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

ANNUAL REPORT 2020

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 a leading premium baby, children and maternity product vendor in Malaysia. 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

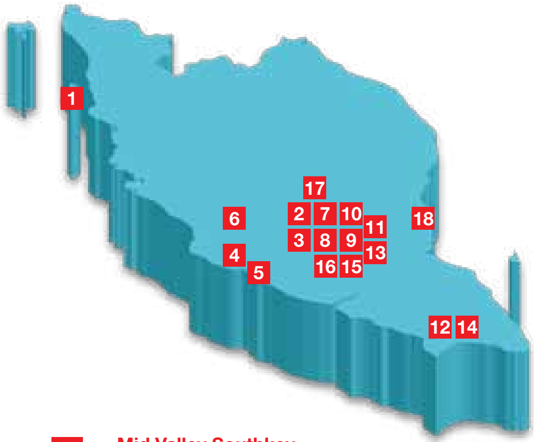
We embarked on a robust growth trajectory and successfully established our distribution business.

From 2014 onwards

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

As at 31 December 2020, we have a total of 20 Mothercare retail outlets in Malaysia together with 13 ELC store-in-store ("SIS") outlets and 2 The Entertainer Outlets offering more than 360 brands with more than 38,000 Stock Keeping Units ("SKU") and approximately 400 distribution points across our network.

Who We Are (cont'd)



1 **Gurney Plaza**
Mothercare
170-03-06/06A , 3rd Floor,
Plaza Gurney, Persiaran Gurney
10250 Penang

2 **1 Utama Shopping Centre**
Mothercare
Lot S106, 2nd Floor,
1 Utama Shopping Centre
No. 1 Lebuh Bandar Utama,
Bandar Utama
47800 Petaling Jaya, Selangor

3 **The Curve**
Mothercare | ELC
Lot S106, 2nd Floor,
1 Utama Shopping Centre
No. 1 Lebuh Bandar Utama,
Bandar Utama
47800 Petaling Jaya, Selangor

4 **Alamanda Shopping Centre**
Mothercare
G77-79, Ground Floor,
Alamanda Shopping Centre
Jalan Alamanda, Precinct 1
62000 Putrajaya, WP

5 **IOI City Mall**
Mothercare | ELC
No. L1-045 & L1-046, Level 1,
IOI City Mall, IOI Resort
62502 Putrajaya, WP

6 **Setia City Mall**
Mothercare | ELC
L1-50 & 51, Level 1, Setia City Mall
No. 7 Persiaran Setia Dagang,
Bandar Setia Alam, Seksyen U13
40170 Shah Alam, Selangor

7 **Mid Valley Megamall**
Mothercare | ELC
Lot F-027, 1st Floor,
Mid Valley Megamall
Lingkaran Syed Putra
59200 Kuala Lumpur, WP

8 **Bangsar Shopping Centre**
Mothercare | ELC
Lot S2, 2nd Floor,
Bangsar Shopping Centre
285 Jalan Maarof, Bukit Bandaraya
59000 Kuala Lumpur, WP

9 **Suria KLCC**
Mothercare | ELC
Lot S106, 2nd Floor,
1 Utama Shopping Centre
No. 1 Lebuh Bandar Utama,
Bandar Utama
47800 Petaling Jaya, Selangor

10 **Pavilion KL**
Mothercare
Lot 5.43, Level 5,
Pavilion Kuala Lumpur
168, Jalan Bukit Bintang
55100 Kuala Lumpur, Wilayah
Persekutuan

11 **Atria Shopping Gallery**
Mothercare | ELC
S29, Second Floor,
Atria Shopping Gallery
Jalan SS22/23, Damansara Jaya
47400 Petaling Jaya, Selangor

12 **AEON Mall Tebrau City**
Mothercare | ELC
Lot S135, 2nd Floor
AEON Mall Tebrau City
No. 1 Jalan Desa Tebrau
81100, Johor Bahru, Johor

13 **Melawati Mall**
Mothercare
Unit L2-38, Level 2, Melawati Mall
355 Jln Bandar Melawati
Pusat Bandar Melawati
53100 Kuala Lumpur, WP

14 **Mid Valley Southkey**
Mothercare | ELC
LG-060, The Mall Mid Valley Southkey
No 1, Persiaran Southkey 1
80150 Johor Baharu

15 **Sunway Velocity Mall**
Mothercare
Unit 2-52,Second Floor,
Sunway Velocity
Jalan Cheras, Maluri
55100 Kuala Lumpur, WP

