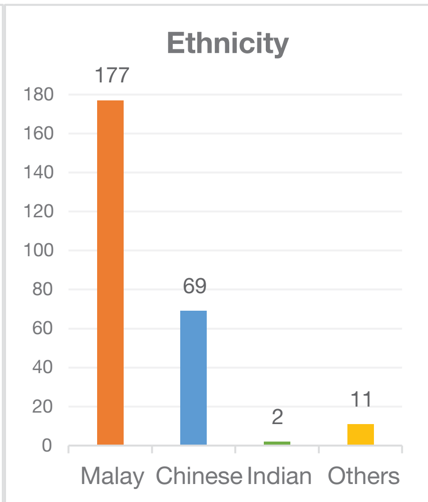
a. A diverse Board and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
b. A workplace culture characterised by inclusive practices and behaviours for the benefit of all stakeholders;
c. Improved employment and career development opportunities for women;
d. A work environment that values and utilises the contributions of employees with diverse background, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
e. Awareness in all staff of their rights and responsibilities with regards to fairness, equality and respect for all aspects of diversity.

We value our employees as they are key to our competitive success in the marketplace which is vital for the sustainability of our business. We believe in the benefits that can be derived from different perspectives, and positively embrace diversity as a key component of our human development agenda. Therefore, we do not discriminate against any nationality, race, or gender in the hiring and promotion of our 259-strong workforce.

The following figures depict the distribution of employees by gender, age and ethnicity:







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SOCIAL (CONT'D)

Employee Turnover and Hires

During the FYE2019, 90 of the Group's employees resigned. To ensure smooth continuation of operations, the Group has recruited a total of 109 new employees. This represents an employee turnover rate of 8.8%, which is comparable with the turnover rate of companies operating in the retail environment.

Nevertheless, the Management is endeavouring to reduce high labour dependency through automation in the future.

Training and Development

Competent employees are crucial to the continuing growth and success of the business. The Group seeks to develop employees by providing training and development opportunities to enhance their knowledge, sharpen their skills and broaden their work experience and exposure.

During FYE2019, the employees have attended the following trainings to ensure they have the latest knowledge, information, techniques and skills to enable them to carry out their work more efficiently and productively:

- Key Disclosure Obligations of a Listed Company
- Practical Integrated Reporting Forum & Workshop
- MFRS 16 Leases – Business in the Retail Sector
- Understanding & Applying the New Technical Requirements on MFRS 16 Leases
- Applying MFRS 15 for Contracts involving Provision of Goods & Services
- Forklift Safety Training
- Fire Fighting & ERP Training
- Occupational First Aid & CPR/AED Training
- In-house Career Development Program

Maternity Leave

We foster a balanced work-life culture that caters to employees' physical and emotional needs. We understand that a balanced work-life policy helps attract better recruits and talents. This leads to better retention of qualified employees, better employee morale and overall productivity. Towards this end and among other initiatives, the Group adopts a sixty-day maternity leave policy for all female employees.

During FYE2019, a total of 12 female employees had taken maternity leave. Nine of them had returned to work after their maternity leave and are still employed during the reporting period. As such, the Group has recorded a post-maternity retention rate of 75%.

Occupational Health and Safety

We place great emphasis on the health and safety aspects of our employees while maintaining a comfortable and conducive work environment. The establishment of the Safety and Health Committee that comprises 10 members emphasises the importance of health and safety at the workplace. From this committee, there are also 3 sub-committees and they are the Emergency Committee, Fire Fighting Committee and Evacuation Committee.

The Safety and Health Committee is responsible for monitoring and managing health and safety matters within KHJ. This Committee meets every quarter to deliberate on issues relating to health and safety. We are pleased to report that there was no incidence of health or safety compliance breach, and no fatalities or major injuries which resulted in lost working days in FYE2019.

Engaging the Communities

KHJ is of the view that the welfare of society are an essential part of its sustainability voyage. The Group believes that providing employment opportunities for all is the most effective means of tackling poverty and social exclusion. Due to our business expansion, we are constantly providing employment opportunities to locals from all walks of life. The Group also places great importance in nurturing youngsters and preparing them for corporate and community leaderships.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of KHJ is pleased to provide an overview of the Company's corporate governance practices during the FYE2019 with reference to the three (3) key principles of good corporate governance as set out in the MCCG. The Company's application of each practice set out in the MCCG during the FYE2019 is disclosed in the Company's Corporate Governance Report ("CG Report") which is available on the Company's website at www.khj-my.com and via the Company's announcement made to Bursa Securities.

This statement is prepared in compliance with Bursa Securities' ACE LR based on the prescribed format as outlined in Rule 15.25(2) of the ACE LR and it is to be read together with the CG Report. The Board recognises the importance of good corporate governance and is committed to ensuring that good corporate governance is practised throughout the Group in order to safeguard stakeholders' interests as well as enhance shareholders' value.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

(i) Roles and Responsibilities of the Board

The Group is headed by an experienced and effective Board. The Board assumes overall responsibility in leading the strategic direction, future expansion, corporate governance, risk management, human resource planning and overseeing the proper conduct of business of the Group.

The Board is guided by a Board Charter adopted on 26 August 2019 which sets out the respective roles of the Board, the Chairman of the Board, the Managing Director, Executive Director, Chief Financial Officer ("CFO"), Independent Directors ("IDs") and Senior ID.

(ii) Overseeing the Conduct of the Business

The Board is responsible for the performance and affairs of the Group as well as to provide leadership and guidance in setting the strategic direction of the Group.

The Board also ensures the Group is managed in compliant with relevant regulatory requirements, standards, policies and guidelines applicable to the Group.

The Board delegates the implementation of its strategies to the Management. However, the Board remains ultimately responsible for corporate governance and the affairs of the Company, in order to ensure resources are in place for the Company to meet its objectives, and that strategies are aligned to the interests of shareholders and stakeholders. The Managing Director would present her updates on various material operational issues, if any, at every quarterly Board Meeting.

In the interest of tightening the internal control of the Group, the Company has in place a Limits of Authority to provide the Management with a set of guidance and approval process for its day-to-day operations.

(iii) Separation of the Positions of the Chairman and Managing Director

The functions of the Chairman as well as those of the Managing Director are clearly segregated to ensure that there is a balance of power and authority.

As Chairman, Mr. Pang Kim Hin leads and manages the Board by focussing on strategy, governance and compliance.

Ms. Pang Shu Ming, the Managing Director, focuses on the business and day-to-day management of the Group, ensures the effective implementation of the Board's decisions, Group's business plan and policies established by the Board as well as manages the daily conduct of the business.

The Board is of the view that the distinct and separate roles of the Chairman and Managing Director are held by different individuals, with a clear distinct roles and responsibilities, enable a balance of power and authority, such that no one individual has unfettered powers of decision-making, and are clearly defined in the Board Charter.

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

1. Board Responsibilities (cont'd)

(iv) Company Secretaries

The Board is supported by two (2) suitably qualified and competent Company Secretaries, namely Ms. Tai Yit Chan and Ms. Tan Ai Ning.

Both the Company Secretaries are members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and are qualified to act as company secretary under Section 235(2) of the Companies Act 2016 ("the Act"). Details of the qualifications, experience and the roles and responsibilities of the Company Secretaries are set out in Item 1.4 of the CG Report, available for viewing on the Company's website at www.khj-my.com.

Every Director has ready and unrestricted access to the advice and services of the Company Secretaries in ensuring the effective functioning of the Board. The Directors are regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements issued by regulatory authorities and its implications to the Company and the Directors in relation to their duties and responsibilities. Moreover, the Company Secretaries ensure that the deliberations at the Board Meetings are well captured and minuted. The Company Secretaries also play a key role in facilitating communication between the Board and Management.

The Company Secretaries have and will continue to keep themselves abreast on matters concerning company law, capital market, corporate governance, and other pertinent matters, and with changes in the same regulatory environment, through continuous training and industry updates. They have also attended various relevant continuous professional development programmes as required by MAICSA and the Companies Commission of Malaysia.

(v) Supply of and Access to Information

The Notice of the Board Meeting is served at least seven (7) days prior to the Board Meeting. Relevant Board papers were disseminated to all Directors at least five (5) business days prior to the Board Meeting so as to accord sufficient time for the Directors to peruse the Board papers and to seek any clarification or further details that they may need from the Management or the Company, or to consult independent advisers, if deemed necessary.

As part of the integrated risk management initiatives, the Board also noted the decisions and salient issues deliberated by Board Committees through minutes of the Committees. Subsequent to the Board Meeting, the draft minutes will be circulated to the Board for confirmation to ensure that deliberations and decisions of the Board are accurately recorded. The Company Secretaries would ensure that a statement of declaration of interest or abstention from voting and deliberation is recorded in the minutes.

The Chairman of the Board and Board Committees signs the minutes as a correct record of the proceedings and thereafter, the said minutes of all proceedings are kept in the statutory book made available for inspection under the Act.

(vi) Board Charter

In compliance with Practice 2.1 of the MCCG, the Board has adopted a Board Charter, which provides guidance on how business is conducted in line with best practices and standards of good corporate governance as well as clarity for Directors and Management with regards to the role of the Board and its Board Committees.

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

1. Board Responsibilities (cont'd)

(vi) Board Charter (cont'd)

The Board reserves full decision-making powers on the following matters:

- Conflict of interest issues relating to a substantial shareholder or a Director including approving related party transactions;
- Material acquisitions and disposition of assets not in the ordinary course of business including significant capital expenditures;
- Strategic investments, mergers and acquisitions and corporate exercises;
- Limits of authority;
- Treasury policies;
- Risk management policies; and
- Key human resource issues.

The Board Charter is to be regularly reviewed by the Board as and when required and can be accessed via the Company's website at www.khj-my.com.

(vii) Code of Conduct and Ethics

The Board has put in place a Code to promote ethical behaviour within the Group. The basic principles of the Code have been observed and carried out by having appropriate regard to the interests of the Company's customers, shareholders, people, business partners and broader community in which the Company operates.

The Code can be found on the Company's website at www.khj-my.com.

(viii) Whistleblowing Policy and Procedures

The Board has approved and adopted the Whistleblowing Policy and Procedures on 31 December 2019. It is to facilitate the establishment of a formal confidential channel to enable employees to report in good faith, serious concerns of any improper conduct and/or wrongdoing that could adversely impact the Group, its employees, shareholders, investors, or the public at large without fear of being subject to detrimental action.

The Whistleblowing Policy and Procedures is to be periodically reviewed by the Board once every three (3) years or as and when required to ensure that it continues to remain relevant and appropriate and can be accessed via the Company's website at www.khj-my.com.

(ix) Related Party Transactions Policy and Procedures

The Board has approved and adopted the Related Party Transactions Policy and Procedures on 31 December 2019. It is to ensure that all related party transactions and recurring related party transactions in the course of business are made at on arm's length and at normal commercial terms which are not more favourable to the related party(ies) than those available to the public and these terms are not detrimental to the other shareholders of the company who are not part of the transactions. The policy also helps the staff to identify and provide a guide on the treatment of such related party transactions to ensure that the Group comply with the ACE LR of Bursa Securities and other applicable laws.

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

2. Board Composition

(i) Board Composition

The Board has seven (7) members comprising one (1) Non-Independent Non-Executive Director, one (1) Managing Director, one (1) Executive Director, one (1) Senior Independent Non-Executive Director and three (3) Independent Non-Executive Directors, for the FYE2019 as follows:

Name	Designation
Pang Kim Hin	Non-Independent Non-Executive Chairman
Pang Shu Ming	Managing Director
Goh Poh Teng	Executive Director
Chew Soo Lin	Senior Independent Non-Executive Director
Yen Se-Hua Stewart	Independent Non-Executive Director
Kor Yann Ning	Independent Non-Executive Director
Hew Moh Yung	Independent Non-Executive Director

The present Board composition with half of the Board comprising IDs complies with Rule15.02 of the ACE LR which requires at least two (2) or one-third (1/3) of the Board of the Company, whichever is higher, are IDs. The Board is of the view that all IDs of the Company are always within reach of the shareholders and issues are discussed openly at meetings.

The Board is chaired by a Non-Independent Non-Executive Chairman. The Independent Non-Executive Directors are independent of Management and have no relationships that could materially interfere with the exercise of their independent judgement. The IDs also provide the Board with professional judgement, experience and objectivity without being subordinated to operational considerations. Together, the Directors have a wide range of experience in logistics, general management, human resource, marketing, finance, corporate affairs, legal and technical areas.

The Board is of the opinion that the composition of the current Board has the required mix of skills and experience required to discharge the Board's duties and responsibilities.

Collectively, the Directors combine their diverse commercial, regulatory, industry and financial experience to add value to the Board as a whole.

The Board is supported by the various sub-committees, namely Nomination Committee ("NC"), Remuneration Committee ("RC"), Audit Committee ("AC"), Risk Management Committee ("RMC"), as well as unhindered advice and services, when the need arises.

The respective Terms of Reference ("TOR") of the said Board Committees are published on the Company's website at www.khj-my.com.

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

2. Board Composition (cont'd)

(ii) Tenure of IDs

The Board is mindful that the tenure of an ID should not exceed a cumulative term of nine (9) years.

Upon completion of the nine (9) years, an ID may continue to serve on the Board as a Non-Independent Director. The NC and the Board may recommend to retain an ID, who has served a cumulative term of nine (9) years as an ID of the Company, subject to obtaining the approval of the Company's shareholders.

If the Board continues to retain the ID after year twelve (12), the Board should provide justification and seek shareholders' approval through a two-tier voting process.

As the Company was recently listed, none of the IDs have exceeded the tenure of a cumulative term of nine (9) years in the Company as at 31 December 2019. The Company also did not adopt a policy which limits the tenure of the IDs to 9 years.

(iii) Appointment of the Board and Senior Management

The NC is responsible for assessing the suitability of potential Board candidates and ensuring the procedures are transparent and based on merit, and is done in a manner that promotes diversity and in particular, gender diversity, which is in line with the Diversity Policy of the Group. The Board has approved and adopted the Diversity Policy on 31 December 2019 and in that policy, it is stated that at least one (1) member of the Board will be of the female gender.

The Board is of the view that the current composition of its Board of Directors provides an adequate mix of knowledge, skills and expertise to assist the Board in effectively discharging its stewardship and responsibilities. It also appropriately reflects the interests of its shareholders to provide effective leadership, strategic direction and necessary governance at the optimum level.

The Board delegates to the NC the responsibility of making recommendations on any potential candidate for appointment as a new Director or re-election of Directors who are scheduled for retirement by rotation. All Directors are subject to re-election by shareholders after their first appointment on the forthcoming Annual General Meeting ("AGM"). The Company's Constitution state that at least one-third (1/3) of the Directors are required to retire from office by rotation annually and subject to re-election at each AGM provided always that all Directors including the Managing Director shall stand for re-election at least once in every 3 years.

The NC is also responsible for assessing the suitability of potential Board candidates as well as ensuring that the procedures for appointing new Directors are transparent and based on merit. The process for appointment of a new Director is summarised as follows:

- The potential candidate is proposed by any Director, Senior Management staff, shareholder and/or other consultant/adviser. The Board may also refer to independent sources such as Directors' registry, open advertisements or independent search firms for potential candidates;
- In evaluating the suitability of a candidate for recommendation to the Board, the NC will consider the competency, experience, commitment, contribution and integrity of the candidate;
- The NC deliberates on the suitability of the candidate and makes a recommendation to the Board, including a recommendation for the appointment as a member of the various Board Committees; and
- The Board then reviews and decides on the proposed new appointment, including the appointment to the various Board Committees.

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

2. Board Composition (cont'd)

(iii) Appointment of the Board and Senior Management (Cont'd)

Appointment of the Board and Senior Management are based on objective criteria and merit. Besides gender diversity, due regard is placed for diversity in skills, experience, age and cultural background.

The Board pursues diversity in both the Board level and Senior Management and is mindful that a diverse Board is able to offer greater depth and breadth.

Diversity at the Senior Management level will also provide constructive debates, which lead to better decisions.

(iv) Board Diversity

The Board is judicious of the gender diversity recommendation promoted by the MCCG in order to offer greater depth and breadth to board discussions and constructive debates. The Board is committed to ensure diversity (including diversity in skills, experience, age, cultural background and gender) in its composition.

In the selection of Board members and workforce, the Group recognises the importance of diversity and does not practice discrimination of any form, whether based on age, gender, race, ethnicity or religion, throughout the organisation. Candidates shall be given fair and square opportunity.

Currently, there are three (3) female Directors representing 38% on the Board while 80% of KHJ's Senior Management comprises women.

(v) NC

The NC was set up on 31 October 2018 with the current TOR revised on 13 February 2019. The NC is responsible for ensuring that the Board has the appropriate balance composition, diversity and size and is also responsible for considering and recommending the appointment of new Directors to the Board. Diversity objectives including gender diversity are adopted in the Board recruitment and succession planning process in determining the required skills mix, experience, and other core competencies. The final decision on the appointment of a candidate recommended by the NC rests with the Board.

The composition of the NC for the FYE2019 was as follows:

Name	Designation	Directorship
Chew Soo Lin	Chairman	Senior Independent Non-Executive Director
Pang Kim Hin	Member	Non-Independent Non-Executive Chairman
Yen Se-Hua Stewart	Member	Independent Non-Executive Director
Kor Yann Ning	Member	Independent Non-Executive Director
Hew Moh Yung	Member	Independent Non-Executive Director

The Board is of the view that the Board currently reflects a good mix of skills with different professional backgrounds, knowledge, financial and business expertise, experiences and qualifications to enable the Board to provide clear and effective leadership to the Group.

In addition, taking into consideration of the Profile of Directors and Profile of key Senior Management as set out in this Annual Report, the Group is of the view that each of its Directors and key Senior Management have the required character, experience, integrity, competency and time to effectively discharge on their respective roles.

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

2. Board Composition (cont'd)

(v) NC (cont'd)

The NC is entrusted to develop the policies and procedures in formalising the approach in the recruitment process and annual assessment of Directors, which serve as guides for the NC in discharging its duties in the aspects of nomination, evaluation, selection and appointment process of new Directors. The NC shall, prior to the appointment by the Board, evaluate the balance and composition including mix of skills, independence, experience and diversity (including diversity in gender, ethnicity and age) of the Board.

As the Company was newly listed, the NC will undertake an annual assessment of IDs to assess whether they continue to bring independent and objective judgement to Board deliberations. The Board would undertake peer and self-assessment to determine the effectiveness of the Board, Board Committees and each individual Director. The results, in particular the key strengths and weaknesses identified from the assessment, will be shared with the Board to allow improvements to be undertaken.

(vi) Time Commitment

The Board requires its members to devote sufficient time to effectively discharge their duties as Directors of the Company, and to use their best endeavours to attend meetings, regardless of their principal place of residence.