16 **Empire Shopping Gallery**
Mothercare
Lot LG-13A & 15
Empire Shopping Gallery
Jalan SS16/1,
47500 Subang Jaya
Selangor

17 **Sunway Pyramid Mall**
Mothercare | ELC | TE
Lot LG1.105,
Sunway Pyrmaid Shopping Mall
No 3, Jalan PJS11/15
Sunway City, 47500
Petaling Jaya, Selangor

18 **East Coast Mall**
Mothercare | ELC | TE
L1-03 (B), Level 1
Jalan Putra Square 6
Putra Square, 25200
Kuantan Pahang

19 **Vivacity Megamall**
Mothercare | ELC
L1-015 & L1-016
Level 1, Vivacity Megamall
Jalan Wan Alwi,
93350 Kuching, Sarawak

20 **Suria Sabah Mall**
Mothercare | ELC
Unit 3-10, 3rd Floor, Suria Sabah Mall
Jalan Tun Fuad Stephens
88000 Kota Kinabalu, Sabah

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, ELC UK, The Entertainer UK and established relationships with brand owners and manufacturers.

In 2019, we finalized and signed the development agreement with The Entertainer UK granting us the exclusive rights to open and operate The Entertainer toy outlets in Malaysia., The Entertainer toy outlets serve to extend our toy product offering to cater to our existing customers with children aged six and beyond. The first outlet was opened on 19 June 2020 in Sunway Pyramid, Klang Valley and the second outlet was opened on 23 Oct 2020 in East Coast Mall, Kuantan.

As at 31 December 2020, our retail business consists of 20 Mothercare outlets, 13 ELC SIS and 2 The Entertainer outlets nationwide.

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 subsidiaries, Global Product Solutions Sdn Bhd and Global Retail Network 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 2020, we have a total of 433 local and 2 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").

Our Products

Clothing

- Baby & Children's clothing and accessories
- Maternity clothing

Home & Travel

- Feeding and home safety
- Bathing, nursery and bedroom products
- Strollers, car seats and baby carriers

Toys

- Baby and children toys

Our Competitive Strengths

Strong Heritage Brand

Trusted quality products for parents, babies, toddlers and young children

Established Track Record

Experienced in the retail and distribution of baby, children and maternity products

Large Portfolio

Baby and children products built on strong established relationships with our franchisors and other branded product suppliers

Dynamic Experienced Management Team

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
- 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** I Non-Independent Non-Executive Chairman
- **Pang Fu Wei** I Managing Director
- **Goh Poh Teng** I Executive Director
- **Chew Soo Lin** I Senior Independent Non-Executive Director
- **Yen Se-Hua Stewart** I Independent Non-Executive Director
- **Kor Yann Ning** I Independent Non-Executive Director
- **Hew Moh Yung** I 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

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

COMPANY SECRETARIES

Tai Yit Chan
(MAICSA No. 7009143)
(SSM Practicing Certificate No
202008001023)
Tan Ai Ning
(MAICSA No. 7015852)
(SSM Practicing Certificate No
202008000067)

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

PROFILE OF DIRECTORS

PANG KIM HIN

Non-Independent Non-Executive Chairman
Singaporean | aged 71 | 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:
34 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 Kim Hin 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 Mr Pang Fu Wei, who is our Managing 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 Kim Hin 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 Mr 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, Ms Pang Shu Ming, joined our Group and took over his primary responsibilities in Malaysia. Since then, Mr Pang Kim Hin's responsibilities in our Group have shifted towards a non- executive role. Subsequently, on 1 July 2020, Mr Pang Fu Wei took over the role as Managing Director of the Company.

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.

Mr 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 5 out of 5 Board of Directors' Meetings held during the FYE2020.

Profile of Directors (cont'd)

PANG FU WEI

Managing Director
Singaporean I aged 32 I Male

Date of Appointment as Director:
27 February 2020

Length of Service as Director since Appointment:
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 Fu Wei 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 also a director of KHI, a major shareholder of KHJ.

Working Experience:
Mr Pang Fu Wei was appointed as the Managing Director of our Group on 1 July 2020.

He has 8 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 attended 4 out of 4 Board of Directors' Meetings held during the FYE2020 since his appointment.

Profile of Directors (cont'd)

GOH POH TENG

Executive Director
Malaysian I aged 60 I 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:
7 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:
Ms Goh 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 stationeries.

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 5 out of 5 Board of Directors' Meetings held during the FYE2020.

Profile of Directors (cont'd)

CHEW SOO LIN

Senior Independent Non-Executive Director
Singaporean | aged 73 | Male

Date of Appointment as Director:
3 October 2018

Length of Service as Director since Appointment:
2 years

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 Asia-Pacific Strategic Investments Limited, 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:
Mr Chew 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 5 out of 5 Board of Directors' Meetings held during the FYE2020.

Profile of Directors (cont'd)

YEN SE-HUA STEWART

Independent Non-Executive Director
Singaporean | aged 71 | Male

Date of Appointment as Director:
3 October 2018

Length of Service as Director since Appointment:
2 years

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 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:
Mr Yen 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 5 out of 5 Board of Directors' Meetings held during the FYE2020.

Profile of Directors (cont'd)

KOR YANN NING

Independent Non-Executive Director
Malaysian I aged 37 I Female

Date of Appointment as Director:
3 October 2018

Length of Service as Director since Appointment:
2 years

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 | 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:
Ms Kor 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 (presently known as S&F Capital 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 5 out of 5 Board of Directors' Meetings held during the FYE2020.

Profile of Directors (cont'd)

HEW MOH YUNG

Independent Non-Executive Director
Singaporean I aged 65 I Male

Date of Appointment as Director:
26 August 2019

Length of Service as Director since Appointment:
1 year

Board Committee(s) Membership:
Chairman of Risk Management Committee | Member of Remuneration Committee | Member of Nomination Committee | Member of Audit 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 has over 39 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 5 out of 5 Board of Directors' Meeting held during the FYE2020.

ADDITIONAL INFORMATION ON THE DIRECTORS

The details of the Directors' interest in the securities of the Company are set out on page 130 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.

PROFILE OF KEY SENIOR MANAGEMENT

CHANG KIM WIN

Chief Financial Officer
Malaysian | aged 50 | Female

Date First Appointed to the Key Senior Management Position:
15 October 2020

Academic/Professional Qualification(s):
Association of Chartered Certified Accountants | Malaysian Institute of Accountants

Working Experience:
Ms Chang began her career in year 1994 in auditing and accounting firm for four (4) years. She has experience in auditing and also involved in Financial Due Diligence and fraud case investigation. She then joined a multinational company in retail business in 1998 for four (4) years as Accounting Manager where she reported to the Senior Finance Manager and Regional Finance Director in Singapore.

In December 2002, she joined a public listed company involved in jewellery as Finance Manager who reported to the Managing Director. She was responsible in pro-active support to the Managing Director, Board of Directors and management team and subsequently, in April 2005, she was with an IT company as Senior Finance Manager and reported to the Regional Financial Controller in Singapore office.

She then moved to a Global Business Solutions organisation in October 2009 as Financial Controller and reported to the Head of Shared Services in Malaysia and Chief of Information from Regional Office, Singapore and in September 2010, she was with a company which specializes in vehicle financing for a year as Senior Finance Manager reporting to the General Manager-Finance & President and was also the Head of Accounts and Tax team.

In January 2012, she joined the group of companies involved in Islamic pawn broking, retail and hotel business as Senior Financial Controller and reported to the Group Managing Director. She was also involved in the operations management which plans, organizes and oversees the organisation's processes to balance revenues and costs and achieved the highest possible operating profits.

On 15 October 2020, Ms Chang joined our Group as the Chief Financial Officer where she oversees the Group's overall financial and operations, budgeting, forecasts, quarterly results, corporate exercises and ensure matters are in compliance with the relevant regulatory authorities.

Profile of Key Senior Management (cont'd)

LUA FOONG LING

Head of Retail & Marketing
Malaysian I aged 38 I 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.

Profile of Key Senior Management (cont'd)

CHANG YEEN

Head of Distribution Malaysian
Malaysian I aged 41 I 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)

CHIA WEI WEI

Head of Retail Merchandising
Malaysian I aged 41 I 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.

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.

Profile of Key Senior Management (cont'd)

ASMADI SAIMAN

Warehouse Manager
Malaysian I aged 45 I Male

Date First Appointed to the Key Senior Management Position:
21 October 2020

Academic/Professional Qualification(s):
Executive Diploma in Integrated Logistic and Supply Chain Operation, Malaysia University of Technology

Working Experience:
Encik Asmadi started his career in 1995 as Industrial Clerk (Non-Executive), Premier Milk (M) Sdn Bhd and was promoted to Warehousing and Distribution Supervisor (Non-Executive) in 2004. In April 2013, he joined F & N Dairies (M) Sdn Bhd as Warehousing and Distribution Supervisor (Non-Executive) and subsequently promoted to Executive, Secondary Supply Chain in 2014.