Details of the Board members' attendance at the Board and Board Committee meetings for FYE2019 are as follows:

Director	Board	AC	NC	RC	RMC
Pang Kim Hin	4/4	–	1/1	2/2	–
Pang Shu Ming	4/4	–	–	–	1/1
Goh Poh Teng	4/4	–	–	–	1/1
Chew Soo Lin	4/4	4/4	1/1	2/2	1/1
Yen Se-Hua Stewart	4/4	4/4	1/1	2/2	1/1
Kor Yann Ning	4/4	4/4	0/1	1/2	1/1
Hew Moh Yung*	1/1	1/1	–	–	1/1

**Appointed on 26 August 2019*

Protocol for Acceptance of New Directorships

The Board has formalised vide the Board Charter its expectations on time commitment for its members as well as the requirement to notify the Chairman prior to accepting any new directorships notwithstanding that the ACE LR allows a Director to sit on the board of up to five (5) listed issuers. Such notification shall also include an indication of the time that will be spent on the new appointment.

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

2. Board Composition (cont'd)

(vi) Time Commitment (cont'd)

Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme prescribed by Bursa Securities.

The Directors have participated in the following training programmes for FYE2019:

Director	Training programme	Date
Pang Kim Hin	- Mandatory Accreditation Programme	23-24 July 2019
Pang Shu Ming	- Mandatory Accreditation Programme	23-24 August 2019
Goh Poh Teng	- Mandatory Accreditation Programme - Practical Integrated Reporting Forum and Workshop	23-24 July 2019 10 September 2019
Chew Soo Lin	- Mandatory Accreditation Programme	23-24 July 2019
Yen Se-Hua Stewart	- Mandatory Accreditation Programme	23-24 July 2019
Kor Yann Ning	- Cyber Security in the Boardroom: Accelerating from Acceptance to Action - Case Study Workshop for Independent Directors - Securities Commission Malaysia's (SC) Audit Oversight Board (AOB) Conversation with Audit Committees	27 June 2019 9 October 2019 8 November 2019
Hew Moh Yung	- Mandatory Accreditation Programme	21-22 November 2019

3. Remuneration

(i) RC

The RC was set up on 31 October 2018 with its current TOR revised on 13 February 2019. The Group has also adopted the Directors' and Senior Management's Remuneration Policy which was approved by the Board on 31 December 2019. The RC of the Company recommends to the Board the remuneration of Executive Directors and key Senior Management, which would enable the Company to attract and retain its Executive Directors and key Senior Management and motivate them to run the Group successfully. The RC's approach is in line with the Company's overall philosophy that all employees should be appropriately rewarded.

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

3. Remuneration (cont'd)

(i) RC (cont'd)

The composition of the RC for the FYE2019 was as follows:

Name	Designation	Directorship
Yen Se-Hua Stewart	Chairman	Independent Non-Executive Director
Pang Kim Hin	Member	Non-Independent Non-Executive Chairman
Chew Soo Lin	Member	Senior Independent Non-Executive Director
Kor Yann Ning	Member	Independent Non-Executive Director
Hew Moh Yung	Member	Independent Non-Executive Director

The RC is governed by its TOR, which is published on the Company's website at www.khj-my.com.

During the FYE2019, the RC reviewed and recommended to the Board for approval on the remuneration packages of the Executive Director and Senior Management and the Directors' fees payable to the Directors of the Company.

(ii) Details of Director's Remuneration for the FYE2019

The aggregate of remuneration received by the Directors of the Company and the Group for the FYE2019 are as follows:

Company

Directors	Directors' Fees	Salaries, Bonus and Allowances	Other Benefits	Total
	RM'000	RM'000	RM'000	RM'000
Executive Directors:				
Pang Shu Ming	24	392#		416
Goh Poh Teng	22	297	6	325
Non-Executive Directors:				
Pang Kim Hin	60			60
Chew Soo Lin	32			32
Yen Se-Hua Stewart	30			30
Kor Yann Ning	28			28
Hew Moh Yung*	10			10
Total	206	689	6	901

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

3. Remuneration (cont'd)

(ii) Details of Director's Remuneration for the FYE2019 (Cont'd)

The aggregate of remuneration received by the Directors of the Company and the Group for the FYE2019 are as follows: (Cont'd)

Group

Directors	Directors' Fees	Salaries, Bonus and Allowances	Other Benefits	Total
	RM'000	RM'000	RM'000	RM'000
Executive Directors:				
Pang Shu Ming	24	392#		416
Goh Poh Teng	22	323	6	351
Non-Executive Directors:				
Pang Kim Hin	60			60
Chew Soo Lin	32			32
Yen Se-Hua Stewart	30			30
Kor Yann Ning	28			28
Hew Moh Yung*	10			10
Total	206	715	6	927

Note: Salary includes bonus and EPF
* *Appointed on 26 August 2019*
\# *Bonus entitlement of RM60,000 (net-off tax) will be channelled to a special fund to assist the employees affected by the Covid-19 pandemic.*

(iii) Details of Top Eight (8) Key Senior Management Remuneration for the FYE2019

The remuneration received by the top eight (8) Key Senior Management (including three (3) Key Senior Management who have since resigned), other than the directors, of the Group in bands of RM50,000 are as follows:

Total Amount of Remuneration	Number of Key Senior Management
Below RM50,000	2*
RM50,001 to RM100,000	–
RM100,001 to RM150,000	3#
RM150,001 to RM200,000	1
RM200,001 to RM250,000	2
RM250,001 to RM300,000	–
Total	8

* *Comprising 2 senior management personnel who were appointed in November 2019*
\# *Comprising 3 senior management personnel who resigned from our Group effective July 2019, December 2019 and January 2020, respectively*

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AC

In compliance with Practice 8.1 of the MCCG on the separation of the positions of the chair of the AC and the Board, the AC is chaired by Mr. Chew Soo Lin, whilst Mr. Pang Kim Hin is the Chairman of the Board.

The composition of the AC for the FYE2019 was as follows:

Name	Designation	Directorship
Chew Soo Lin	Chairman	Senior Independent Non-Executive Director
Yen Se-Hua Stewart	Member	Independent Non-Executive Director
Kor Yann Ning	Member	Independent Non-Executive Director
Hew Moh Yung	Member	Independent Non-Executive Director

The AC members possess the right mix of skills, experience, and are financially literate. Their profiles are set out in the Profile of Directors Section of this Annual Report.

During the FYE2019 and presently, none of the AC members is a former key audit partner of the Group. The AC's TOR, in compliance with Practice 8.2 of the MCCG, requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC.

Through the AC, the Board maintains a transparent and professional relationship with its External Auditors. In the course of the audit of the Group's financial statements for FYE2019, the External Auditors have highlighted to the AC and Board, on matters that require the Board's attention. The External Auditors also attended AC meetings to present their audit plan and report as well as their comments on audited financial statements.

The AC has in place the External Auditors Assessment Policy ("EA Policy") which states the policies and procedures to assess the suitability, objectivity and independence of its External Auditors. The EA Policy has been approved and adopted by the Board on 31 December 2019.

For the FYE2019, the declaration of the External Auditors' independence in accordance with relevant professional and regulatory requirements is contained in their annual audit plan presented to the AC.

Internal Audit Function

The Directors acknowledged their responsibilities in maintaining a reasonable sound system of internal controls covering financial, operational, compliance and risk management. This system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives, as well as to safeguard shareholders' investments and the Group's assets. The Board seeks regular assurance on the continuity and effectiveness of the internal control system through independent review by the Internal and External Auditors.

The internal audit function is independent of the operations of the Group and provides reasonable assurance that the Group's system of internal control is satisfactory and operating effectively. The Internal Auditors adopt a risk-based approach towards the planning and conduct of audits, which are consistent with the Group's framework in designing, implementing and monitoring its internal control system. An Internal Audit Planning Memorandum, setting out the internal audit work expected to be carried out, is tabled to the AC.

For FYE2019, Sterling Business Alignment Consulting Sdn Bhd ("Sterling"), the outsourced Internal Auditors, have successfully completed their audit visits and reporting as per the approved Internal Audit Plan.

The purpose of the internal audit function is to provide the Board, through the AC, reasonable assurance of the effectiveness of the system of internal control in the Group. The internal audit function is independent, with the head of internal audit reporting directly to the AC and performing audit assignments with impartiality, proficiency and due professional care.

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

1. AC (cont'd)

Internal Audit Function (cont'd)

The profile of Sterling is set out as follows:

Date of Appointment:	26 August 2019
Principal Engagement Director:	So Hsien Ying
Qualifications:	• Certified Internal Control Professional (US); • Master in Business Administration (Finance); • BSc Economics (Hons) (London); • Permanent Member of the Internal Control Institute US; • Member of the Malaysian Alliance of Corporate Directors; and • Associate Member of the Institute of Internal Auditors Malaysia
Experiences:	26 years of professional experience in business process improvement, internal control review, internal audit and risk management
Number of Resources:	Sterling deployed 2 to 3 personnel per audit review depending on areas of audit

2. RMC

The composition of the RMC for the FYE2019 was as follows:

Name	Designation	Directorship
Pang Shu Ming	Chairman	Managing Director
Goh Poh Teng	Member	Executive Director
Chew Soo Lin	Member	Senior Independent Non-Executive Director
Yen Se-Hua Stewart	Member	Independent Non-Executive Director
Kor Yann Ning	Member	Independent Non-Executive Director
Hew Moh Yung	Member	Independent Non-Executive Director

Effective Risk Management and Internal Control Framework

The Board recognises the importance of maintaining a sound system of internal control and risk management and has in place an effective risk management and internal control framework.

The risk management and internal control are ongoing processes and the Company will continuously enhance the existing system of risk management and internal control by taking into consideration the changing business environment.

The review and assessment of the Company's internal control and risk management framework are conducted as and when required.

The key elements of internal control and risk management of the Group are set out in the Statement on Risk Management and Internal Control of this Annual Report.

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

1. Communication with Stakeholders

(i) Corporate Disclosures / Investor Relations

The Board recognises the importance of maintaining transparency and accountability to its stakeholders (including its shareholders and investors) and to timely disseminate material information of the Group's performance and any significant developments affecting the Group via Bursa LINK in a timely manner.

In 2019, when the Company launched its prospectus in conjunction with its listing on the ACE Market of Bursa Securities, the Management had conducted a number of media and analyst briefings as well as issued press statements on the corporate and business affairs of the Company.

The Board has developed a Corporate Disclosure Policy to ensure communications to the investing public regarding the business, operations and financial performance of the Group are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, information filed with regulators is in accordance with applicable legal and regulatory requirements.

The Corporate Disclosure Policy has been approved and adopted by the Board on 31 December 2019.

The Group's corporate proposals, quarterly and annual financial results and other required announcements are made on Bursa Securities on a timely basis and are available for public access on the Company's website at www.khj-my.com.

(ii) Corporate Website

KHJ's website at www.khj-my.com also serves as a vital communication channel for investors, shareholders, business partners and clients to access corporate information, news and events related to the Group. The website is updated periodically to reflect the developments within the Group.

2. Conduct of General Meetings

(i) General Meetings

The AGM serves as a principal forum for a two-way dialogue with public shareholders and the Management of the Group. Shareholders may enquire about the resolutions being proposed at the meeting and the financial performance and business operations in general during the open question and answer session. The Chairman and the other members of the Board, together with the Management and the Company's external auditors, would be available to respond to queries from shareholders.

The forthcoming AGM will be the first AGM of the Company as a public listed company. In light of the MCO as announced by the Government of Malaysia with effect from 18 March 2020 until Conditional MCO on 9 June 2020, the Board will determine the appropriate time to schedule the 39th AGM of the Company and the Notice of the 39th AGM will be announced separately in due course.

The Company is closely monitoring the situation from the Covid-19 pandemic and would announce any material information that arises during this period, if necessary. All Directors as well as members of Senior Management are expected to be present at the forthcoming AGM to respond to any enquiries from the shareholders.

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

2. Conduct of General Meetings (cont'd)

(iii) Shareholders' Enquiries

Shareholders and investors may at any time request the Company's public information. The Company provides a designated email address at investor.relations@khj-my.com for shareholders to make any query.

(iv) Annual Report

The Annual Report is a key communication channel for all the shareholders. The Annual Report is made easily available to shareholders and other stakeholders in a timely manner.

Shareholders can elect to receive a hard copy or an electronic copy of the Annual Report.

STATEMENT ON COMPLIANCE WITH BEST PRACTICES OF CODE

This statement was prepared in compliance with Rule 15.25 of the ACE LR of Bursa Securities and it is to be read together with the Corporate Governance Report 2019 of the Company which is available on the Company's corporate website: www.khj-my.com.

The Board was satisfied that the Company, though listed on 8 July 2019 has endeavoured to comply with the spirit and objectives of the Code during the financial year with regard to the Practices supporting the Principles, except as otherwise stated.

This statement was presented and approved at the Board of Directors' Meeting held on 3 June 2020.

ADDITIONAL
COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

The Company was listed on the ACE Market of Bursa Securities on 8 July 2019 in conjunction with its IPO, where the Company undertook a public issue of 76,000,000 new ordinary shares at an issue price of RM0.43 per share, resulting in an entire enlarged issued share capital of the Company comprising of 380,000,000 ordinary shares.

The gross proceeds raised from the IPO amounting to RM32.68 million have been utilised during the FYE2019 as follows:

Item	Purpose	Proposed utilisation	Actual utilisation	Balance unutilised	Intended timeframe for utilisation
		RM'000	RM'000	RM'000	
	Business expansion and capital expenditure				
1.	Expansion of retail network	10,000	1,673	8,327	Within 36 months
2.	Expansion of Toys range by opening and operating The Entertainer toy outlets	5,000	418	4,582	Within 36 months
3.	Revamp and upgrade the Company's back-end and information technology infrastructure system and e-commerce platform	3,000	20	2,980	Within 36 months
4.	Expansion or relocation of the Company's existing outlets	2,000	–	2,000	Within 36 months
	Working Capital				
5.	To support the day-to-day operations cost of KHJ Group, including inventory and operational overheads, maintenance and upkeep, expansion of workforce, and advertisement and promotional activities	4,880	2,301	2,579	Within 24 months
6.	Expansion of product range offered under the distribution segment	4,000	1,375	2,625	Within 24 months
7.	Listing expenses	3,800	3,800	–	Within 3 months
	Total	**32,680**	**9,587**	**23,093**	

2. AUDIT FEES AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred by services rendered to the Company and Group by the external auditors for the FYE2019 were as follows:

Fees	Group (RM)	Company (RM)
Audit fees	146,000	90,000
Non-audit fees	11,250	11,250
TOTAL	**157,250**	**101,250**

Details of the non-audit fees rendered by the External Auditors is disclosed on page 101, Note 6 to the Financial Statements of this Annual Report.

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors and/or major substantial shareholders' interest during the FYE2019.

4 RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE

The disclosure of the recurrent related party transactions conducted during the financial year ended 31 December 2019 to the latest practicable date are set out in the Circular to Shareholders dated 30 June 2020 and page 125, Note 26 of the Financial Statements.

AUDIT COMMITTEE REPORT

The Board is pleased to present the AC Report for the FYE2019, in compliance with Rule 15.15(1) of the ACE LR of Bursa Securities.

COMPOSITION

The AC comprises four (4) members, and all of them are Independent Non-Executive Directors, in compliance with Rule 15.09(1)(b) of the ACE LR and Practice 8.4 of the MCCG. All the members of the AC satisfied the test of independence under the ACE LR and also met the requirements of the MCCG.

The composition of the AC is as follows:

Directors	Designation	Directorship
Chew Soo Lin	Chairman	Senior Independent Non-Executive Director
Yen Se-Hua Stewart	Member	Independent Non-Executive Director
Kor Yann Ning	Member	Independent Non-Executive Director
Hew Moh Yung	Member	Independent Non-Executive Director

The Chairman of the AC, Mr. Chew Soo Lin, is a Senior Independent Non-Executive Director. In this respect, the Company complies with Rule 15.10 of the ACE LR. Furthermore, in compliance with Practice 8.1 of the MCCG, the Chairperson of the AC is not the Chairman of the Board.

In addition, Ms. Kor Yann Ning is a member of Certified Practising Accountants Australia and Malaysian Institute of Accountants. In this respect, the Company complies with Rule 15.09(1)(c) of the ACE LR. Mr. Chew Soo Lin was also formerly a member of the Institute of Chartered Accountants in England and Wales.

Assessment on the Term of Office and Performance of the AC

The NC reviewed the term of office and performance of the AC as well as whether its members have carried out their duties in accordance with the Terms of Reference of AC for FYE2019.

Upon review, the NC was satisfied with the overall performance of the AC and its individual members for FYE2019 and had reported its satisfaction to the Board for notation.

Formal Assessment on the External Auditors

In compliance with Practice 8.3 of the MCCG, the AC has established the EA Policy to assess the suitability, objectivity and independence of the External Auditors on an annual basis, prior to making their recommendation to the Board to seek shareholders' approval for the re-appointment of External Auditors for the ensuing year.

The AC had reviewed the independence and effectiveness of the External Auditors and was of the view that the External Auditors had discharged their responsibilities in a satisfactory manner and the AC is satisfied with their competency, functioned effectively and have received adequate authority from the Company and Management in order to carry out their work during the financial year under review and recommended to the Board the re-appointment of Messrs. Deloitte PLT as External Auditors for the FYE2020. The Board has in turn, recommended the same for shareholders' approval at the forthcoming Annual General Meeting of the Company.

COMPOSITION (CONT'D)

Provision of Non-Audit Services

The EA Policy encapsulated the Company's procedures on the circumstances where the External Auditors or its affiliates could be engaged to perform non-audit services that are not, and are not perceived to be, in conflict with the role of the External Auditors. This excludes audit related work in compliance with statutory requirements.

Before appointing the External Auditors to undertake any non-audit services, Management would be required to assess as to whether such appointment would create a threat to the External Auditors' independence or objectivity on the statutory audit of the Company's financial statements, including any safeguards that are available to address such a threat. The EA Policy also sets out the approval threshold for non-audit services rendered by the External Auditors or its affiliates.

MEETINGS AND ATTENDANCES

The AC held a total of four (4) meetings during the FYE2019 and the details of members' attendance are as follows:

Members	Total no. of meetings attended	%
Chew Soo Lin	4/4	100
Yen Se-Hua Stewart	4/4	100
Kor Yann Ning	4/4	100
Hew Moh Yung*	1/1	100

*Appointed on 26 August 2019

The lead audit partner of the External Auditors responsible for the Group had attended two (2) AC meetings held in FYE2019.

The External Auditors were encouraged to raise with the AC any matters they considered important to bring to the AC's attention.

The Chairman of the AC also sought information on the communication flow between the External Auditors and the Management which is necessary to allow unrestricted access to information for the External Auditors to effectively perform their duties.

Notices of the AC Meeting were sent to the AC Members at least seven (7) days in advance in accordance with the Terms of Reference of the AC. Upon that, the Management will then compile the relevant meeting papers for dissemination to the AC by email.

All deliberations during the AC Meeting were duly minuted. Minutes of the AC Meetings were tabled for confirmation at every succeeding AC Meeting.

The Chairman of the AC presented the AC's recommendations together with the respective rationale to the Board for approval of the annual audited financial statements and the unaudited quarterly financial results. As and when necessary, the Chairman of the AC would convey to the Board, matters of significant concern raised by the Internal or External Auditors. The outsourced professional Internal Auditors, Sterling, were invited to attend AC Meetings to table their respective internal audit reports.

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The Terms of Reference of the AC have been approved by the Board and are available for viewing at the Company's website at www.khj-my.com.