In August 2015, he joined Guardian Health and Beauty Sdn. Bhd, Sepang, Selangor as Assistant Manager, Distribution Centre. He then joined Cotton-On Group, Puchong as DC Operation Brand Manager in May 2016.

He left Cotton-On Group and joined our Group on 21 October 2020 and 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.

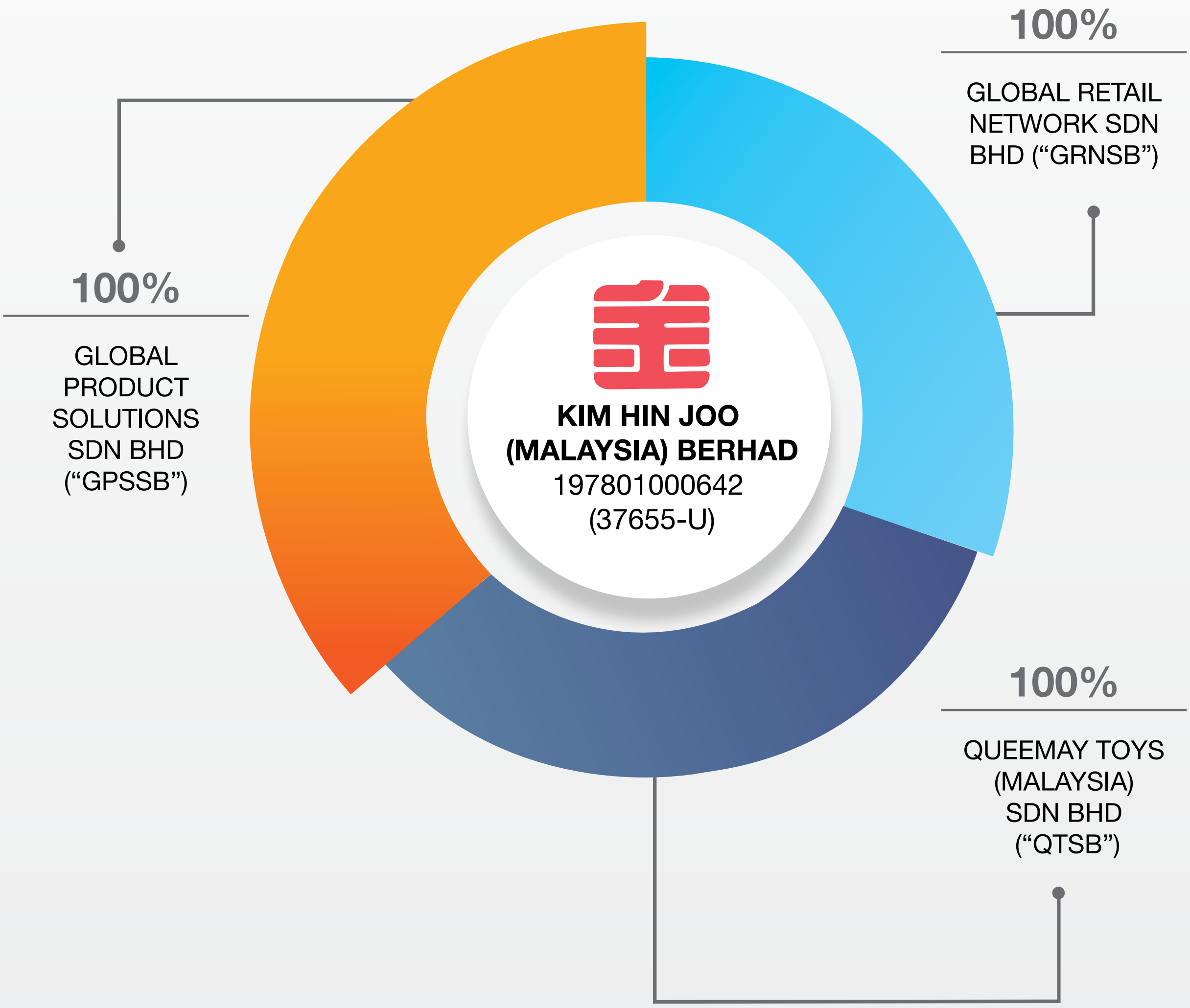
Conflicts of Interest:
The Key Senior Management do not have any conflicts of interest with the Company.

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.

GROUP STRUCTURE

The Group Structure of KHJ for the financial year ended 31 December ("FYE") 2020 was as follows:

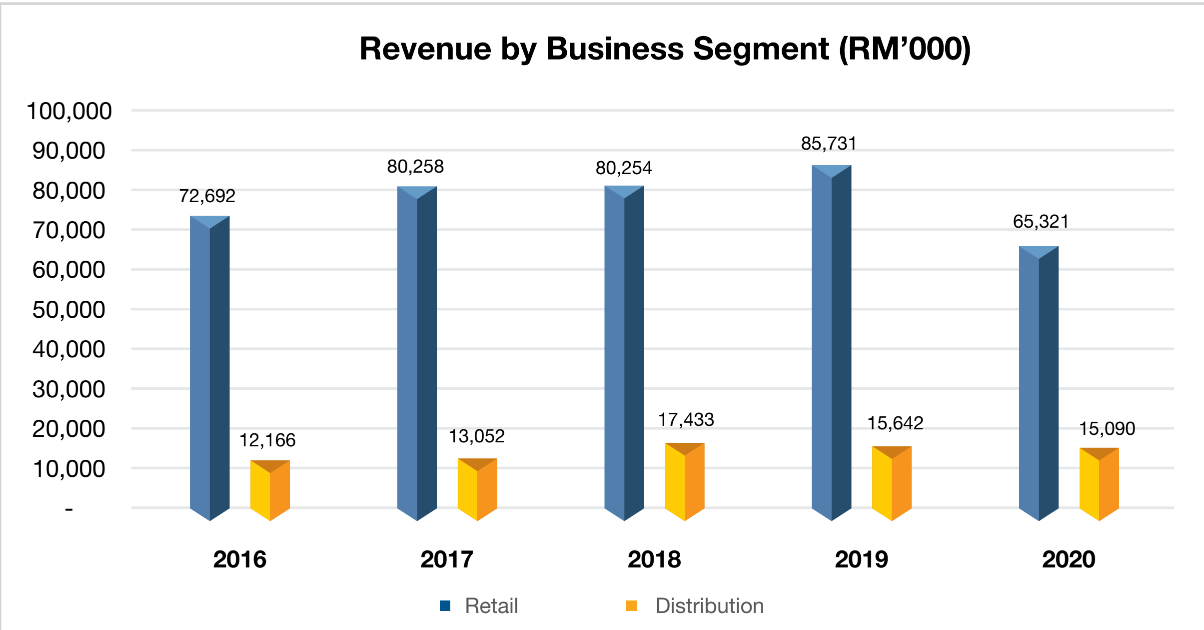


FINANCIAL HIGHLIGHTS

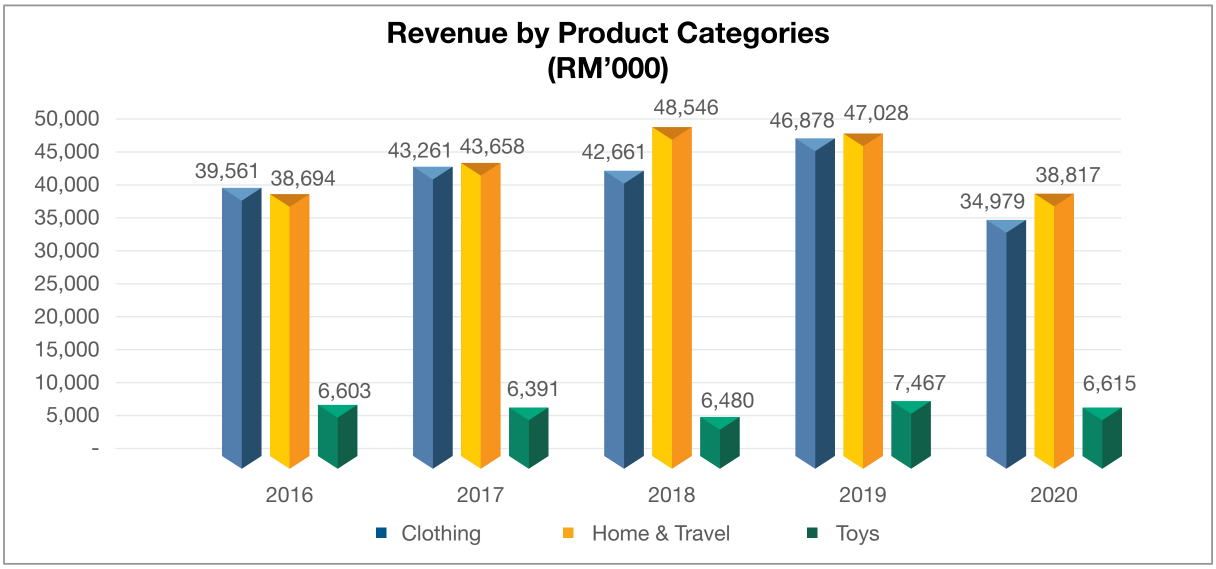
5 Years Financial Performance

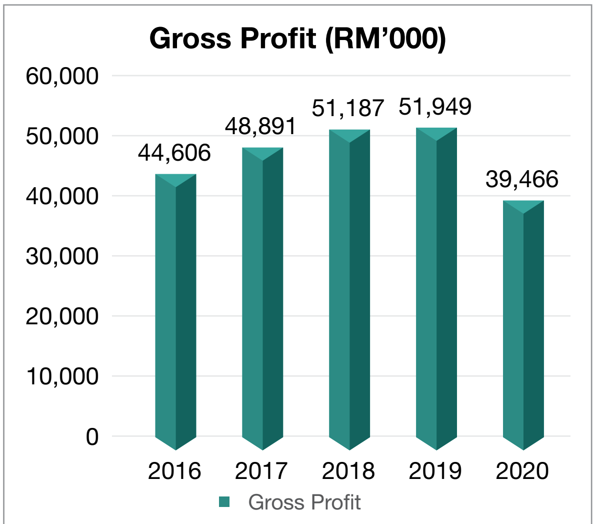
		Financial Year Ended 31 December ("FYE")				
		2016	2017	2018	2019	2020
STATEMENT OF PROFIT OR LOSS						
Revenue	RM'000	84,858	93,310	97,687	101,373	80,411
Gross Profit	RM'000	44,606	48,891	51,187	51,949	39,466
Profit before taxation ("PBT")	RM'000	16,396	16,261	15,451	13,449	7,413
Profit attributable to owners of the Company ("PAT")	RM'000	12,234	11,561	11,112	9,420	5,348