SUMMARY OF WORK OF THE AUDIT COMMITTEE

During the FYE2019, the summary of works undertaken by the AC comprised the following:-

1. **Financial Reporting**

    a. Reviewed the unaudited quarterly financial results for recommendation to the Board for approval and release to Bursa Securities;

    b. Reviewed the business plan and budget of the Group for FYE2019 for recommendation to the Board for approval;

    c. Reviewed the identified significant matters, unusual events and assumptions highlighted in the quarterly financial results;

    d. Reviewed the draft audited financial statements of the Group for the FYE2018 for recommendation to the Board for approval; and

    e. Reviewed the Group's compliance with the Malaysian Financial Reporting Standards, Rule 9.22 and Appendix 9B of the ACE LR of Bursa Securities, and other applicable approved accounting standards and regulatory requirements in Malaysia.

2. **External Auditors**

    a. Discussed and reviewed with the External Auditors, the applicability and impact of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board;

    b. Discussed significant accounting and auditing issues, the impact of new or proposed changes in accounting standards and regulatory requirements; and

    c. Reviewed the Audit Planning Memorandum prepared by External Auditors; and

    d. Reviewed the audit fees for FYE2019 for recommendation to the Board for approval.

3. **Related Party Transactions**

    a. Reviewed all recurrent related party transactions ("RRPTs") entered into by the Group to ensure that the transactions entered into were on an arm's length basis and not detrimental to the interests of minority shareholders; and

    b. Notation on the application by the Company's Sponsors to Bursa Securities for an extension of time to enable the Company to obtain the shareholders' ratification and shareholders' mandate for the RRPTs entered into from the date of listing on 8 July 2019 until the Company's forthcoming General Meeting.

4. **Internal Audit**

    a. Discussed and approved the appointment of Internal Auditors, Sterling; and

    b. Reviewed the Internal Audit Planning Memorandum prepared by Internal Auditors.

SUMMARY OF WORK OF THE AUDIT COMMITTEE (CONT'D)

During the FYE2019, the summary of works undertaken by the AC comprised the following:- (Cont'd)

5. Other Activities

a. Reviewed the revised TOR of AC for recommendation to the Board for approval.

b. Reviewed the EA Policy and Related Party Transactions Policy and Procedures for recommendation to the Board for approval.

c. Reviewed the First Interim Single-Tier Tax Exempt Dividend proposal for recommendation to the Board for approval.

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Group's internal audit function is carried out by an independent external firm of professional Internal Auditors , Sterling, headed by its Director, Ms. So Hsien Ying, who is a Certified Internal Control Professional and an Associate Member of Institute of Internal Auditors Malaysia. The IA reports directly to the AC on its activities based on the approved Internal Audit Plan, designed to cover entities across all level of operations within the Group, and the extent of compliance of such entities within the Group's established policies and procedures.

The Internal Audit assignments are designed to review and assess the procedures, systems and controls whether they are adequate and effective to meet the requirement of:

- Compliance with applicable laws and regulations and Standard Operation Procedures ("SOP");
- Reliability and integrity of information;
- Safeguarding of financial assets; and
- Operational efficiency and effectiveness.

Further details of the activities of internal audit function are set out in the Statement on Risk Management and Internal Control.

The total cost incurred for the internal audit function of the Group for FYE2019 is RM12,500.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Rule 15.26(b) of the ACE LR of Bursa Securities, the Board of Directors is pleased to provide the Statement on the Risk Management and Internal Control of the Group, which outlines the nature and features of risk management and internal controls within the Group to safeguard shareholders' investments and the Group's assets for the FYE2019.

BOARD RESPONSIBILITIES

The Board recognises the importance of maintaining a sound system of risk management and internal control. The Board acknowledges its responsibilities to:

1.Identify key risks and ensure implementation of appropriate control measures to manage the risks; and

2.Review the adequacy and integrity of the internal control system.

The Board, through its RMC, has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the RMC on a periodic basis.

The system is designed to manage rather than eliminate the risk of failure to achieve the corporate objectives and to provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

Key Senior Management staff and Heads of Department are delegated with the responsibility to manage risks of their respective areas of responsibilities. In the Management meetings, key risks and mitigating controls are deliberated. Risks identified are prioritised in terms of likelihood of occurrence and its impact on the achievement of the Group's business objectives. Significant risks affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings.

The abovementioned risk management practices of the Group serve as the ongoing process used to identify, evaluate and manage significant risks. The Board shall continue to evaluate the Group's risk management process to ensure it remains relevant to the Group's requirements. During the financial year under review, the RMC met on 29 November 2019.

As part of the risk management process, a Registry of Risk and a Risk Management Handbook had been prepared. The Risk Management Handbook summarises risk management methodology, approach and processes, roles and responsibilities, and various risk management concepts. The respective risk owners are accountable to identify risks and to ensure that adequate control systems are implemented to mitigate risks faced by the Group. The process of identifying, evaluating, monitoring and managing risks is embedded in various work processes and procedures of the respective operational functions and management team.

RISK MANAGEMENT FRAMEWORK (CONT'D)

The key elements of the Group's risk management framework include:

- A Risk Management Working Group to monitor any instances involving material breaches or potential breaches to the Group's risk management strategies;
- Report to the RMC in connection with the Group's annual reporting responsibilities in relation to matters pertaining to the Group's risk management strategy; and,
- Undertake an independent review on an annual basis, in accordance with the Group's risk management framework and to make recommendations to the RMC in connection with changes required to be made to the Group's risk management strategy.
- The RMC reviews its own Terms of Reference to ensure that it is operating effectively, recommending any changes it considers necessary to the Group.
- The Risk Management Working Group updates the RMC on the Group's risk profile and reports any new significant risks.

INTERNAL AUDIT

The Group was listed on the ACE Market of Bursa Securities on 8 July 2019. In preparation for the listing exercise, the Company engaged Sterling an independent professional consulting firm, to conduct an independent review of the Group's system of internal control. Sterling is free from any relationships or conflicts of interest, which could impair their objectivity and independence of the internal audit function. Sterling does not have any direct operational responsibility or authority over any of the activities audited.

Sterling was allowed complete and unrestricted access to all documents and records of the Group deemed necessary in the performance of its function and they independently reviewed the risk identification procedures and control processes implemented by the Management. They also reviewed the internal controls in the key activities of the Group's business based on the risk profiles of the Group. None of the internal control weaknesses noted has resulted in any material loss, contingency and uncertainty that would require separate disclosure in the Annual Report.

Subsequent to the listing, the Group continued to outsource its internal audit function to Sterling. The Group's internal audit function assesses the adequacy and integrity of the internal control system and reports directly to the AC. Sterling uses the Committee of Sponsoring Organizations of the Treadway Commission - Internal Control (COSO - IC) Integrated Framework as a basis for evaluating the effectiveness of the internal control system. An annual internal audit plan for 2019 was approved by the AC and carried out. The independent assessment on the internal control of the Group was undertaken on a quarterly basis.

The results of the internal audit review and the recommendations for improvement were presented to the AC. For the FYE2019, the Outsourced Internal Auditors have successfully conducted one (1) review on the business processes in accordance with the approved annual internal audit plan. The results of the internal audit review and, where applicable, recommendations for improvement were presented at the scheduled Audit Committee meetings.

Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report. Nevertheless, for areas requiring attention, measures have been and are being taken to ensure ongoing adequacy and effectiveness of internal controls and to safeguard shareholders' investments and the Group's assets.

KEY FEATURES OF INTERNAL CONTROL

As at the date of this Statement, the key features of the Group's internal control are as follows:

1. **Organisational Structure**

   A clear and well-defined organisational structure taking into account the business and operational requirements of the core businesses of the Group which limits the respective levels of authority, accountability and responsibility of job functions and specifications.

2. **Regular Review of the Financial Performance of the Group**

   The AC and the Board would set an agenda in their respective meetings to conduct the review on the financial performance of the Group on a quarterly basis. In addition, Management meetings are held regularly when necessary to raise issues, discuss, review and monitor the business development and resolve operational and management issues and review financial performances against the business plans, the target and the budgets, if any, for each division.

3. **Internal Policies and Procedures**

   There are clearly defined and formalised internal policies and procedures in place to support the group in achieving its corporate objectives. These policies and procedures provide a basis for ensuring compliance with applicable laws and regulations, and also internal control with respect to the conduct of business.

4. **Internal Audit Function**

   In view of the limited resources available in the Group, the internal audit function has been outsourced to an independent professional firm for greater independence and accountability in the internal audit function.

5. **Whistleblowing Policy**

   The Company has established a Whistleblowing Policy and Procedure which is made available on the Company's website. It's intended to assist the reporting individual to report to the appropriate channel, any information which the individual believes to involve malpractice or impropriety.

REVIEW OF THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY THE EXTERNAL AUDITOR

The External Auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

The Board, with assurance from the Managing Director, Executive Director and CFO for the FYE2019, is satisfied that the nature and scope of the system of risk management and internal control of the Group have been generally adequate and effective in mitigating identified risks to achieve its business objectives. Nevertheless, the Board is also cognisant of the fact that the Group's system of risk management and internal control practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of risk management and internal control.

This Statement is made in accordance with the resolution of the Board dated 3 June 2020.

STATEMENT OF **DIRECTORS' RESPONSIBILITY** in respect of the preparation of financial statements

In accordance with the Companies Act 2016 and the applicable approved accounting standards, the Directors are required to prepare annual financial statements that give a true and fair view of the financial position and the results and cash flows of the Group and of the Company for that financial year then ended.

The Directors have reviewed the accounting policies to ensure that they are consistently applied throughout the financial year and are of the view that relevant approved accounting standards have been followed in the preparation of these financial statements. In cases where judgements and estimations were made, they were based on reasonableness and prudence.

The Directors have relied on the system of internal controls to ensure that the information generated for the preparation of the financial statements from the underlying accounting records are accurate and reliable.

The Directors are responsible for ensuring that the Company maintains accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the provisions of the Act.

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

This Statement on Directors' Responsibility for preparing the financial statements is approved by the Board on 3 June 2020.

KIM HIN JOO (MALAYSIA) BERHAD
197801000642 (37655-U)

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors of KIM HIN JOO (MALAYSIA) BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is retailing of maternity, baby and children's wear and product. Other information relating to subsidiary companies is as disclosed in Note 12 to the financial statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit for the year	9,419,934	5,990,398
Attributable to:		
Owners of the Company	9,419,934	5,990,398

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

On 26 August 2019, the Company had declared a first interim single tier tax-exempt dividend of 0.5 sen per ordinary share amounted to RM1,900,000 in respect of the financial year ended 31 December 2019, which was paid on 11 October 2019.

On 27 February 2020, the Company had declared a second interim single tier tax-exempt dividend of 1.0 sen per ordinary share amounted to RM3,800,000 in respect of the financial year ended 31 December 2019. The entitlement date was on 12 March 2020 and the dividend was paid on 10 April 2020. The financial statements for the current financial year do not reflect this second interim single tier tax-exempt dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

The directors do not recommend any final dividend in respect of the current financial year ended 31 December 2019.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year, other than as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued ordinary share capital from 304,000,000 ordinary shares to 380,000,000 ordinary shares by way of allotment of 76,000,000 new ordinary shares at an issue price of RM0.43 each for total cash consideration of RM32,680,000 pursuant to the Initial Public Offering of the Company on the ACE Market of Bursa Malaysia Securities Berhad on 8 July 2019.

The new ordinary shares issued during the financial year rank pari passu in all respect with the then existing ordinary shares.

The Company has not issued any new debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that there was no known bad debts to be written off and that no allowance for doubtful debts was required; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

(a) which would require the writing off of bad debts or the setting up of an allowance for doubtful debts in the financial statements of the Group and of the Company; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

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

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

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

No contingent or other liability 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, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made, other than as disclosed in subsequent events note.

DIRECTORS

The names of directors of the Company in office since the beginning of the financial year to the date of this report are:

Pang Kim Hin (m)	
Goh Poh Teng (f)*	
Pang Shu Ming (f)*	
Chew Soo Lin (m)	
Yen Se-Hua Stewart (m)	
Kor Yann Ning (f)	
Hew Moh Yung (m)	(Appointed on 26 August 2019)
Pang Fu Wei (m)	(Appointed on 27 February 2020)

* Directors of the Company and subsidiary companies.

DIRECTORS' INTERESTS

The interest in shares in the Company of those who were directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company undersection 59 of the Companies Act 2016 are as follows:

	Number of ordinary shares			
	At 1.1.2019	**Bought**	**Sold**	**At 31.12.2019**
Shares in the Company				
Direct interest				
Pang Kim Hin	–	11,289,900	–	11,289,900
Kor Yann Ning	–	800,000	–	800,000
Indirect interest				
Pang Kim Hin*	235,600,000	–	–	235,600,000
Chew Soo Lin	–	2,150,000	–	2,150,000
Goh Poh Teng	–	1,000,000	–	1,000,000

* By virtue of his interest in Kim Hin International Pte Ltd.

DIRECTORS' INTERESTS (CONT'D)

The interest in shares in the holding company of those who were directors at the end of the financial year are as follows:

	Number of ordinary shares			
	At 1.1.2019	**Bought**	**Sold**	**At 31.12.2019**
Shares in the holding company, Kim Hin International Pte Ltd				
Pang Kim Hin				
- Direct	985,000	–	–	985,000
- Indirect**	285,000	–	–	285,000

** By virtue of his interest in Queemay Holdings Pte Ltd and family members.

By virtue of the above director's interests in the shares of the holding company, the director is also deemed to have an interest in the shares of the Company and of the subsidiary companies to the extent that the holding company has an interest.

Other than as disclosed above, none of the other directors in office as at the end of the financial year held any interest in the shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefits included in the aggregate amount of directors' emoluments or the fixed salaries of full-time employees of the Company as disclosed in Note 6 to the financial statements) 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.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and officers of the Company is RM10,000,000 and RM12,000 respectively.

HOLDING COMPANY

The directors regard Kim Hin International Pte Ltd, a company incorporated in Singapore, as the holding company.

SIGNIFICANT EVENT

The details of a significant event during the year are as disclosed in Note 32 to the financial statements.

SUBSEQUENT EVENT

The details of a subsequent event are as disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended 31 December 2019 is as disclosed in Note 6 to the financial statements.

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

PANG SHU MING

GOH POH TENG

Selangor

INDEPENDENT AUDITORS' REPORT

To The Members Of Kim Hin Joo (Malaysia) Berhad
(Incorporated In Malaysia)

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of KIM HIN JOO (MALAYSIA) BERHAD, which comprise the statements of financial position of the Group and of the Company as at 31 December 2019, 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 and other explanatory information, as set out on pages 78 to 142.

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 31 December 2019 and of their financial performance and their cash flows for the 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 report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

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.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Key audit matter	How the key audit matter was addressed in our audit
Adoption of MFRS 16 *Leases*	
MFRS 16 Leases introduces a new lease accounting model, where lessees are required to recognise a right-of-use ("ROU") asset and a lease liability arising from a lease on the statements of financial position. The Group and the Company adopted MFRS 16 from 1 January 2019 using the cumulative catch-up approach. The cumulative effect of adopting MFRS 16 is recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of comparative information. As at 31 December 2019, the Group and the Company recognised ROU assets of RM25,060,214 and RM22,708,730 respectively and lease liabilities of RM25,663,998 and RM23,248,017 respectively, representing 23% and 24% of the Group's and Company's total assets and 73% and 74% of the Group's and Company's total liabilities. Significant judgement is required in the assumptions and estimates used to determine the ROU assets and lease liabilities, which include the assessment of lease term and determination of appropriate incremental borrowing rates. The accounting policies and key sources of estimation uncertainties are disclosed in Note 3 and Note 4 respectively to the financial statements. The disclosures for ROU assets, lease liabilities of the Group and Company and effects of adoption of MFRS 16 are included in Notes 11, 22 and 34 respectively to the financial statements.	We performed, amongst others, the following audit procedures: (a) Obtained understanding of the Group's and the Company's process in identifying relevant contracts and evaluated the design and implementation of the relevant controls associated with management's process for determining the ROU assets and lease liabilities; (b) Obtained management's assessment of ROU assets and lease liabilities and agreed a selection of original lease contracts to the assessment. We also tested the reconciliation between lease liabilities to the operating lease commitments recognised in prior year; (c) Inspected the terms and conditions of lease contracts and evaluated whether leases have been appropriately identified. We assessed the appropriateness of the lease terms and application of lease modifications; (d) Traced the inputs used in management's assessment to original lease contracts and other supporting information; (e) Tested the mathematical accuracy of management's calculation of ROU assets and lease liabilities; (f) Evaluated the appropriateness of incremental borrowing rates adopted by the management; and (g) Assessed the adequacy and appropriateness of the disclosures in the financial statements.

REPORT ON THE AUDIT OF 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 or 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 this 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 the 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 Group's and the Company's ability 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 risk 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 Group's and of the Company's internal control.

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

REPORT ON THE AUDIT OF 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 Group's or the Company's ability 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 achieves fair presentation.

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current 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 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 company of which we have not acted as auditors, is disclosed in Note 12 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 towards any other person for the contents of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

SITI HAJAR BINTI OSMAN
Partner - 03061/04/2021 J
Chartered Accountant

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2019

	Note	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
Continuing operations					
Revenue	5	101,372,509	97,687,076	83,958,536	77,223,887
Cost of sales		(49,423,075)	(46,500,193)	(41,132,462)	(36,377,162)
Gross profit		51,949,434	51,186,883	42,826,074	40,846,725
Other operating income		1,168,257	885,591	743,869	5,884,300
Selling and marketing costs		(1,691,600)	(1,953,024)	(914,752)	(960,280)
Administration and other operating expenses		(37,138,002)	(34,654,969)	(33,151,039)	(30,536,570)
Finance costs		(839,316)	(13,193)	(733,564)	(13,193)
Profit before tax	6	13,448,773	15,451,288	8,770,588	15,220,982
Tax expense	7	(4,028,839)	(3,900,589)	(2,780,190)	(2,667,717)
Profit from continuing operations		9,419,934	11,550,699	5,990,398	12,553,265
Discontinued operations					
Loss from discontinued operations, net of tax	8	–	(438,354)	–	–
Profit and total comprehensive income for the year		9,419,934	11,112,345	5,990,398	12,553,265
Basic earnings/(loss) per ordinary share attributable to owners of the Company (sen)					
- from continuing operations	9	2.76	3.80		
- from discontinued operations	9	–	(0.14)		
Total basic earnings per share	9	2.76	3.66		
Total diluted earnings per share	9	N/A	N/A		

The accompanying Notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
As At 31 December 2019

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	4,486,882	4,074,021	4,132,090	3,476,998
Right-of-use assets	11	25,060,214	–	22,708,730	–
Investment in subsidiary companies	12	–	–	2,100,000	1,100,002
Deferred tax assets	13	548,680	169,272	506,162	169,272
Refundable deposits	16	2,724,791	–	2,644,441	–
Total Non-Current Assets		32,820,567	4,243,293	32,091,423	4,746,272
Current Assets					
Inventories	14	34,611,465	33,694,812	26,631,421	27,354,505
Trade receivables	15	1,202,538	1,454,452	273,387	289,871
Other receivables, deposits and prepaid expenses	16	1,954,009	5,571,352	1,309,920	4,672,162
Amount due from subsidiary companies	26	–	–	768,080	20,550
Amount due from other related companies	26	–	46,308	–	46,308
Tax recoverable		92,728	526,128	92,728	450,348
Fixed deposits with licensed banks	17	25,762,399	739,000	25,762,399	739,000
Cash and bank balances	18	14,473,260	6,851,329	7,335,803	5,857,039
Total Current Assets		78,096,399	48,883,381	62,173,738	39,429,783
Total Assets		110,916,966	53,126,674	94,265,161	44,176,055

Statements Of Financial Position (cont'd)

	Note	The Group 2019 RM	The Group 2018 RM	The Company 2019 RM	The Company 2018 RM
EQUITY					
Equity and Reserve					
Share capital	19	31,128,118	1,000,000	31,128,118	1,000,000
Retained earnings	20	44,833,508	37,746,748	31,509,361	27,822,137
Total Equity		75,961,626	38,746,748	62,637,479	28,822,137
LIABILITIES					
Non-Current Liabilities					
Lease liabilities	22	18,581,028	–	16,656,507	–
Deferred tax liabilities	13	364	8,126	–	–
Total Non-Current Liabilities		18,581,392	8,126	16,656,507	–
Current Liabilities					
Trade payables	24	4,111,012	8,427,019	3,779,336	8,427,019
Other payables, accrued expenses and provision	25	5,090,432	5,362,709	4,600,329	4,612,905
Amount due to subsidiary companies	26	–	–	–	1,731,922
Amount due to other related companies	26	29,619	582,072	–	582,072
Lease liabilities	22	7,082,970	–	6,591,510	–
Tax liabilities		59,915	–	–	–
Total Current Liabilities		16,373,948	14,371,800	14,971,175	15,353,918
Total Liabilities		34,955,340	14,379,926	31,627,682	15,353,918
Total Equity and Liabilities		110,916,966	53,126,674	94,265,161	44,176,055

The accompanying Notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2019

The Group	Note	Share capital RM	Distributable reserve - Retained earnings RM	Total equity RM
At 1 January 2018		1,000,000	61,118,692	62,118,692
Total comprehensive income for the year		–	11,112,345	11,112,345
Dividends	21	–	(34,484,289)	(34,484,289)
At 31 December 2018/ 1 January 2019				
As previously stated		1,000,000	37,746,748	38,746,748
Effect of adoption of MFRS 16	34	–	(433,174)	(433,174)
As restated		1,000,000	37,313,574	38,313,574
Total comprehensive income for the year		–	9,419,934	9,419,934
Issuance of ordinary shares	19	32,680,000	–	32,680,000
Share issuance expenses	19	(2,551,882)	–	(2,551,882)
Dividends	21	–	(1,900,000)	(1,900,000)
At 31 December 2019		31,128,118	44,833,508	75,961,626
The Company				
At 1 January 2018		1,000,000	49,753,161	50,753,161
Total comprehensive income for the year		–	12,553,265	12,553,265
Dividends	21	–	(34,484,289)	(34,484,289)
At 31 December 2018/ 1 January 2019				
As previously stated		1,000,000	27,822,137	28,822,137
Effect of adoption of MFRS 16	34	–	(403,174)	(403,174)
As restated		1,000,000	27,418,963	28,418,963
Total comprehensive income for the year		–	5,990,398	5,990,398
Issuance of ordinary shares	19	32,680,000	–	32,680,000
Share issuance expenses	19	(2,551,882)	–	(2,551,882)
Dividends	21	–	(1,900,000)	(1,900,000)
At 31 December 2019		31,128,118	31,509,361	62,637,479

The accompanying Notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For The Financial Year Ended 31 December 2019

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES				
Profit before tax from continuing operations	13,448,773	15,451,288	8,770,588	15,220,982
Loss before tax from discontinued operations	–	(341,934)	–	–
Total profit before tax	13,448,773	15,109,354	8,770,588	15,220,982
Adjustments for:				
Depreciation of property, plant and equipment	2,609,558	2,573,637	2,346,828	2,057,480
Amortisation of right-of-use assets	7,957,055	–	7,413,771	–
Lease interest expenses	825,291	–	719,539	–
Inventories written off	283,098	396,274	257,429	265,319
Unrealised loss/(gain) on foreign exchange	59,475	(33,432)	55,126	(37,956)
Allowance for slow moving inventories	56,604	–	43,863	–
Finance costs on unwinding of interest expense of provision for restoration cost (Note 24)	14,025	13,193	14,025	13,193
Property, plant and equipment written off	7,787	1,400	–	–
Loss on disposal of property, plant and equipment	92	–	92	–
Interest income (Note 6)	(562,486)	(207,627)	(512,530)	(134,600)
Unwinding of interest income - refundable deposit	(143,743)	–	(139,378)	–
Finance costs on borrowing	–	2,630	–	–
Allowance for doubtful debts no longer required	–	(3,509)	–	–
Gain on disposal of a subsidiary company	–	(214,464)	–	(1,528,289)
Allowance for slow moving inventories no longer required	–	(219,442)	–	(198,696)
Dividend income	–	–	–	(4,000,000)
Operating Profit Before Working Capital Changes	24,555,529	17,418,014	18,969,353	11,657,433
(Increase)/Decrease in:				
Inventories	(1,256,355)	(6,381,741)	421,792	(6,264,116)
Trade receivables	251,914	477,450	16,484	355,210
Other receivables, deposits and prepaid expenses	521,825	(697,400)	369,182	(671,855)
(Decrease)/Increase in:				
Trade payables	(4,385,726)	1,230,289	(4,714,889)	1,639,874
Other payables and accrued expenses	(286,302)	(882,445)	(26,601)	(856,126)
Cash Generated From Operations	19,400,885	11,164,167	15,035,321	5,860,420
Income tax paid	(3,786,022)	(4,904,501)	(2,632,141)	(3,519,752)
Income tax refunded	120	–	–	–
Net Cash From Operating Activities	15,614,983	6,259,666	12,403,180	2,340,668

Statements Of Cash Flows (cont'd)

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES				
Interest income received	562,486	207,627	512,530	134,600
Decrease/(Increase) in amount due from other related companies	46,308	(46,666)	46,308	(46,666)
Proceed from disposal of property, plant and equipment	1,600	–	1,600	–
Acquisition of property, plant and equipment	(3,105,014)	(1,844,715)	(3,070,193)	(1,671,384)
Additional investment in a subsidiary company (Note 21)	–	–	(999,998)	–
(Increase)/Decrease in amount due from subsidiary companies	–	–	(747,530)	1,174,304
Net cash outflow on disposal of a subsidiary company (Note 27)	–	(574,965)	–	–
Dividend received from a subsidiary company	–	–	–	4,000,000
Net Cash (Used In)/From Investing Activities	(2,494,620)	(2,258,719)	(4,257,283)	3,590,854
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES				
Proceeds from issuance of ordinary shares	32,680,000	–	32,680,000	–
Payment of share issuance expenses	(2,551,882)	–	(2,551,882)	–
Repayment of lease liabilities (Note 22)	(7,338,110)	–	(6,843,864)	–
Interest paid (Note 22)	(825,291)	–	(719,539)	–
Dividends paid	(1,900,000)	(12,000,000)	(1,900,000)	(12,000,000)
(Decrease)/Increase in amount due to other related companies (Note 23)	(556,052)	2,583	(586,294)	342,555
(Decrease)/Increase in amount due to subsidiary companies (Note 23)	–	–	(1,738,457)	1,681,792
Drawdown of borrowing (Note 23)	–	126,000	–	–
Repayment of borrowing (Note 23)	–	(135,869)	–	–
Decrease in amount due to holding company (Note 23)	–	(77,146)	–	(38,615)
Fixed deposits pledged	–	(739,000)	–	(739,000)
Net Cash From/(Used In) Financing Activities	19,508,665	(12,823,432)	18,339,964	(10,753,268)

Statements Of Cash Flows (cont'd)

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	32,629,028	(8,822,485)	26,485,861	(4,821,746)
Effects of exchange rate differences on the balance of cash held in foreign currencies	16,302	(21,847)	16,302	(20,546)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,851,329	15,695,661	5,857,039	10,699,331
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 18)	39,496,659	6,851,329	32,359,202	5,857,039

The accompanying Notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public company, incorporated and domiciled in Malaysia. On 8 July 2019, the entire issued share capital of the Company was listed on the ACE Market of Bursa Malaysia Securities Berhad.

The consolidated financial statements of the Company as at the end of the reporting period comprise the Company and its subsidiary companies (together referred to as the “Group”).

The principal activity of the Company is retailing of maternity, baby and children’s wear and product. Other information relating to subsidiary companies is disclosed in Note 12.

The holding company is Kim Hin International Pte Ltd (“KHI”), a company incorporated in Singapore, which is also regarded by the directors as the ultimate holding company.

The registered office and principal place of business of the Company is located at Wisma Pang Cheng Yean, Lot 5205C, Jalan Perindustrian Balakong Jaya 1/3, Kawasan Perindustrian Balakong Jaya, 43300 Seri Kembangan, Selangor Darul Ehsan.

The financial statements were approved by the Board of Directors for issuance on 3rd June 2020.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These 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.

The financial statements are presented in Ringgit Malaysia (“RM”).

Adoption of New Malaysian Financial Reporting Standards, Amendments and Issues Committee Interpretation (“IC Interpretation”)

In the current financial year, the Group and the Company adopted all the new MFRSs, Amendments to MFRSs and IC Interpretation issued by the Malaysian Accounting Standards Board (“MASB”) that are relevant to their operations and effective for annual financial periods commencing on or after 1 January 2019:

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2015 - 2017 Cycle	

The adoption of these new MFRSs, Amendments to MFRSs and IC Interpretation did not result in significant changes in the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as disclosed in Note 34.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

New Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new MFRSs and Amendments to MFRSs that are relevant to the Group and the Company which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

Amendments to MFRS 3	Definition of a Business[1]
Amendments to MFRS 101 and MFRS 108	Definition of Material[1]
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current[2]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards[1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective date deferred to a date to be determined and announced by MASB

The directors anticipate that abovementioned new MFRSs and Amendments to MFRSs will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these new Standards and Amendments will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies stated below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of MFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiary Companies and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiary companies. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary company and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses of a subsidiary company acquired or disposed of during the period are included in the statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiary companies are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiary companies that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in its relative interests in the subsidiary companies. Any difference between the amount by which the non-controlling interests are adjusted at the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiary Companies and Basis of Consolidation (cont'd)

Where the Group loses control of a subsidiary company, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interests, and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary company are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 - *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business Combinations

Acquisitions of subsidiary companies and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or a liability are accounted for in accordance with relevant MFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under MFRS 3 (revised) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or deferred tax liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits*, respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with MFRS 2 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items of which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue

The Group's and the Company's revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer.

A contract with their customer exists when the contract has commercial substance, the Group and the Company and their customers have approved the contract and intend to perform their respective obligations, the Group's and the Company's and the customers' rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Company will collect the consideration to which it will be entitled to in exchange of those goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and service tax. If the amount of consideration varies due to discounts, rebates, penalties or other similar items, the Group and the Company estimate the amount of consideration that it expects to be entitled based on the expected value method or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Specific revenue recognition criteria for revenue and interest income earned by the Group and by the Company, are as follows:

Sale of goods

The Group and the Company distribute their maternity, babies' and children's wear and product both to the retail market and directly to customers through their retail outlets.

For sale of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods. This is the point when performance obligation is satisfied by given consideration to the significant payment terms and nature of goods or services promised.

For sale of goods to the retailers, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the retailer's specific location (delivery), net of discounts and returns. Following delivery, the retailer has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods. Receivables are recognised by the Group and the Company when the goods are delivered to the retailer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time if required before payment is due.

For consignment sale of goods, the Group delivers goods to the consignees but retain control of the goods. The Group does not recognise revenue on delivery of the goods to the consignee. Revenue is only recognised when the control is transferred to the end customers.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currencies

Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Foreign currency transactions

The individual financial statements of each individual entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements of the Group and of the Company, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company and the presentation currency in the financial statements of the Group and of the Company.

In preparing the financial statements of individual entity, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period, calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is recognised as a liability (or an asset) to the extent that it is unpaid (or recoverable).

Deferred tax is provided for, using the "liability" method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

The carrying amount of deferred tax assets, if any, is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle their current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee Benefits

Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group and of the Company.

Defined contribution plan

The Group and the Company are required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a statutory defined contribution plan for all their eligible employees based on certain prescribed rates of the employees' applicable remuneration. Contributions are charged to profit or loss in the period in which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

Impairment of Assets

At the end of each reporting period, the Group and the Company review the carrying amounts of their tangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases

As Lessee

Accounting policies applied from 1 January 2019

The Group and the Company assess whether a contract is or contains a lease, at inception of the contract. The Group and the Company recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use the incremental borrowing rate specific to the lessee.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (cont'd)

As Lessee (cont'd)

Accounting policies applied from 1 January 2019 (cont'd)

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability by using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability and make a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- the lease payments change due to changes in an index or a rate or change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Refundable deposit paid is a collateral provided to the lessor and is a financial asset. It is initially recognised at fair value and subsequently measured at amortised cost. The difference between the nominal amount and fair value of the refundable deposit at the commencement date represents an additional prepaid lease payment, is included in initial carrying amount of right-of-use assets.

Whenever the Group and the Company incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, to the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (cont'd)

As Lessee (cont'd)

Accounting policies applied from 1 January 2019 (cont'd)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statements of financial position.

The Group and the Company apply MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

Accounting policies applied until 31 December 2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. However, contingent rentals arising from operating leases are recognised as an expense in a manner consistent with the basis on which they are determined.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss. The cost of an item of property, plant and equipment includes the costs of its dismantlement, removal or restoration, the obligation for which the Group and the Company incur as a consequence of installing the item, discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and to the Company and the cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment (cont'd)

Freehold land was not depreciated. Depreciation of other property, plant and equipment is computed using the straight-line method at rates based on their estimated useful lives. The annual depreciation rates used are as follows:

Buildings	3%
Motor vehicles	20%
Computer equipment	33%
Renovations - Office	20% - 33%
Renovations - Stores	Over the period of lease
Furniture and fittings - Office	20% - 33%
Furniture and fittings - Stores	Over the period of lease
Electrical fittings - Office	20% - 33%
Electrical fittings - Stores	Over the period of lease
Operating equipment	20%
Display equipment	33%
Office equipment	20% - 33%

At the end of each reporting period, the residual values, useful lives and depreciation method of the property, plant and equipment are reviewed, and the effects of any changes in estimates are recognised prospectively.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Inventories

Inventories, which consist mainly of trading merchandise, are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs. Cost is determined on the weighted average basis which approximates actual purchase cost and includes all costs in bringing the inventories to their present location and condition.

Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

At the end of each reporting period, provisions are revised by the directors and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group and the Company will be required to settle the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Instruments

Financial assets

Classification

The Group and the Company classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through profit or loss or other comprehensive income); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading and the Group and the Company had made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVTOCI"), gains and losses will be recorded in other comprehensive income except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

The Group and the Company reclassify their debt investments when and only when their business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Debt instruments (cont'd)

FVTOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses).

FVTPL

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or a loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the group's management has made an irrevocable election to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Impairment of Financial Assets

The Group and the Company assess on a forward looking basis the expected credit losses associated with their debt instruments carried at amortised cost and at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company have the following financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Refundable deposits
- Amount due from subsidiary companies
- Amount due from other related companies

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between the present value of contractual cash flows and the present value of cash flows that the Group and the Company expect to receive, over the remaining life of the financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Financial Assets (cont'd)

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(a) General 3-stage approach for other receivables, refundable deposits, amount due from subsidiary companies and other related companies

At the end of each reporting period, the Group and the Company measure ECL through a loss allowance at an amount equal to the 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. The Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition.

(b) Simplified approach for trade receivables

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

At the end of each reporting period, 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 full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery of amounts due.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability or an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of direct attributable transactions costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'at amortised cost'.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities and equity instruments (cont'd)

Financial liabilities measured subsequently at amortised cost

Financial liabilities measured subsequently at amortised cost, including trade payables, other payables and accrued expenses, amount due to subsidiary companies, amount due to other related companies and lease liabilities, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Segment reporting

For management purposes, the Group is organised into operating segments based on their operations, which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents comprise fixed deposits with licensed banks and cash on hand and bank balances which are short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Group's and the Company's accounting policies

In the process of applying the Group's and the Company's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period except for the following:

(a) Lease terms and incremental borrowing rate in relation to leases

The measurement of the right-of-use asset and lease liability for leases where the Group and the Company are lessees require the use of significant assumptions and estimates, such as lease term and incremental borrowing rate.

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The Group and the Company cannot readily determine the interest rate implicit in the lease, therefore, they use the incremental borrowing rate ("IBR") to measure lease liabilities. In determining the incremental borrowing rate, the Group and the Company first determine the closest borrowing rate before using significant judgement to determine the adjustments required to reflect the term, security and value of economic environment of the respective leases.

(b) Allowance for slow moving inventories

The Group and the Company review the inventory aged listing on a periodic basis. The purpose is to ascertain whether an allowance is required in the financial statements for any slow moving items. In addition, the Group and the Company conduct physical counts on their inventories on a periodic basis in order to determine whether any allowance is required to be made.

At the end of the reporting period, allowance for slow moving inventories provided by the Group and the Company amounted to RM68,064 and RM54,434 (2018: RM45,137 and RM44,248) as disclosed in Note 14.

(c) Provision for restoration costs

The Group and the Company use best estimates as the basis for measuring a provision. Management evaluates the estimates based on the Group's and the Company's historical experiences and other inputs or assumptions, current developments and future events that are reasonably possible under the particular circumstances. A referenced contractor price or market price is used as the best estimate. If an obligation is to be settled over time, the expected outflows are discounted at a rate that takes into account the time value of money and the risk that the actual outcome might differ from the estimates made.