STATEMENT OF FINANCIAL POSITION						
Total equity attributable to owners of the Company	RM'000	58,558	62,119	38,747	75,962	77,509
Total assets	RM'000	75,439	77,140	53,127	110,917	110,101
Cash and bank balances, fixed deposits with licensed banks	RM'000	15,867	15,695	7,590	40,235	31,796
Borrowings	RM'000	1,140	132	-	-	-
FINANCIAL RATIOS						
GP Margin	%	52.57	52.40	52.40	51.25	49.08
* Basic earnings per share ("EPS")	sen	3.22	3.04	2.92	2.48	1.41
* Dividends per share	sen	-	2.11	9.07	1.50	1.0
* Net assets per share	sen	15.41	16.35	10.20	19.99	20.40

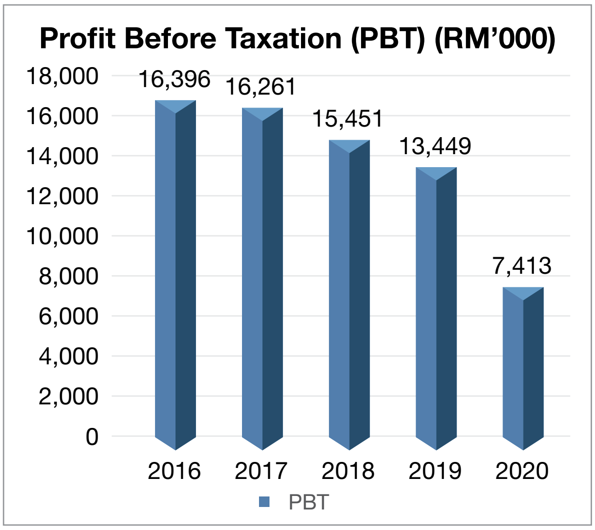
Note: * computed based on 380,000,000 shares in KHJ Group

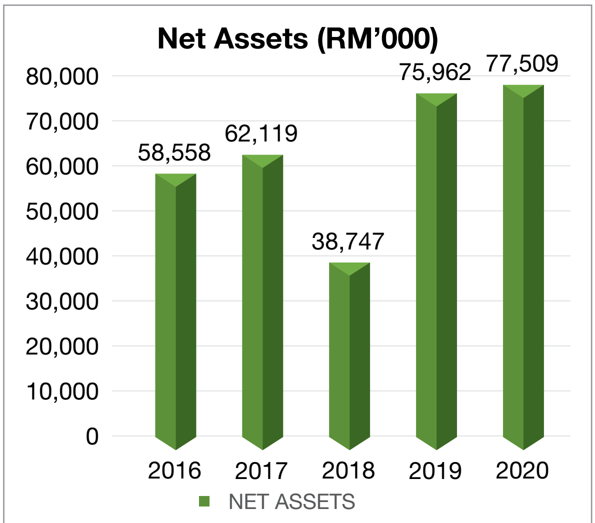


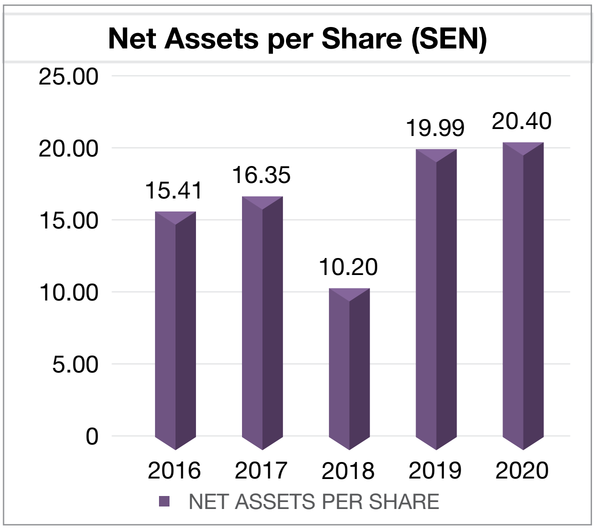
Financial Highlights (cont'd)











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 Annual Report and Audited Financial Statements of KHJ for the financial year ended 31 December 2020.

2020 will be long remembered for the Covid-19 pandemic. It has caused unprecedented economic disarray and continues to bring about uncertainty, stress, and disruption to our community.

Faced with months of movement control orders (MCO), Kim Hin Joo (Malaysia) Berhad's results from the financial year ended 31 December 2020 reflected the impact of the pandemic on our business.

Nevertheless, against this challenging backdrop, we successfully launched our new toy retail concept, The Entertainer, opening 2 outlets at Sunway Pyramid and East Coast Mall. We also grew our Mothercare presence, expanding our 1 Utama outlet and opening 2 new outlets, while closing one outlet over the last period. The performance of the new outlets has been very encouraging and has helped cushion the impact of the Covid-19 pandemic on the Group's revenue over the past year.

Brick and mortar stores aside, another bright spot for our business during the pandemic was our online presence. Over the past year, we have strengthened our e-Commerce capabilities and expanded online marketplace such as Lazada and Shopee. This has resulted 119% growth in online platform as compared to the previous financial year.

Having laid the foundations for capturing a wider customer base, we are now positioned to resume our growth in the coming year as the economy recovers from the pandemic.

Chairman's Statement (cont'd)

REVIEW OF FINANCIAL PERFORMANCE

2020 proved to be a very challenging year for the global retail industry. The outbreak of the Novel Coronavirus ("COVID-19") pandemic and the resulting various movement control orders in the form of travel and business operation restrictions imposed by all countries in which we operate in, have to a large extent, caused the Group's retailing revenue to decrease from RM101.3 million to RM80.4 million or 20.6% over the previous financial year.

PBT of RM7.4 million for FYE2020 was lower than that of the preceding year's RM13.4 million, representing a decrease of 44.9%.

This decrease in PBT was mainly due to the impact of the outbreak of COVID-19 which had significantly impacted the retail market and subdued consumer spending.

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

Revenue
RM80.4 mil

Profit After Tax
RM5.3 mil

Cash
RM31.8 mil

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.

FUTURE PLANS OF THE GROUP

The Covid-19 pandemic has changed consumer shopping habits and the Group needs to respond to our customers' needs.

Mothercare experience store

The Group intends to open Malaysia's "Mothercare" first experience store. Mothercare's new concept store promises shoppers a visual and tactile experience that will help expectant parents make better purchasing decisions. The incorporating of 'real life' elements – such as stroller test tracks and baby wearing zones – allow shoppers to properly test out products before purchasing them. Inspirational nursery room sets let parents envision how the new additions to their nests may look like. This move will enable Mothercare to deliver a best-in-class retail model, creating a destination store for parents-to-be.

Expansion of online business

The Group will be re-platforming our e-Commerce website to improve our customers' online shopping experience. The new website will enable us to grow e-Commerce while offering our customers new features such as Click and Collect in stores.