5. REVENUE

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trading of baby, children's apparels and maternity products:				
Retail	85,730,733	80,253,650	83,958,536	77,223,887
Distribution	15,641,776	17,433,426	–	–
	101,372,509	97,687,076	83,958,536	77,223,887
Timing of revenue recognition:				
At a point in time	101,372,509	97,687,076	83,958,536	77,223,887

6. PROFIT BEFORE TAX

(i) The operating costs, classified by nature, applicable to revenue, are as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Continuing operations				
Purchase of trading goods	50,000,025	52,528,270	40,108,086	42,508,032
Net change in inventories of trading goods and goods-in-transit	(916,653)	(6,204,909)	723,084	(6,197,493)
Employee benefits expense	13,447,110	12,120,669	11,308,400	9,803,631
Rental of premises	–	10,794,559	–	10,616,176
Variable lease payments not included in the measurement of lease liabilities	4,230,871	–	4,230,871	–
Amortisation of right-of-use assets (Note 11)	7,957,055	–	7,413,771	–
Depreciation of property, plant and equipment (Note 10)	2,609,558	2,324,245	2,346,828	2,057,480
Management services fees	4,407,745	4,166,522	4,407,745	4,166,522
Other operating expenses	6,516,966	7,378,830	4,659,468	4,919,664
	88,252,677	83,108,186	75,198,253	67,874,012
Discontinued operations (Note 8)				
Depreciation of property, plant and equipment (Note 10)	–	249,392	–	–
Other operating expenses	–	89,912	–	–
	–	339,304	–	–

6. PROFIT BEFORE TAX (CONT'D)

(ii) Profit before tax has been arrived at after charging/(crediting):

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Continuing operations				
Listing expenses	699,829	867,980	699,829	867,980
Inventories written off (Note 14)	283,098	396,274	257,429	265,319
Allowance for slow moving inventories (Note 14)	56,604	–	43,863	–
Allowance for slow moving inventories no longer required (Note 14)	–	(219,442)	–	(198,696)
Auditors' remuneration:				
Statutory	146,000	138,886	90,000	82,680
Other services	11,250	6,250	11,250	6,250
Property, plant and equipment written off	7,787	1,400	–	–
Loss on disposal of property, plant and equipment	92	–	92	–
(Gain)/Loss on foreign exchange:				
Realised	(102,295)	(106,688)	(73,955)	(45,778)
Unrealised	59,475	(33,432)	55,126	(37,956)
Gain on disposal of a subsidiary company (Note 27)	–	(214,464)	–	(1,528,289)
Allowance for doubtful debt no longer required (Note 15)	–	(3,509)	–	–
Interest income	(562,486)	(207,627)	(512,530)	(134,600)
Finance costs:				
Unwinding of interest expense of provision for restoration costs (Note 25)	14,025	13,193	14,025	13,193
Lease interest expense (Note 22)	825,291	–	719,539	–
	839,316	13,193	733,564	13,193
Unwinding of interest income-refundable deposits	(143,743)	–	(139,378)	–
Dividend income	–	–	–	(4,000,000)
Lease payments relating to low value assets	33,043	–	17,323	–
Discontinued operations				
Auditors' remuneration	–	1,167	–	–
Finance costs on borrowings (Note 8)	–	2,630	–	–

Employee benefits expense includes salaries, bonuses, contributions to EPF and all other staff related expenses. Contributions to EPF by the Group and by the Company during the current financial year amounted to RM1,214,993 and RM1,008,218 (2018: RM1,189,463 and RM952,844) respectively.

6. PROFIT BEFORE TAX (CONT'D)

(a) Directors' remuneration of the Group and of the Company classified into executive and non-executive directors are as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive directors:				
Fees	46,000	7,500	46,000	7,500
Salaries and bonus	680,450	241,700	657,450	221,000
Contributions to EPF	34,614	29,004	31,854	26,520
Other emoluments	–	57,500	–	57,500
	761,064	335,704	735,304	312,520
Non-executive directors:				
Fees	159,819	26,250	159,819	26,250

The estimated monetary value of non-cash benefits-in-kind received and receivable by a director from the Group and the Company amounted to RM6,010 (2018: RM760).

(b) The remuneration of members of key management personnel, other than the directors of the Group and of the Company was as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries and bonus	867,468	939,350	655,382	557,191
Contributions to EPF	101,816	110,937	78,333	66,355
Other emoluments	54,328	56,850	2,113	56,850
	1,023,612	1,107,137	735,828	680,396

The estimated monetary value of non-cash benefits-in-kind received and receivable by the key management personnel, other than the directors of the Group and of the Company amounted to RM4,307 and RM3,040 (2018: RM4,560 and RM3,040) respectively.

7. TAX EXPENSE

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Continuing operations				
Estimated tax payable:				
Current year	4,013,188	3,736,822	2,707,272	2,497,652
Real Property Gains Tax ("RPGT")	–	76,414	–	76,414
Under/(Over) provision in prior years	266,029	(51,868)	282,489	(59,883)
	4,279,217	3,761,368	2,989,761	2,514,183
Deferred tax (Note 13):				
Origination of temporary differences	(303,457)	88,523	(261,861)	102,836
Underprovision in prior years	53,079	50,698	52,290	50,698
	(250,378)	139,221	(209,571)	153,534
Tax expense	4,028,839	3,900,589	2,780,190	2,667,717
Discontinued operations (Note 8)				
Estimated current tax payable	–	96,420	–	–
Total tax expense	4,028,839	3,997,009	2,780,190	2,667,717

A reconciliation of tax expense applicable to profit before tax at the statutory income tax rate to tax expense at the effective income tax rate of the Group and the Company are as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) before tax:				
From continuing operations	13,448,773	15,451,288	8,770,588	15,220,982
From discontinued operations	–	(341,934)	–	–
Total profit before tax	13,448,773	15,109,354	8,770,588	15,220,982
Tax expense at the applicable tax rate of 24% (2018: 24%)	3,227,706	3,626,244	2,104,941	3,653,036
Tax effects of:				
Non-deductible expenses	502,338	346,992	343,938	274,241
Non-taxable income	(20,313)	(51,471)	(3,468)	(1,326,789)
RPGT	–	76,414	–	76,414
Under/(Over)provision in prior years:				
Estimated current tax	266,029	(51,868)	282,489	(59,883)
Deferred tax	53,079	50,698	52,290	50,698
Total tax expense	4,028,839	3,997,009	2,780,190	2,667,717

8. DISCONTINUED OPERATIONS

On 4 June 2018, the Company entered into share sale agreements with Pang Kim Hin (a major shareholder of KHI) and Dato' Pang Leong Hoon (a shareholder of the Company) (collectively known as "the new shareholders") for the disposal of 350,000 ordinary shares in Cheng Yean Properties Sdn Bhd ("CYPSB"), representing 100% equity interest in CYPSB, in the following manner:

(a) Disposal of 315,000 ordinary shares, representing 90% equity interest in CYPSB to Pang Kim Hin at a consideration of RM1,690,460; and

(b) Disposal of 35,000 ordinary shares, representing 10% equity interest in CYPSB to Dato' Pang Leong Hoon at a consideration of RM187,829.

The transactions were completed on 28 June 2018 and resulted in a gain on disposal of subsidiary company for the Group and the Company of RM214,464 and RM1,528,289 respectively, recognised in profit or loss (Notes 6 and 27). Upon completion of the disposal, the Company no longer has control over CYPSB and CYPSB ceased to be a subsidiary company of the Company and became a related party of the Group and the Company.

The results of the discontinued operations included in profit or loss for the periods are set out below. The comparative losses and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued operations in the prior period as follows:

	The Group 2018 RM
Loss for the period from discontinued operations	
Revenue	–
Cost of sales	(339,304)
	(339,304)
Finance costs (Notes 6 and 23)	(2,630)
Loss before tax (Note 7)	(341,934)
Tax expense (Note 7)	(96,420)
Loss for the period from discontinued operations	(438,354)
Cash flows used in discontinued operations	
Net cash used in operating activities	(32,449)
Net cash used in investing activities	(42,866)
Net cash used in financing activities	(9,869)
Net cash outflows	(85,184)

9. EARNINGS PER SHARE

Basic

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

	The Group	
	2019	**2018**
	RM	**RM**
Profit from continuing operations	9,419,934	11,550,699
Loss from discontinued operations	–	(438,354)
Profit for the year	9,419,934	11,112,345
Weighted average number of ordinary shares for the purpose of basic earnings per share	341,895,890	304,000,000
Basic earnings/(loss) per ordinary share attributable to owners of the Company (sen):		
- from continuing operations	2.76	3.80
- from discontinued operations	–	(0.14)
Total basic earnings per share	2.76	3.66

Diluted

No diluted earnings per share have been presented as there were no dilutive potential ordinary shares outstanding as at 31 December 2019 and 31 December 2018.

10. PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land RM	Buildings RM	Motor vehicles RM	Computer equipment RM	Renovation, furniture and fittings and electrical fittings RM	Operating, display and office equipment RM	Restoration costs RM	Total RM
Cost								
At 1 January 2018	4,873,696	19,494,784	748,354	2,233,849	14,502,114	2,563,043	460,118	44,875,958
Additions	–	–	–	432,976	1,119,215	292,524	48,765	1,893,480
Disposal of a subsidiary company (Note 27)	(4,873,696)	(19,494,784)	–	–	(64,766)	–	–	(24,433,246)
Write off	–	–	–	(39,942)	(367,526)	(11,249)	–	(418,717)
Reclassification	–	–	–	–	95,440	(95,440)	–	–
At 31 December 2018/1 January 2019	–	–	748,354	2,626,883	15,284,477	2,748,878	508,883	21,917,475
Additions	–	–	163,124	178,459	2,292,653	470,778	–	3,105,014
Disposal	–	–	(5,640)	–	–	–	–	(5,640)
Write off	–	–	–	(8,074)	(70,730)	(2,000)	–	(80,804)
Reclassification to right-of-use assets (Note 11)	–	–	–	–	–	–	(508,883)	(508,883)
At 31 December 2019	–	–	905,838	2,797,268	17,506,400	3,217,656	–	24,427,162

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

The Group	Freehold land RM	Buildings RM	Motor vehicles RM	Computer equipment RM	Renovation, furniture and fittings and electrical fittings RM	Operating, display and office equipment RM	Restoration costs RM	Total RM
Accumulated Depreciation								
At 1 January 2018	–	1,608,799	699,145	1,841,956	11,422,836	1,596,933	385,944	17,555,613
Charge for the year	–	243,685	22,314	324,864	1,650,262	282,689	49,823	2,573,637
Disposal of a subsidiary company (Note 27)	–	(1,852,484)	–	–	(15,995)	–	–	(1,868,479)
Write off	–	–	–	(38,543)	(367,526)	(11,248)	–	(417,317)
Reclassification	–	–	–	–	(1,917)	1,917	–	–
At 31 December 2018	–	–	721,459	2,128,277	12,687,660	1,870,291	435,767	17,843,454
Accumulated Depreciation								
At 1 January 2019	–	–	721,459	2,128,277	12,687,660	1,870,291	435,767	17,843,454
Charge for the year	–	–	46,711	289,926	1,943,740	329,181	–	2,609,558
Disposal	–	–	(3,948)	–	–	–	–	(3,948)
Write off	–	–	–	(8,074)	(62,943)	(2,000)	–	(73,017)
Reclassification to right-of-use assets (Note 11)	–	–	–	–	–	–	(435,767)	(435,767)
At 31 December 2019	–	–	764,222	2,410,129	14,568,457	2,197,472	–	19,940,280
Net Carrying Amount								
At 31 December 2018	–	–	26,895	498,606	2,596,817	878,587	73,116	4,074,021
At 31 December 2019	–	–	141,616	387,139	2,937,943	1,020,184	–	4,486,882

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

The Company	Motor vehicles RM	Computer equipment RM	Renovation, furniture and fittings and electrical fittings RM	Operating, display and office equipment RM	Restoration costs RM	Total RM
Cost						
At 1 January 2018	663,553	1,813,179	13,782,075	1,925,178	460,118	18,644,103
Additions	–	321,169	1,076,349	273,866	48,765	1,720,149
Write off	–	–	(35,525)	–	–	(35,525)
Transfer from a subsidiary company (Note 26)	–	6,685	–	–	–	6,685
At 31 December 2018/1 January 2019	663,553	2,141,033	14,822,899	2,199,044	508,883	20,335,412
Additions	163,124	147,878	2,292,653	466,538	–	3,070,193
Disposal	(5,640)	–	–	–	–	(5,640)
Write off	–	(8,074)	(35,690)	(2,000)	–	(45,764)
Transfer from a subsidiary company (Note 26)	–	6,535	–	–	–	6,535
Reclassification to right-of-use assets (Note 11)	–	–	–	–	(508,883)	(508,883)
At 31 December 2019	821,037	2,287,372	17,079,862	2,663,582	–	22,851,853

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

The Company	Motor vehicles RM	Computer equipment RM	Renovation, furniture and fittings and electrical fittings RM	Operating, display and office equipment RM	Restoration costs RM	Total RM
Accumulated Depreciation						
At 1 January 2018	614,345	1,467,016	10,913,605	1,455,549	385,944	14,836,459
Charge for the year	22,314	274,324	1,520,103	190,916	49,823	2,057,480
Write off	–	–	(35,525)	–	–	(35,525)
At 31 December 2018/1 January 2019	636,659	1,741,340	12,398,183	1,646,465	435,767	16,858,414
Charge for the year	46,711	234,926	1,827,139	238,052	–	2,346,828
Disposal	(3,948)	–	–	–	–	(3,948)
Write off	–	(8,074)	(35,690)	(2,000)	–	(45,764)
Reclassification to right-of-use assets (Note 11)	–	–	–	–	(435,767)	(435,767)
At 31 December 2019	679,422	1,968,192	14,189,632	1,882,517	–	18,719,763
Net Carrying Amount						
At 31 December 2018	26,894	399,693	2,424,716	552,579	73,116	3,476,998
At 31 December 2019	141,615	319,180	2,890,230	781,065	–	4,132,090

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

During the respective financial year, the Group and the Company acquired property, plant and equipment through the following arrangements:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Additions of property, plant and equipment	3,105,014	1,893,480	3,070,193	1,720,149
Less: Provision for restoration costs	–	(48,765)	–	(48,765)
Payments by cash	3,105,014	1,844,715	3,070,193	1,671,384

During the respective financial year, the depreciation charge arising from continuing operations and discontinued operations are as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
From continuing operations (Note 6)	2,609,558	2,324,245	2,346,828	2,057,480
From discontinued operations (Note 6)	–	249,392	–	–
Charge for the year	2,609,558	2,573,637	2,346,828	2,057,480

11. RIGHT-OF-USE ASSETS

The Group and the Company lease warehouse and retail stores. The lease terms are ranging from 2 years to 6 years averaging approximately 4 years.

The Group	Warehouse RM	Retail stores RM	Total RM
Cost			
At 1 January 2019	–	–	–
Reclassification from property, plant and equipment (Note 10)	–	508,883	508,883
Reclassification from refundable deposits	48,028	463,983	512,011
Adjustment on initial application of MFRS 16 (Note 34)	5,762,094	23,957,718	29,719,812
At 1 January 2019, restated	5,810,122	24,930,584	30,740,706
Additions (Note 22)	497,602	8,702,785	9,200,387
At 31 December 2019	6,307,724	33,633,369	39,941,093
Accumulated Amortisation			
At 1 January 2019	–	–	–
Reclassification from property, plant and equipment (Note 10)	–	(435,767)	(435,767)
Adjustment on initial application of MFRS 16 (Note 34)	(518,186)	(5,969,871)	(6,488,057)
At 1 January 2019, restated	(518,186)	(6,405,638)	(6,923,824)
Amortisation for the year (Note 6)	(1,086,568)	(6,870,487)	(7,957,055)
At 31 December 2019	(1,604,754)	(13,276,125)	(14,880,879)
Net Carrying Amount			
At 31 December 2019	4,702,970	20,357,244	25,060,214

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

The Company	Warehouse RM	Retail stores RM	Total RM
Cost			
At 1 January 2019	–	–	–
Reclassification from property, plant and equipment (Note 10)	–	508,883	508,883
Reclassification from refundable deposits	24,014	463,983	487,997
Adjustment on initial application of MFRS 16 (Note 34)	2,881,047	23,957,718	26,838,765
At 1 January 2019, restated	2,905,061	24,930,584	27,835,645
Additions (Note 22)	248,801	8,702,786	8,951,587
At 31 December 2019	3,153,862	33,633,370	36,787,232
Accumulated Amortisation			
At 1 January 2019	–	–	–
Reclassification from property, plant and equipment (Note 10)	–	(435,767)	(435,767)
Adjustment on initial application of MFRS 16 (Note 34)	(259,093)	(5,969,871)	(6,228,964)
At 1 January 2019, restated	(259,093)	(6,405,638)	(6,664,731)
Amortisation for the year (Note 6)	(543,284)	(6,870,487)	(7,413,771)
At 31 December 2019	(802,377)	(13,276,125)	(14,078,502)
Net Carrying Amount			
At 31 December 2019	2,351,485	20,357,245	22,708,730

Six of the leases for leased assets of retail stores of the Group and the Company expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. In addition, there were also opening of three new retail stores in the current financial year. These resulted in additions to right-of-use assets of RM9,200,387 and RM8,951,587 for the Group and the Company respectively during the financial year.

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2019 RM	2018 RM
Unquoted shares, at cost		
At beginning of year	1,100,002	1,450,002
Add: Investment in subsidiary company	999,998	–
Less: Disposal of subsidiary company (Note 27)	–	(350,000)
At end of year	2,100,000	1,100,002

On 14 November 2019, the Company has subscribed for additional 999,998 ordinary shares in Queemay Toys (Malaysia) Sdn Bhd, a wholly-owned subsidiary of the Company, at cash consideration of RM999,998.

12. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The details of the subsidiary companies, which are incorporated in Malaysia, are as follows:

Name of entities	Principal place of business/ Country of incorporation	Principal activities	Proportion of ownership interest and voting power held by Group	
			2019 %	2018 %
Global Product Solutions Sdn Bhd	Malaysia	Distribution of maternity and children's products.	100	100
Global Retail Network Sdn Bhd	Malaysia	Distribution of children and maternity apparels.	100	100
Queemay Toys (Malaysia) Sdn Bhd (formerly known as Eldercare Solutions Sdn Bhd)*	Malaysia	Retailing, trading, distribution and e-commerce of toys.#	100	100

* Audited by a firm other than Deloitte PLT.
\# The Company has not commenced operations.

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiary companies	
		2019 RM	2018 RM
Distribution	Malaysia	2	2
Dormant	Malaysia	1	1
		3	3

13. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January	161,146	300,381	169,272	322,806
Adjustments on initial application of MFRS 16 (Note 34)	136,792	–	127,319	–
	297,938	300,381	296,591	322,806
Transfer from/(to) profit or loss (Note 7):				
Property, plant and equipment	87,838	(75,981)	60,880	(117,042)
Inventories	5,502	(52,666)	2,444	(47,686)
Trade receivables	–	(842)	–	–
Trade payables	13,168	(9,754)	13,098	(6,375)
Other payables and accrued expenses	(3,468)	2,700	(3,467)	2,699
Provision for restoration costs	23,736	(2,678)	23,736	14,870
Right-of-use assets and lease liabilities	123,602	–	112,880	–
	250,378	(139,221)	209,571	(153,534)
Disposal of subsidiary company (Note 27):				
Property, plant and equipment	–	(14)	–	–
At 31 December	548,316	161,146	506,162	169,272

Certain deferred tax assets and deferred tax liabilities have been offset in accordance with the Group's and the Company's accounting policy. The following is an analysis of the deferred tax balances (after offset) for statements of financial position purposes:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deferred tax assets	548,680	169,272	506,162	169,272
Deferred tax liabilities	(364)	(8,126)	–	–
	548,316	161,146	506,162	169,272

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

Deferred tax assets/(liabilities) provided in the financial statements are in respect of the tax effects of the following:

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Deferred tax liabilities (before offsetting)				
Temporary differences arising from:				
Property, plant and equipment	(1,952)	(8,853)	–	–
Trade payables	(720)	(13,888)	(1,303)	(14,401)
	(2,672)	(22,741)	(1,303)	(14,401)
Offsetting	2,308	14,615	1,303	14,401
Deferred tax liabilities (after offsetting)	(364)	(8,126)	–	–
Deferred tax assets (before offsetting)				
Temporary differences arising from:				
Property, plant and equipment	87,109	6,172	67,052	6,172
Inventories	16,335	10,833	13,064	10,620
Other payables and accrued expenses	14,256	17,724	14,256	17,723
Provision for restoration costs	172,894	149,158	172,894	149,158
Right-of-use assets and lease liabilities	260,394	–	240,199	–
	550,988	183,887	507,465	183,673
Offsetting	(2,308)	(14,615)	(1,303)	(14,401)
Deferred tax assets (after offsetting)	548,680	169,272	506,162	169,272

14. INVENTORIES

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At cost:				
- Trading goods	31,908,700	30,796,940	24,464,796	24,690,981
- Goods-in-transit	2,770,829	2,943,009	2,221,059	2,707,772
	34,679,529	33,739,949	26,685,855	27,398,753
Less: Allowance for slow moving inventories	(68,064)	(45,137)	(54,434)	(44,248)
	34,611,465	33,694,812	26,631,421	27,354,505

The cost of inventories recognised as an expense by the Group and the Company during the financial year was RM49,423,075 and RM41,132,462 (2018: RM46,500,193 and RM36,377,162) respectively. Inventories written off of the Group and of the Company amounted to RM316,775 and RM291,106 (2018: RM396,274 and RM265,319) respectively. All inventories are expected to be recovered within the next twelve months.

Movement of allowance for slow moving inventories is as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
At 1 January	45,137	264,579	44,248	242,944
Allowance for the year/(no longer required) (Note 6)	56,604	(219,442)	43,863	(198,696)
Allowance written off	(33,677)	–	(33,677)	–
At 31 December	68,064	45,137	54,434	44,248

15. TRADE RECEIVABLES

Trade receivables comprise amounts receivable for the sale of goods. It is measured at amortised cost.

The credit period granted to the customers of the Group and of the Company for sale of goods ranges from 7 days to 90 days (2018: 15 days to 90 days). The Group's and the Company's historical experience in collection of trade receivables falls within the recorded allowances and management believes that there is no additional credit risk beyond the allowances made.

Included in the Group's trade receivables balance are debtors with a carrying amount of RM174,225 (2018: RM256,168) which are past due at the end of the reporting period. The Group has assessed the expected credit losses to be Nil (2018: Nil) as there has not been a significant change in credit quality and the Group believes that the amount is considered fully recoverable based on past default experience and assessment of both the current as well as the forecast of conditions at the financial year end. The Group does not hold any collateral over these balances. The aging of these past due receivables ranges from 30 to 60 days (2018: 15 to over 90 days).

15. TRADE RECEIVABLES (CONT'D)

An analysis of trade receivables as follows:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Not impaired				
- not past due	1,028,313	1,198,284	273,387	289,871
- past due by:				
1 to 30 days	85,293	207,102	–	–
31 to 60 days	88,932	43,108	–	–
More than 60 days	–	5,958	–	–
	1,202,538	1,454,452	273,387	289,871

Movement in the allowance for doubtful debts:

	The Group	
	2019	**2018**
	RM	**RM**
At 1 January	–	3,509
Allowance no longer required (Note 6)	–	(3,509)
At 31 December	–	–

In determining the recoverability of a trade receivable, the Group and the Company consider any change in the credit quality of the trade receivable from the date credit was granted up to the end of the reporting period.

The currency exposure profile for trade receivables is as follows:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	1,202,538	1,403,850	273,387	289,871
United States Dollar	–	50,602	–	–
	1,202,538	1,454,452	273,387	289,871

16. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-Current:				
Refundable deposits	2,724,791	–	2,644,441	–
Current:				
Other receivables	686,068	1,290,238	424,300	617,048
Refundable deposits	791,934	3,685,391	666,719	3,564,106
Prepaid expenses	476,007	595,723	218,901	491,008
	1,954,009	5,571,352	1,309,920	4,672,162
Total	4,678,800	5,571,352	3,954,361	4,672,162

In determining the recoverability of other receivables and refundable deposits, the Group and the Company consider any change in the credit quality of the other receivables from the date credit was initially granted up to the end of the reporting period.

Included in refundable deposits of the Group and of the Company are rental deposits paid in respect for retail outlets and warehouses amounting to RM3,351,284 and RM3,270,993 (2018: RM3,341,058 and RM3,241,058) whereas prepaid expenses comprise of prepaid insurance and rental.

The Group and the Company had secured bank guarantee from a financial institution amounting to RM739,000 (2018: RM739,000) for tenancy agreements entered into. The bank guarantee is secured by certain fixed deposits as disclosed in Note 17.

The currency exposure profile of other receivables, deposits and prepaid expenses are as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	4,244,803	4,802,482	3,755,417	4,533,847
British Pound	2,957	–	2,957	–
United States Dollar	371,768	747,365	195,987	138,315
Australian Dollar	59,272	21,201	–	–
Singapore Dollar	–	304	–	–
	4,678,800	5,571,352	3,954,361	4,672,162

17. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits earn interest at rates ranging from 2.90% to 3.50% (2018: 3.15%) per annum with maturity period of 1 to 12 months (2018: 12 months).

Included in fixed deposits with licensed banks are deposits pledged for bank guarantees granted to the Group and the Company amounting to RM739,000 (2018: RM739,000) as disclosed in Note 18.

18. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed deposits with licensed banks	25,762,399	739,000	25,762,399	739,000
Cash and bank balances	14,473,260	6,851,329	7,335,803	5,857,039
	40,235,659	7,590,329	33,098,202	6,596,039
Less: Fixed deposits pledged (Note 17)	(739,000)	(739,000)	(739,000)	(739,000)
	39,496,659	6,851,329	32,359,202	5,857,039

The currency exposure profile of fixed deposits and cash and bank balances is as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	39,482,486	6,482,884	32,345,029	5,496,253
British Pound	667,069	1,099,786	667,069	1,099,786
United States Dollar	–	4,068	–	–
Singapore Dollar	86,104	3,591	86,104	–
	40,235,659	7,590,329	33,098,202	6,596,039

19. SHARE CAPITAL

	The Group and the Company			
	2019		2018	
	No. of shares	RM	No. of shares	RM
Issued and fully paid				
Ordinary shares				
At 1 January	304,000,000	1,000,000	1,000,000	1,000,000
Issuance of ordinary shares	76,000,000	32,680,000	–	–
Share issuance expenses	–	(2,551,882)	–	–
Issuance of ordinary shares under bonus issue	–	–	303,000,000	–
At 31 December	380,000,000	31,128,118	304,000,000	1,000,000

19. SHARE CAPITAL (CONT'D)

During the financial year, the Company increased its issued ordinary share capital from 304,000,000 ordinary shares to 380,000,000 ordinary shares by way of allotment of 76,000,000 new ordinary shares at an issue price of RM0.43 each for a total cash consideration of RM32,680,000 pursuant to the Initial Public Offering ("IPO") of the Company on the ACE Market of Bursa Malaysia Securities Berhad on 8 July 2019.

The share issuance expenses comprise professional fees, brokerage fees, underwriting fees, placement fees, regulatory fees and other expenses incurred in connection to the IPO.

The new ordinary shares issued during the financial year rank pari passu in all respect with the then existing ordinary shares.

20. RETAINED EARNINGS

The retained earnings of the Company are available for appropriation of dividend to the shareholders of the Company under the single-tier income tax system.

21. DIVIDENDS

	The Company	
	2019	**2018**
	RM	**RM**
Interim single-tier dividend of RM0.11 per ordinary share in respect of the financial year ended 31 December 2018*	–	34,484,289
Interim single-tier dividend of RM0.005 per ordinary share in respect of the financial year ended 31 December 2019	1,900,000	–
	1,900,000	34,484,289

On 26 August 2019, the Company had declared a first interim single tier tax-exempt dividend 0.5 sen per ordinary share amounted to RM1,900,000 in respect of the financial year ended 31 December 2019 of which was paid on 11 October 2019.

On 27 February 2020, the Company had declared a second interim single tier tax-exempt dividend of 1.0 sen per ordinary share amounted to RM3,800,000 in respect of the financial year ended 31 December 2019. The entitlement date was on 12 March 2020 and the dividend was paid on 10 April 2020. The financial statements for the current financial year do not reflect this second interim single tier dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

21. DIVIDENDS (CONT'D)

* On 28 June 2018, the Company made a dividend arrangement as follows:

	Holding Company^ RM	Pang Kim Hin RM	Dato' Pang Leong Hoon RM	Total RM
Dividend declared and payable to	(31,035,860)	–	(3,448,429)	(34,484,289)
Dividend paid	10,800,000	–	1,200,000	12,000,000
Dividend assigned by the holding company to Pang Kim Hin^	20,235,860	(20,235,860)	–	–
Set off against amount owing by the new shareholders (Note 27) ^^	–	18,540,000	2,060,000	20,600,000
Set off against total consideration and related disposal expenses for the disposal of CYPSB (Note 27) #	–	1,695,860	188,429	1,884,289
	–	–	–	–

^ In 2018, the holding company declared a dividend of RM20,235,860 to its shareholders, in which, Mr Pang Kim Hin, a major shareholder, paid the said dividend on behalf of the holding company to the remaining shareholders.

On 27 June 2018, the Company had declared a first interim dividend of RM31,035,860 to its holding company. The said interim dividend was settled through cash amounting to RM10,800,000 and the balance of RM20,235,860 was assigned to Mr Pang Kim Hin, as part of the settlement on the amount owing by the holding company to Mr Pang Kim Hin as mentioned above.

^^ Following the disposal of Cheng Yean Properties Sdn Bhd ("CYPSB") as mentioned in Note 27, the new shareholders of CYPSB assumed the amount owing to the Company of RM20,600,000 and the amount owing to the Company was fully offset against the dividend declared by the Company.

The Company and the new shareholders had entered into an arrangement to offset the total consideration and the related disposal expenses incurred on the disposal of CYPSB against the dividend declared by the Company.

22. LEASE LIABILITIES

	The Group 2019 RM	The Company 2019 RM
Maturity analysis:		
Not later than 1 year	8,186,981	7,586,980
Later than 1 year but not later than 5 years	19,653,315	17,553,315
Later than 5 years	530,350	530,350
	28,370,646	25,670,645
Less: Unearned interest	(2,706,648)	(2,422,628)
	25,663,998	23,248,017
Present value of lease liabilities analysed as:		
Current	7,082,970	6,591,510
Non-current	18,581,028	16,656,507
	25,663,998	23,248,017

The Group and the Company applied the incremental borrowing rates to the lease liabilities recognised ranging from 4.70% to 5.15% per annum.

The Group and the Company do not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's and the Company's treasury function.

Reconciliation of liabilities arising from financing activities

The table below details the changes in the Group's and the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities.

	The Group RM	The Company RM
At 1 January 2019		
As previously stated	–	–
Effect on adoption of MFRS 16 (Note 34)	23,801,721	21,140,294
As restated	23,801,721	21,140,294
Total financing cash outflows:		
Principal paid	(7,338,110)	(6,843,864)
Interest paid	(825,291)	(719,539)
	15,638,320	13,576,891
Non-cash changes		
Finance costs (Note 6)	825,291	719,539
Recognition of lease liabilities (Note 11)	9,200,387	8,951,587
At 31 December 2019	25,663,998	23,248,017

23. BORROWING

In 2017, the bank borrowing was obtained to finance the acquisition of a property by a subsidiary company and was secured by the freehold land and building, together with joint and several guarantees by a director and corporate guarantee by the Company. The bank borrowing in 2017 bore interest at 4.62% per annum. In 2018, the Group had discharged its obligation for the bank borrowing following the disposal of the subsidiary company as disclosed in Note 27.

Reconciliation of liabilities arising from financing activities

The table below details the reconciliation of the opening and closing amounts in the statements of financial position for each liability for which cash flows have been, or would be, classified as financing activities in the statements of cash flows:

	The Group	
	2019	**2018**
	RM	**RM**
Borrowing		
At 1 January	–	132,125
Financing cash flows - net	–	(9,869)
Non-cash changes:		
Finance costs (Note 8)	–	2,630
Disposal of subsidiary company (Note 27)	–	(124,886)
At 31 December	–	–
Amount due to holding company		
At 1 January	–	76,638
Financing cash flows - net	–	(77,146)
Non-cash changes:		
Unrealised foreign exchange loss	–	508
At 31 December	–	–
Amount due to other related companies		
At 1 January	582,072	573,698
Financing cash flows - net	(556,052)	2,583
Non-cash changes:		
Unrealised foreign exchange loss	3,599	5,791
At 31 December	29,619	582,072

23. BORROWING (CONT'D)

Reconciliation of liabilities arising from financing activities (cont'd)

	The Company	
	2019	**2018**
	RM	**RM**
Amount due to holding company		
At 1 January	–	38,319
Financing cash flows - net	–	(38,615)
Non-cash changes:		
Unrealised foreign exchange loss	–	296
At 31 December	–	–
Amount due to other related companies		
At 1 January	582,072	237,446
Financing cash flows - net	(586,294)	342,555
Non-cash changes:		
Unrealised foreign exchange loss	4,222	2,071
At 31 December	–	582,072
Amount due to subsidiary companies		
At 1 January	1,731,922	43,445
Financing cash flows - net	(1,738,457)	1,681,792
Non-cash changes:		
Transfer of property, plant and equipment	6,535	6,685
At 31 December	–	1,731,922

24. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The credit period granted to the Group and the Company for trade purchases ranges from 30 to 90 days (2018: 30 to 75 days).

The currency profile of trade payables is as follows:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	1,055,522	427,580	929,952	427,580
British Pound	2,820,618	7,881,303	2,807,764	7,881,303
United States Dollar	231,159	118,136	37,907	118,136
Euro	3,713	–	3,713	–
	4,111,012	8,427,019	3,779,336	8,427,019

25. OTHER PAYABLES, ACCRUED EXPENSES AND PROVISION

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other payables	484,267	605,904	343,914	417,125
Accrued expenses	3,885,775	4,135,313	3,536,025	3,574,288
Provision for restoration costs	720,390	621,492	720,390	621,492
	5,090,432	5,362,709	4,600,329	4,612,905

Movement of provision for restoration costs is as follows:

	The Group and The Company	
	2019 RM	2018 RM
At 1 January	621,492	559,534
Unwinding of interest expense (Note 6)	14,025	13,193
Provision for the year	84,873	48,765
At 31 December	720,390	621,492

The restoration costs were provided for future restoration of the Group's and of the Company's retail outlets.

26. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The directors regard Kim Hin International Pte Ltd, a company incorporated in Singapore, as the holding company.

The related parties and the relationship with the Company are as follows:

Related party	Relationship
Mothercare (S) Pte Ltd	Common director and major shareholder
Global Outsource Solutions Pte Ltd	Common director and major shareholder
Trade Solutions Ltd	Common director and major shareholder
Mother and Child Ltd	Common director and major shareholder
Cheng Yean Properties Sdn Bhd	Common director and major shareholder*
Kim Hin Innovation Labs Private Ltd	Common director and major shareholder
Global Retail Solutions Ltd	Common director and major shareholder
Kim Hin Joo Limited (HK)	Common director and major shareholder
Kim Hin International Pte Ltd	Holding company
Global Product Solutions Sdn Bhd	Subsidiary company
Global Retail Network Sdn Bhd	Subsidiary company
Queemay Toys (Malaysia) Sdn Bhd (formerly known as Eldercare Solutions Sdn Bhd)	Subsidiary company

* On 4 June 2018, the Company entered into share sale agreements to dispose of its entire equity interests in CYPSB in which the transactions were completed on 28 June 2018 and subsequently, CYPSB became a related party.

26. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (CONT'D)

Amount due from/(to) subsidiary companies which arose from both trade and non-trade transactions, are unsecured, interest-free, and is repayable on demand and denominated in Ringgit Malaysia.

Amount due from/(to) other related companies, which arose from trade and non-trade transactions, is unsecured, interest-free and repayable on demand. The currency profile of amount due from/(to) other related companies is as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Singapore Dollar	(29,619)	(582,072)	–	(582,072)
Hong Kong Dollar	–	46,308	–	46,308
	(29,619)	(535,764)	–	(535,764)

During the financial year, significant related party transactions, which are determined on a basis as negotiated between the said parties, are as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Purchase of goods from				
- Global Product Solutions Sdn Bhd	–	–	6,645,731	6,458,542
- Global Outsource Solutions Pte Ltd	706,068	2,333,033	63,454	56,779
- Trade Solutions Ltd	258,120	51,118	258,120	51,118
- Global Retail Network Sdn Bhd	–	–	1,395,829	794,592
- Mothercare (S) Pte Ltd	144	1,047,106	144	1,047,106
- Kim Hin Innovation Labs Private Ltd	598,063	–	83,791	–
Sale of goods to				
- Global Outsource Solutions Pte Ltd	414,730	1,037,442	–	–
- Global Product Solutions Sdn Bhd	–	–	117,455	–
- Mothercare (S) Pte Ltd	116,299	44,439	–	–
- Trade Solutions Ltd	257,832	416,029	–	–
- Kim Hin Innovation Labs Private Ltd	284,454	–	–	–
Rental paid to				
- Cheng Yean Properties Sdn Bhd	1,200,000	600,000	600,000	690,000
E-commerce management fees payable to				
- Mothercare (S) Pte Ltd	248,943	234,396	248,943	230,012

26. HOLDING COMPANY AND RELATED PARTY TRANSACTIONS (CONT'D)

During the financial year, significant related party transactions, which are determined on a basis as negotiated between the said parties, are as follows: (cont'd)

	The Group		The Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Corporate management fees paid/payable to				
- Kim Hin International Pte Ltd	194,732	571,694	–	299,829
- Global Outsource Solutions Pte Ltd	131,913	529,468	–	–
- Kim Hin Innovation Labs Private Ltd	254,770	–	10,774	–
Dividend received from				
- Global Product Solutions Sdn Bhd	–	–	–	4,000,000
Transfer of property, plant and equipment from (Note 10)				
- Global Product Solutions Sdn Bhd	–	–	6,535	–
- Global Retail Network Sdn Bhd	–	–	–	6,685

In 2018, the Group and the Company entered into share sale agreements with related parties as disclosed in Note 27. The disposal considerations were arrived at on a willing buyer-willing seller basis.

27. DISPOSAL OF A SUBSIDIARY COMPANY

As disclosed in Note 8, the Company had disposed of its entire equity interest in CYPSB to Pang Kim Hin (a major shareholder of KHI) and Dato' Pang Leong Hoon (a shareholder of the Company) (collectively known as "the new shareholders"). The disposal consideration was settled by the new shareholders through offsetting the dividend payable as disclosed in Note 21.

(i) Consideration received

	The Group and the Company 2018 RM
Total consideration	1,878,289
Related disposal expenses incurred	6,000
Offsetting with dividend declared (Note 21)	(1,884,289)
Total consideration received	–

27. DISPOSAL OF A SUBSIDIARY COMPANY (CONT'D)

(ii) Effect of disposal on the financial position of the Group

	The Group 2018 RM
Non-current assets	
Property, plant and equipment (Note 10)	22,564,767
Deferred tax assets (Note 13)	14
Current assets	
Other receivables, deposits and prepayments	46,331
Cash and bank balances	574,965
Current liabilities	
Borrowing (Note 23)	124,886
Amount owing to holding company *	21,144,234
Other payables, accrued expenses and provision	237,655
Tax liabilities	15,477
Net assets disposed of	1,663,825

* Amount owing to holding company	
Amount assumed by new shareholders (Note 21)	20,600,000
Fully paid by CYPSB subsequent to disposal	544,234
	21,144,234

(iii) Gain on disposal of a subsidiary company

	The Group 2018 RM
Total consideration	1,878,289
Net assets disposed of	(1,663,825)
Gain on disposal (Notes 6 and 8)	214,464

	The Company 2018 RM
Total consideration	1,878,289
Investment in subsidiary company (Note 12)	(350,000)
Gain on disposal (Notes 6 and 8)	1,528,289

27. DISPOSAL OF A SUBSIDIARY COMPANY (CONT'D)

(iv) Net cash outflow on disposal of a subsidiary company

	The Group 2018 RM
Consideration received in cash and cash equivalents	–
Less: Cash and cash equivalents disposed	(574,965)
Net cash outflow on disposal of a subsidiary company	(574,965)

28. FINANCIAL INSTRUMENTS

Capital risk management

The objective of the Group's and of the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's and the Company's overall strategy remain unchanged since 2018.

The Board of Directors reviews the capital structure of the Group and the Company on a regular basis. As part of the review, the Board of Directors considers the cost of capital and risk associated with each class of capital.

The capital structure of the Group and the Company consists cash and cash equivalents and equity of the Group and of the Company (comprising share capital and retained earnings), thus debt and equity ratio is not applicable.

Categories of financial instruments

The table below provides an analysis of the various categories of financial instruments:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financial assets				
At amortised cost:				
Trade receivables	1,202,538	1,454,452	273,387	289,871
Other receivables and refundable deposits	4,202,793	4,975,629	3,735,460	4,181,154
Amount due from subsidiary companies	–	–	768,080	20,550
Amount due from other related companies	–	46,308	–	46,308
Fixed deposits with licensed banks	25,762,399	739,000	25,762,399	739,000
Cash and bank balances	14,473,260	6,851,329	7,335,803	5,857,039

28. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (cont'd)

The table below provides an analysis of the various categories of financial instruments: (cont'd)

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financial liabilities				
At amortised cost:				
Trade payables	(4,111,012)	(8,427,019)	(3,779,336)	(8,427,019)
Other payables and accrued expenses	(4,370,042)	(4,741,217)	(3,879,939)	(3,991,413)
Amount due to other related companies	(29,619)	(582,072)	–	(582,072)
Amount due to subsidiary companies	–	–	–	(1,731,922)
Lease liabilities	(25,663,998)	–	(23,248,017)	–

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial assets and financial liabilities are disclosed in Note 3.

Financial risk management objectives

The operations of the Group and of the Company are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group and the Company have taken measures to minimise their exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

Foreign currency risk management

The Group and the Company undertake transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group		The Company	
	Assets RM	Liabilities RM	Assets RM	Liabilities RM
2019				
British Pound	670,026	2,820,618	670,026	2,807,764
United States Dollar	371,768	231,159	195,987	37,907
Singapore Dollar	86,104	29,619	86,104	–
Euro	–	3,713	–	3,713
Australian Dollar	59,272	–	–	–
	1,187,170	3,085,109	952,117	2,849,384

28. FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk management (cont'd)

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows: (cont'd)

	The Group		The Company	
	Assets RM	Liabilities RM	Assets RM	Liabilities RM
2018				
British Pound	1,099,786	7,881,303	1,099,786	7,881,303
United States Dollar	802,035	118,136	138,315	118,136
Singapore Dollar	3,895	582,072	–	582,072
Australian Dollar	21,201	–	–	–
Hong Kong Dollar	46,308	–	46,308	–
	1,973,225	8,581,511	1,284,409	8,581,511

Foreign currency sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in the Ringgit Malaysia against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a profit where the Ringgit Malaysia strengthens 5% against the relevant currency. For a 5% weakening of the Ringgit Malaysia against the relevant currency, there would be a comparable opposite effect on profit or loss after tax.

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Strengthened 5%				
British Pound	81,722	257,698	81,234	257,698
United States Dollar	(5,343)	(25,988)	(6,007)	(767)
Singapore Dollar	(2,146)	21,971	(3,272)	22,119
Euro	141	–	141	–
Australian Dollar	(2,252)	(806)	–	–
Hong Kong Dollar	–	(1,760)	–	(1,760)
	72,122	251,115	72,096	277,290
Weakened 5%				
British Pound	(81,722)	(257,698)	(81,234)	(257,698)
United States Dollar	5,343	25,988	6,007	767
Singapore Dollar	2,146	(21,971)	3,272	(22,119)
Euro	(141)	–	(141)	–
Australian Dollar	2,252	806	–	–
Hong Kong Dollar	–	1,760	–	1,760
	(72,122)	(251,115)	(72,096)	(277,290)

28. FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk management

The Group and Company's investments in fixed rate fixed deposits are not exposed to a significant risk of change in their fair values due to changes in interest rates.

Under the current low interest rate environment, management anticipates that any changes in interest rate in the near term are not expected to have a significant impact on the Group's financial performance. Accordingly, no sensitivity analysis is presented.

Credit risk management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Credit risk arises from cash and cash equivalents, amount due from subsidiary companies and other related companies as well as credit exposures primarily from outstanding trade and other receivables.

The Group and the Company extend credit to their customers based upon careful evaluation of the customers' financial condition and credit history.

The Company monitors on an on-going basis the results of its subsidiary companies and other related companies and repayments made by subsidiary companies and other related companies.

For other financial assets (including cash and bank balances and fixed deposits with licensed banks), the Group and the Company minimise credit risks by dealing exclusively with high credit rating counterparties.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. These receivables are not secured by any collateral or credit enhancements.

Impairment of financial assets

The Group's and the Company's financial assets that are subject to the expected credit loss ("ECL") model include trade receivables, other receivables and refundable deposits, amount due from subsidiary companies and other related companies. While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the impairment loss is expected to be immaterial.

Trade receivables using the simplified approach

The Group and the Company apply the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group and the Company determined the expected credit losses based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 15 includes further details on the loss allowance for all trade receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

28. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk management (cont'd)

Other receivables, refundable deposits, amount due from subsidiary companies and other related companies using general 3-stage approach

The Group and the Company monitor the credit risks of other receivables, refundable deposits, amount due from subsidiary companies and other related companies on a regular basis and the Group and the Company do not expect any counterparty to fail to meet its obligations. In addition, receivable balances and rental deposits are monitored on an ongoing basis and the Group's and the Company's exposure to default is low, and historically there were minimal instances where contractual cash flow obligations have not been met.

Other receivables, refundable deposits, amount due from subsidiary companies and other related companies are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and the Company, and a failure to make contractual payments for a period of greater than 30 days past due.

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.

Liquidity risk management

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and financial liabilities.

The Group and the Company practise prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations. The table includes both interest and principal cash flows.

	Less than 1 year RM	1 - 2 years RM	More than 2 years RM	Total RM	Contractual interest rate %
The Group					
2019					
Non-interest bearing:					
Trade payables	4,111,012	–	–	4,111,012	–
Other payables and accrued expenses	4,370,042	–	–	4,370,042	–
Amount due to other related companies	29,619	–	–	29,619	–
Interest bearing:					
Lease liabilities	8,186,981	7,311,470	12,872,195	28,370,646	4.70% to 5.15%
	16,697,654	7,311,470	12,872,195	36,881,319	

28. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk management (cont'd)

	Less than 1 year RM	1 - 2 years RM	More than 2 years RM	Total RM	Contractual interest rate %
The Group					
2018					
Non-interest bearing:					
Trade payables	8,427,019	–	–	8,427,019	–
Other payables and accrued expenses	4,741,217	–	–	4,741,217	–
Amount due to other related companies	582,072	–	–	582,072	–
	13,750,308	–	–	13,750,308	

	Less than 1 year RM	1 - 2 years RM	More than 2 years RM	Total RM	Contractual interest rate %
The Company					
2019					
Non-interest bearing:					
Trade payables	3,779,336	–	–	3,779,336	–
Other payables and accrued expenses	3,879,939	–	–	3,879,939	–
Interest bearing:					
Lease liabilities	7,586,980	6,711,470	11,372,195	25,670,645	4.70% to 5.15%
	15,246,255	6,711,470	11,372,195	33,329,920	
2018					
Non-interest bearing:					
Trade payables	8,427,019	–	–	8,427,019	–
Other payables and accrued expenses	3,991,413	–	–	3,991,413	–
Amount due to subsidiary companies	1,731,922	–	–	1,731,922	–
Amount due to other related companies	582,072	–	–	582,072	–
	14,732,426	–	–	14,732,426	

28. FINANCIAL INSTRUMENTS (CONT'D)

Fair values of financial instruments

The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amounts derived from such methods and valuation techniques are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of the amounts estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amounts of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values as discussed below:

- The carrying amounts of trade receivables, other receivables and refundable deposits (current), amount due from other related companies and subsidiary companies, fixed deposits with licensed banks, cash and bank balances, trade payables, other payables and accrued expenses, amount due to subsidiary companies and other related companies approximate their fair values due to their relatively short maturity, except as detailed below:

	The Group		The Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
2019				
Financial assets				
Refundable deposits	2,724,791	2,724,791#	2,644,441	2,644,441#
Financial liabilities				
Lease liabilities	25,663,998	26,402,070*	23,248,017	23,913,681*

\# The fair value of refundable deposits is estimated using discounted cash flows analysis based on market interest rates at initial recognition.

* The fair value of lease liabilities is estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

Fair value hierarchy

<u>Financial assets that are measured at fair value</u>

The table below analyses the financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy:

2019	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Financial Assets				
The Group				
Refundable deposits	–	–	2,724,791	2,724,791
The Company				
Refundable deposits	–	–	2,644,441	2,644,441

28. FINANCIAL INSTRUMENTS (CONT'D)

Fair value of financial instruments that are not measured at fair value in the statements of financial position at the end of the reporting period (but fair value disclosures are required) are as follows:

2019	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Financial Liabilities				
The Group				
Lease liabilities	–	–	26,402,070	26,402,070
The Company				
Lease liabilities	–	–	23,913,681	23,913,681

29. NON-CANCELLABLE OPERATING LEASE

The Group and the Company have commitment in respect of rental of retail shop units and warehouses as follows:

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Minimum rental payable:				
Not later than one year	–	9,874,052	–	9,274,052
Later than one year and not later than five years	–	12,987,480	–	12,087,480
Total (Note 34)	–	22,861,532	–	21,361,532

The Group and the Company have entered into non-cancellable operating lease agreements for the use of warehouse and retail stores. These leases have an average term of four (4) years with no purchase option included in the contracts. Certain contracts include escalation clauses or contingent rental arrangements computed based on sales achieved while others include fixed rentals. There are no restrictions placed upon the Group and the Company by entering into these leases.

As explained in Note 3, the Group and the Company have changed its accounting policies for leases. The impact of the change and the reconciliation for the differences between operating lease commitments disclosed as at 31 December 2018 and lease liabilities recognised at the date of initial application of 1 January 2019 are as disclosed in Note 34.

30. CAPITAL COMMITMENT

At the end of the reporting period, the Group has the following commitment in respect of acquisition of property, plant and equipment:

	The Group	
	2019	**2018**
	RM	**RM**
Contracted but not provided for	271,600	–

31. SEGMENT INFORMATION

The Group has arrived at two reportable segments, as described below, which are the strategic business units of the Group. The strategic business units are separated based on its operation activities. For each of the strategic business units, the Managing Director and Chief Financial officer ("CFO") of the Group review the internal management reports at least on a quarterly basis.

Retail
Retailing of babies', children's and maternity products.

Distribution
Distribution of children and maternity products.

The performance of the reportable segments are measured based on segment's profit before tax.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets and liabilities

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Acquisition of property, plant and equipment is the total costs incurred during the year to acquire segment assets that are expected to be used for more than one period.

Geographical information

Geographical information is not presented as the Group operates primarily in Malaysia.

31. SEGMENT INFORMATION (CONT'D)

Major customers information

There is no significant concentration of revenue from any major customers as the Group sells its products to individual end consumers or purchasers.

The Group 2019	**Retail RM**	**Distribution RM**	**Elimination RM**	**Total RM**
Revenue				
Revenue from external customers	85,730,733	15,641,776	–	101,372,509
Inter-segment revenue	134,527	6,819,596	(6,954,123)	–
Total revenue	85,865,260	22,461,372	(6,954,123)	101,372,509
Results				
Operating results	9,402,347	4,880,193	(556,937)	13,725,603
Interest income	512,761	49,725	–	562,486
Finance costs	(733,564)	(105,752)	–	(839,316)
Profit before tax	9,181,544	4,824,166	(556,937)	13,448,773
Income tax expense	(2,886,193)	(1,142,646)	–	(4,028,839)
Profit for the year	6,295,351	3,681,520	(556,937)	9,419,934
Segment assets	95,345,105	21,302,395	(5,730,534)	110,916,966
Segment liabilities	31,748,952	5,611,609	(2,405,221)	34,955,340
Other information				
Acquisition of property, plant and equipment	3,070,193	34,821	–	3,105,014
Depreciation of property, plant and equipment	2,346,826	262,732	–	2,609,558
Additions of right-of-use assets	8,951,587	248,800	–	9,200,387
Amortisation of right-of-use assets	7,413,771	543,284	–	7,957,055

31. SEGMENT INFORMATION (CONT'D)

Major customers information (cont'd)

The Group 2018	Continuing operations Retail RM	Distribution RM	Elimination RM	Total RM	Discontinued operations RM	Total RM
Revenue						
Revenue from external customers	80,253,650	17,433,426	–	97,687,076	–	97,687,076
Inter-segment revenue	794,572	5,180,961	(5,975,533)	–	–	–-
Total revenue	81,048,222	22,614,387	(5,975,533)	97,687,076	–	97,687,076
Results						
Operating results	10,258,314	4,313,914	470,162	15,042,390	(339,304)	14,703,086
Dividend received from a subsidiary company	4,000,000	–	(4,000,000)	–	–	–
Gain on disposal of a subsidiary company	1,528,829	–	(1,314,365)	214,464	–	214,464
Interest income	139,892	67,735	–	207,627	–	207,627
Finance costs	(13,193)	–	–	(13,193)	(2,630)	(15,823)
Profit before tax	15,913,842	4,381,649	(4,844,203)	15,451,288	(341,934)	15,109,354
Income tax expense	(2,836,374)	(1,064,215)	–	(3,900,589)	(96,420)	(3,997,009)
Profit for the year	13,077,468	3,317,434	(4,844,203)	11,550,699	(438,354)	11,112,345
Segment assets	44,580,472	12,067,051	(3,520,849)	53,126,674	–	53,126,674
Segment liabilities	15,399,277	733,120	(1,752,471)	14,379,926	–	14,379,926
Other information						
Acquisition of property, plant and equipment	1,727,980	122,634	–	1,850,614	42,866	1,893,480
Depreciation of property, plant and equipment	2,059,248	264,997	–	2,324,245	249,392	2,573,637

32. SIGNIFICANT EVENT

Bursa Malaysia had on 18 April 2019 approved the admission of the Company to the Official list, and listing and quotation for the entire enlarged issued share capital on the ACE Market of Bursa Securities.

The Company successfully completed the Initial Public Offering ("IPO") and listing on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 8 July 2019 by way of allotment of 76,000,000 new ordinary shares at an issue price of RM0.43 each for a total cash consideration of RM32,680,000, as mentioned in Note 19.

33. SUBSEQUENT EVENT

The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ("MCO") effective from 18 March 2020 to 31 March 2020 and subsequently, this was extended to 12 May 2020. In addition, the Government announced the implementation of Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 Events after the Reporting Period. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

Period of mall closures and reduced footfalls at malls are key concerns for the retail segment and as a result, the COVID-19 pandemic has certain financial impacts to the Group due to the temporary suspension of the Group's retail outlet operations during the MCO period. During this period, whilst the Group has continued to utilise its existing online sales channels, the revenue of the Group has been adversely affected by the suspension of the retail outlet operations and that it will take time for the consumer sentiment to recover. Subsequent to the announcement of CMCO, the Group re-opened its retail outlets and retail earnings progressively recovered. The Board of Directors of the Company has performed an assessment of the Group's cash flows for the next twelve months. In order to manage and cushion the effects of COVID-19 pandemic, the Group has initiated and implemented various measures in improving revenue, containing costs and enhancing cash flows of the Group.

As at the date of the authorisation of the financial statements, the COVID-19 pandemic and the MCO since 18 March 2020 have certain financial impact to the Group. In view of the lack of visibility on the end date of the COVID-19 pandemic and the MCO, the Group is still assessing the full potential financial impact as at the date of the authorisation of the financial statements. The Group will only recognise the financial impact in the financial statements for the financial year ending 31 December 2020.

34. EFFECT ON ADOPTION OF MFRS 16: LEASES

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-to-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remain largely unchanged. The impact of the adoption of MFRS 16 on the Group's and the Company's financial statements is described below.

The date of initial application of MFRS 16 for the Group and the Company is 1 January 2019.

34. EFFECT ON ADOPTION OF MFRS 16: LEASES (CONT'D)

The Group and the Company have applied MFRS 16 using the cumulative catch-up approach which:

- requires the Group and the Company to recognise the cumulative effect of initially applying MFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and
- does not permit restatement of comparatives, which continue to be presented under MFRS 117.

(a) Impact of the new definition of a lease

The Group and the Company have made use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the lessee has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risk and rewards' in MFRS 117.

The Group and the Company apply the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or modified on or after 1 January 2019, whether they are a lessor or a lessee in the lease contract. The new definition in MFRS 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group and for the Company.

(b) Impact on lessee accounting

Operating leases

MFRS 16 changes how the Group and the Company account for leases previously classified as operating leases under MFRS 117, which were off statement of financial position.

Applying MFRS 16, for all leases, the Group and the Company:

- recognise lease liabilities in the statements of financial position, initially measured at remaining at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019;
- recognised right-of-use assets in the statements of financial position, initially measured at its carrying amount as if the Standard had been applied since the commencement date, but discounted using the incremental borrowing rate at 1 January 2019;
- adjusted right-of-use assets with the estimated costs to be incurred in dismantling and removing underlying asset, restoring the site on which it is located by the terms and conditions of the lease at commencement date;
- adjusted right-of-use assets with the difference of nominal amount of refundable deposit and fair value of refundable deposit at 1 January 2019;
- recognise depreciation of right-of-use assets and interest on lease liabilities in the statements of profit or loss and other comprehensive income; and
- separate the total amount of cash paid into a principal portion and interest on lease liabilities, presented within financing activities in the statements of cash flows.

Lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136.

For leases of low-value assets (those assets valued at less than RM21,000), the Group and the Company have opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. The lease expense is presented in the statements of profit or loss and other comprehensive income.

34. EFFECT ON ADOPTION OF MFRS 16: LEASES (CONT'D)

(b) Impact on lessee accounting (cont'd)

The Group and the Company have used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying MFRS 117:

- the Group and the Company have applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the Group and the Company have excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- the Group and the Company have used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(c) Impact on lessor accounting

MFRS 16 does not change substantially how a lessor accounts for leases. Under MFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, MFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

(d) Financial impact of initial application of MFRS 16

The lessee's incremental borrowing rates applied to the lease liabilities recognised in the statements of financial position are ranging from 4.70% to 5.15% per annum.

The following shows the operating lease commitments disclosed applying MFRS 117 as at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statements of financial position at the date of initial application.

	The Group RM	The Company RM
Operating lease commitments on rental of retail stores and warehouse at 31 December 2018 (Note 29)	22,861,532	21,361,532
Less:		
Lease commitments contracted for not commenced at 1 January 2019	(2,664,900)	(2,664,900)
	20,196,632	18,696,632
Effects from discounting at the incremental borrowing rate between 4.70% to 5.15%	(1,327,416)	(1,201,235)
Add:		
Lease liabilities additionally recognised based on the initial application of MFRS 16	4,932,505	3,644,897
Lease liabilities recognised at 1 January 2019	23,801,721	21,140,294

Right-of-use assets were measured at their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at 1 January 2019. Consequently, the Group and the Company recognised right-of-use assets of RM23,231,755 and RM20,609,801 respectively. Deferred tax assets of RM136,792 and RM127,319 were recognised on 1 January 2019 by the Group and the Company respectively. The retained earnings of the Group and the Company was decreased by RM433,174 and RM403,174 respectively on 1 January 2019.

STATEMENT BY **DIRECTORS**

Pursuant To Section 251 (2) Of The Companies Act 2016

The directors of **KIM HIN JOO (MALAYSIA) BERHAD** state that, in their opinion, the accompanying financial statements 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 31 December 2019 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

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

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PANG SHU MING

____
GOH POH TENG

Selangor
3 June 2020

STATEMENT BY **DECLARATION**

Pursuant To Section 251 (1)(B) Of The Companies Act 2016

I, **PHUAN SIEW LING**, the officer primarily responsible for the financial management of **KIM HIN JOO (MALAYSIA) BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

____
PHUAN SIEW LING
(MIA: 21899)

Subscribed and solemnly declared by the
abovenamed **PHUAN SIEW LING** at
KUALA LUMPUR on this 3rd of June, 2020.

Before me,

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COMMISSIONER FOR OATHS

ANALYSIS OF SHAREHOLDINGS
As at 1 June 2020

Issued Shares	:	380,000,000 ordinary shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

ANALYSIS BY SHAREHOLDINGS
Distribution of shareholdings according to size:

Size of Holdings	No. of Shareholders/ Depositors	% of Shareholders/ Depositors	No. of Shares Held	% of Issued Capital
1 - 99	–	–	–	–
100 - 1,000	146	10.00	90,500	0.02
1,001 - 10,000	522	35.75	3,175,000	0.84
10,001 - 100,000	693	47.47	19,602,000	5.16
100,001 to less than 5% of issued shares	98	6.71	121,532,500	31.98
5% and above of issued shares	1	0.07	235,600,000	62.00
Total	**1,460**	**100.00**	**380,000,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS
(As per Register of Substantial Shareholders)

	Direct		Indirect	
Name of Shareholder	No. of Shares held	% of Issued Capital	No. of Shares held	% of Issued Capital
Kim Hin International Pte Ltd ("KHI")	235,600,000	62.00	–	–
Pang Kim Hin	11,280,700	2.97	235,600,000[(1)]	62.00

Note:-
(1) Deemed interested by virtue of his shareholdings held through KHI pursuant to Section 8 of the Companies Act 2016 ("the Act").

SHAREHOLDINGS OF DIRECTORS
(As per Register of Directors' Shareholdings)

	Direct		Indirect	
Name of Directors	No. of Shares held	% of Issued Capital	No. of Shares held	% of Issued Capital
Pang Kim Hin	11,280,700	2.97	235,600,000[(1)]	62.00
Pang Shu Ming	1,000,000	0.26	–	–
Pang Fu Wei	–	–	–	–
Goh Poh Teng	1,000,000	0.26	–	–
Chew Soo Lin	2,150,000	0.57	800,000[(2)]	0.21
Yen Se-Hua Stewart	–	–	–	–
Kor Yann Ning	800,000	0.21	–	–
Hew Moh Yung	–	–	–	–

Notes:
(1) Deemed interested by virtue of his shareholdings held through KHI pursuant to Section 8 of the Act.
(2) Deemed interested by virtue of his shareholdings held through Cepheus Corporation Pte Ltd pursuant to Section 8 of the Act.

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	% of Issued Capital
1.	Kim Hin International Pte Ltd	235,600,000	62.00
2.	Pang Leong Hoon	11,400,000	3.00
3.	Pang Kim Hin	11,280,700	2.97
4.	Kaginic Corporation Sdn Bhd	9,500,000	2.50
5.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Eastspring Investmentsequity Income Fund	8,797,000	2.32
6.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)	8,611,300	2.27
7.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	6,580,700	1.73
8.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kwee Hock	6,521,900	1.72
9.	CIMB Group Nominees (Tempatan) Sdn Bhd Aiiman Asset Management Sdn Bhd for Lembaga Tabung Haji	5,564,700	1.46
10.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Yaw Hiong	4,900,000	1.29
11.	UOBM Nominees (Tempatan) Sdn Bhd UOB Asset Management (Malaysia) Berhad for Khoo Yok Kee	4,196,100	1.10
12.	Khoo Yok Kee	3,839,700	1.01
13.	Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for Chew Soo Lin	2,150,000	0.57
14.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Yeow Huat (M10)	1,500,000	0.39
15.	Ooi Sing Hwat	1,500,000	0.39
16.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Dividend Fund	1,342,000	0.35
17.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ching Neoh	1,250,000	0.33
18.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Eastspring Investmentsislamic Equity Income Fund	1,106,100	0.29
19.	Chong Kok Fai	1,000,000	0.26
20.	CIMB Group Nominees (Asing) Sdn Bhd Exempt An For DBS Bank Ltd (SFS)	1,000,000	0.26
21.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Caceis Bank (SW-CSG-FGN)	1,000,000	0.26
22.	Pang Shu Ming	1,000,000	0.26
23.	RHB Nominees (Tempatan) Sdn Bhd RHB Asset Management Sdn Bhd for Khoo Yok Kee	1,000,000	0.26
24.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Poh Teng	1,000,000	0.26
25.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kok Yew Fatt (B Tinggi-CL)	950,000	0.25
26.	Foo Ying Kuen	950,000	0.25
27.	Thye Huat Chan Sendirian Berhad	900,000	0.24
28.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt An for Eastspring Investments Berhad (PM0004)	883,000	0.23
29.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Exempt An for CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Client)	800,000	0.21
30.	Citigroup Nominees (Asing) Sdn Bhd Exempt An for Bank of Singapore Limited (Foreign)	800,000	0.21
	Total	**336,923,200**	**88.66**

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Ninth ("39th") Annual General Meeting ("AGM") of KIM HIN JOO (MALAYSIA) BERHAD ("KHJ" or "Company") will be conducted FULLY VIRTUAL for the purpose of considering and if thought fit, passing with or without modifications the resolutions as set out in this notice.

Meeting Platform	:	https://web.lumiagm.com/
Day and Date	:	Wednesday, 29 July 2020
Time	:	2.30 p.m.
Broadcast Venue	:	TR12-R01 & TR12-R02, 12th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Mode of Communication	:	1) Typed text in the Meeting Platform 2) E-mail questions to investor.relations@khj-my.com prior to 39th AGM.

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To approve the additional payment of Directors' Fees amounting to RM6,000 which was in excess of the earlier approved amount of RM200,000 for the financial year ended 31 December 2019. **(Ordinary Resolution 1)**

3. To approve the payment of Directors' Fees payable to the Directors of the Company on quarterly basis in arrears after each quarter of completed service of the Directors up to an aggregate of RM430,000 from 1 January 2020 until the conclusion of the next AGM of the Company in year 2021. **(Ordinary Resolution 2)**

4. To re-elect the following Directors who are retiring in accordance with Clause 95 of the Constitution of the Company:

   i) Mr Pang Kim Hin **(Ordinary Resolution 3)**

   ii) Ms Goh Poh Teng **(Ordinary Resolution 4)**

5. To re-elect the following Directors who are retiring in accordance with Clause 101 of the Constitution of the Company:

   i) Mr Hew Moh Yung **(Ordinary Resolution 5)**

   ii) Mr Pang Fu Wei **(Ordinary Resolution 6)**

6. To re-appoint Messrs. Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 7)**

As Special Business

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

7. **Proposed Authority to Allot and Issue Shares pursuant to Section 76 of the Companies Act 2016 ("the Act")** **(Ordinary Resolution 8)**

   "**THAT** pursuant to Section 76 of the Act, the Directors be and are hereby authorised and empowered to allot and issue shares in the Company at any time until the conclusion of the next AGM 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 for the time being, subject always to the Constitution of the Company and approval of all the relevant governmental and/or regulatory authorities, where such approval is necessary."

8. **Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature and Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Ratification and Proposed Shareholders' Mandate")** **(Ordinary Resolution 9)**

   "**THAT** all the Recurrent Related Party Transactions ("RRPT(s)") of a revenue and/or trading nature entered into by the Company and/or its subsidiaries ("the Group") from the date of the Company's listing on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 8 July 2019 ("Listing Date") up to the date of the 39th AGM, be and are hereby accepted, confirmed and ratified, and the Group be and is hereby authorised to enter into any of the transactions falling within the types of RRPT of a revenue or trading nature with the related parties as set out in Section 2.4(b) of the Circular to Shareholders dated 30 June 2020 ("RRPT Circular") which are necessary for the Group's day-to-day operations subject to the following:-

   a) the transactions are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

   b) the disclosure will be made in the Annual Report on the breakdown of the aggregate value of the RRPTs conducted pursuant to the Proposed Shareholders' Ratification and Proposed Shareholders' Mandate during the financial year on the type of RRPT made, the names of the related parties involved in each type of RRPT and their relationships with the Company.

   THAT the authority conferred shall continue to be in force until:-

   i) the conclusion of the next AGM of the Company following the forthcoming 39th AGM at which the Proposed Shareholders' Ratification and Proposed Shareholders' Mandate is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is again renewed;

   ii) the expiration of the period within which the next AGM of the Company is required 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 resolution passed by the shareholders in general meeting, whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Ratification and Proposed Shareholders' Mandate.

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

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)
TAN AI NING (MAICSA 7015852)

Company Secretaries

Selangor Darul Ehsan
30 June 2020

NOTES:

(1) As part of the safety measures to curb the spread of the Coronavirus outbreak, the Company will conduct the 39th AGM entirely through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities. For further details and guidelines on RPV facilities, please refer to the Administrative Guide which will be made available on the Company's website at www.khj-my.com.

(2) The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the Meeting to be at the main venue. No shareholders/proxies/corporate representative from the public should be physically present at the Broadcast Venue on the day of the 39th AGM.

(3) Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice of AGM will be put to vote by way of poll. A Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

(4) A member entitled to participate and vote at the 39th AGM may appoint another person as his proxy to participate and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to participate and vote at a meeting shall have the same rights as the member to speak at the meeting.

(5) A member shall be entitled to appoint not more than 2 proxies to participate, speak and vote at the meeting. Where a member appoints 2 proxies, the appointment shall not be valid unless the member specifies the proportion of his shareholding to be represented by each proxy.

(6) Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(7) The proxy form shall be in writing, executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

NOTES: (cont'd)

(8) The proxy form and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd of 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time for holding the 39th AGM or adjourned 39th AGM at which the person named in the proxy form proposes to vote, and in default the proxy form shall not be treated as valid.

Alternatively, members may deposit the proxy form by electronic means directly at https://boardroomlimited.my not less than 48 hours before the meeting. For further information on the electronic submission of proxy form, kindly refer to the Administrative Guide which will be made available on the Company's website at www.khj-my.com.

(9) For the purpose of determining who shall be entitled to participate at this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available a Record of Depositors as at 21 July 2020 and only members whose names appear on such Record of Depositors shall be entitled to participate, speak and vote at this meeting and entitled to appoint proxy or proxies.

Explanatory Notes:

(1) Agenda 1 – To receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 340 of the Act does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

(2) Ordinary Resolution 1 – Additional Payment of Directors' Fees

Section 230(1) of the Act provides amongst others, the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

At the Thirty Eighth AGM of the Company held on 22 April 2019, the shareholders had approved RM200,000 as total Directors' Fees payable to the Directors of the Company for the financial year ended 31 December 2019.

The proposed resolution on the additional payment of Director's fees amounting to RM6,000 is due to the appointment of additional Independent Non-Executive Director of the Company, Mr Hew Moh Yung, on 26 August 2019.

Explanatory Notes: (cont'd)

(3) Ordinary Resolution 2 – Directors' Fees from 1 January 2020 until the next AGM of the Company in year 2021

The amount of Directors' fees payable comprising fees payable to Directors as Chairman/member of Board and Board Committees from 1 January 2020 until the conclusion of the next AGM of the Company in year 2021, with the fee structure as shown below:-

Board/Board Committees	Fees per Annum (RM)
Board	- RM56,000 (Chairman) - RM30,000 (Member)
Audit Committee	- RM8,000 (Chairman) - RM4,000 (Member)
Nomination Committee	- RM4,000 (Chairman) - RM2,000 (Member)
Remuneration Committee	- RM4,000 (Chairman) - RM2,000 (Member)
Risk Management Committee	- RM4,000 (Chairman) - RM2,000 (Member)

(4) Ordinary Resolution 8 – Proposed Authority for Directors to Allot and Issue Shares pursuant to Section 76 of the Act

The proposed Ordinary Resolution 8 is a general mandate for issuance of shares by the Company under Section 76 of the Act. The mandate, if passed, will empower the Directors from the conclusion of this 39th AGM, to allot and issue up to a maximum of 10% of the total number of issued shares of the Company at the time of issue (other than bonus or rights issue) for such purposes as they consider would be in the best interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

This authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for purpose of funding investment project(s), repayment of bank borrowings, working capital and/or acquisition. At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

(5) Ordinary Resolution 9 – Proposed Shareholders' Ratification and Proposed Shareholders' Mandate

The proposed Ordinary Resolution 9, if passed, will ratify all the RRPTs entered into by the Group from 8 July 2019 (i.e. the Company's Listing Date) up to the date of the 39th AGM and will allow the Company and its subsidiaries to enter into new RRPT in accordance with Rule 10.09 of the ACE Market Listing Requirements of Bursa Securities without the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such RRPT occur. This would reduce substantial administrative time, inconvenience and resources associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. The shareholders' mandate is subject to renewal on an annual basis.

For further information on Ordinary Resolution 9, please refer to the RRPT Circular dated 30 June 2020 accompanying the Annual Report of the Company for the financial year ended 31 December 2019.

Personal data privacy:

By submitting a proxy form(s) to participate, speak and vote at the 39th AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 39th AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 39th AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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PROXY FORM

No. of Shares Held	CDS Account No.

KIM HIN JOO (MALAYSIA) BERHAD
Registration No. 197801000642 (37655-U)
(Incorporated in Malaysia)

I/We, ... (name of shareholder as per NRIC/Passport)

NRIC No./Passport No./Registration No. .... of...

.... (full address) being a member(s) of

KIM HIN JOO (MALAYSIA) BERHAD, hereby appoint ....(name of proxy as per NRIC/Passport)

NRIC No./Passport No. .... of..

.... (full address)

or failing him/her, ... (name of proxy as per NRIC/Passport)

NRIC/Passport No. .... of ....

....(full address) or
the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 39th Annual General Meeting ("AGM") of the Company to be conducted FULLY VIRTUAL vide live streaming and online remote voting using RPV facilities from the Broadcast Venue at TR12-R01 & TR12-R02, 12th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Wednesday, 29 July 2020 at 2.30 p.m. or at any adjournment thereof and to vote as indicated below:-

	Resolutions		For	Against
1	Approval for the additional payment of Directors' Fees amounting to RM6,000 for the financial year ended 31 December 2019	Ordinary Resolution 1		
2	Approval for the payment of Directors' fees up to an aggregate of RM430,000 from 1 January 2020 until the conclusion of the next AGM of the Company in year 2021	Ordinary Resolution 2		
3	Re-election of Mr Pang Kim Hin as Director	Ordinary Resolution 3		
4	Re-election of Ms Goh Poh Teng as Director	Ordinary Resolution 4		
5	Re-election of Mr Hew Moh Yung as Director	Ordinary Resolution 5		
6	Re-election of Mr Pang Fu Wei as Director	Ordinary Resolution 6		
7	Re-appointment of Messrs. Deloitte PLT as Auditors of the Company and authorise the Directors to fix their remuneration	Ordinary Resolution 7		
8	Proposed Authority for Directors to Allot and Issue shares	Ordinary Resolution 8		
9	Proposed Shareholders' Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	Ordinary Resolution 9		

Please indicate with an "x" in the appropriate box against the resolutions on how you wish your proxy to vote. The proxy is to vote on the resolutions set out in the Notice of AGM as you have indicated. If no specific instruction as to voting is given, the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies or more and wish them to vote differently, this should be specified.

For appointment of two proxies, proportion of shareholdings to be represented by the proxies:

	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

 # If you wish to appoint other person(s) to be your proxy/proxies, kindly strike out the words "The Chairman of the Meeting" and insert the name(s) of the person(s) desired.
**Delete if not applicable*

....
Signature of Shareholder or Common Seal

Dated this .... day of .... 2020.

NOTES:

(1) As part of the safety measures to curb the spread of the Coronavirus outbreak, the Company will conduct the 39th AGM entirely through live streaming and online remote voting via Remote Participation and Voting ("RPV") facilities. For further details and guidelines on RPV facilities, please refer to the Administrative Guide which will be made available on the Company's website at www.khj-my.com.

(2) The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the Meeting to be at the main venue. No shareholders/proxies/corporate representative from the public should be physically present at the Broadcast Venue on the day of the 39th AGM.

(3) Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Securities, all the resolutions set out in this Notice of AGM will be put to vote by way of poll. A Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

NOTES: (cont'd)

(4) A member entitled to participate and vote at the 39th AGM may appoint another person as his proxy to participate and vote in his stead. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to participate and vote at a meeting shall have the same rights as the member to speak at the meeting.

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(8) The proxy form and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd of 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time for holding the 39th AGM or adjourned 39th AGM at which the person named in the proxy form proposes to vote, and in default the proxy form shall not be treated as valid.

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Personal Data Privacy:
By submitting a proxy form(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 30 June 2020.

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AFFIX
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The Share Registrar:

KIM HIN JOO (MALAYSIA) BERHAD 197801000642 (37655-U)
c/o BOARDROOM SHARE REGISTRARS SDN BHD
[Registration No. 199601006647 (378993-D)]
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya,
Selangor

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www.khj-my.com

KIM HIN JOO (MALAYSIA) BERHAD 197801000642 (37655-U)

Wisma Pang Cheng Yean,
Lot 5205C, Jalan Perindustrian Balakong Jaya 1/3,
Kawasan Perindustrian Balakong Jaya,
43300 Seri Kembangan, Selangor, Malaysia.

General Line : (+603) 8940 6638