Expansion and enhancement of our retail network

The Group intends to continue expanding more Mothercare and The Entertainer outlets outside the Klang Valley to diversify our geographic coverage. This move will enable Kim Hin Joo to reach out to more customers to grow our revenue base. We also plan to strategically expand and refurbish our existing outlets in order to enhance our customer shopping experience.

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

PROSPECTS AND OUTLOOK

The full impact of the Covid-19 pandemic cannot be accurately assessed at this time. The financial year of 2021 continues to look uncertain due to the possibility of another outbreak followed by reimposition of restrictions.

However, we are cautiously optimistic that business will improve with the successful rollout of the vaccine.

The Group is positioning itself to address near-term challenges and to capture opportunities following the crisis. We expect the birthrate and economy of Malaysia will continue to expand providing the impetus for growth for the Group in the coming years.

APPRECIATION

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

Ms Pang Shu Ming served as our Group Managing Director from November 2017 to 30 June 2020, during the time of rapid growth which led to the successful listing of the Company on the ACE market. On behalf of all the directors and staff, the Company would like to register our heartfelt appreciation for all her contributions.

We also like to welcome Mr Pang Fu Wei, our new Managing Director who has taken over the role of Group Managing Director and we all look forward to him bringing the company to the next level of growth.

My heartiest thanks go out to my fellow Board members for their expertise and guidance. We would also like to extend our gratitude and appreciation for the loyalty, commitment, hard work and dedication of the Management and the employees of the Group. Your continued cooperation and professional work ethics will be integral towards the Group's future growth.

Thank you.

Pang Kim Hin
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW OF THE KHJ GROUP

Kim Hin Joo (Malaysia) Berhad ("KHJ") is a leading premium baby, children and maternity product vendor in Malaysia. 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.

(i) Retail

The Group provides a range of BCM products through different sales channels which consist of:

- Mothercare outlets
- ELC store-in-store ("SIS")
- The Entertainer outlets
- Mothercare online store
- Online sales channels and;
- Baby Expos

20
Mothercare Outlets

13
ELC SIS

2
The Entertainer outlets

367
Brands of Products

The products for our retail segment are primarily sourced through Mothercare UK, ELC UK and The Entertainer UK.

A summary of our retail segment and sales channels are set out below:

<u>Mothercare Outlets, ELC SIS & The Entertainer Outlets</u>

We operate our Mothercare outlets and ELC SIS in accordance with the terms of our Development Agreements and Operational Agreement with Mothercare UK and ELC UK accordingly.

As at 31 December 2020, we operate 20 Mothercare outlets, 13 ELC SIS and 2 The Entertainer outlets throughout Malaysia, where we sell Mothercare, ELC and The Entertainer products as well as other branded products within our categories from third-party sources ("other branded products").

Currently, we carry a total of 367 brands of Clothing, Home & Travel products, and Toys at our Mothercare outlets, ELC SIS and The Entertainer outlets.

In addition to the above, we also offer 6 consignment brands at our Mothercare outlets.

We currently host 175 out of our total of 367 brands of Clothing, Home & Travel products and Toys at our Mothercare online store, while featuring 14 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.

Economies and societies are rapidly changing and developing. Moving to digital and find the right online channel or distribution in the retail industries is a key victory factor in digital retailing. In order to penetrate the e-Commerce market, we have aggressively placed our products on other well-known local marketplaces such as Lazada and Shopee to capitalise on the e-Commerce opportunities.

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

(i) Retail (Cont'd)

Mothercare Online Store and Online Sales Channels

Mothercare and The Entertainer Products can be purchased through the following Channels:

Online Sales Channel	Launch Date	Types of Products Sold
Mothercare online store (www.mothercare.com.my)	Oct 2016	Mothercare, ELC and other branded Clothing, Home & Travel products and Toys
NotTooBig online store, which is hosted on Lazada, an e-Commerce platform	Apr 2018	Other branded Home & Travel products
Tommee Tippee online store, which is hosted on Lazada, an e-Commerce platform	Aug 2019	Tommee Tippee products
Tommee Tippee online store, which is hosted on Shopee, an e-Commerce platform	Sep 2019	Tommee Tippee products
Mimosa online store, which is hosted on Lazada, an e-Commerce platform	Nov 2019	Mimosa products
Snapkis online store, which is hosted on Lazada, an e-Commerce platform	Nov 2019	Snapkis products
Mothercare online store, which is hosted on Lazada, an e-Commerce platform	Feb 2020	Mothercare, ELC and other branded Clothing, Home & Travel products
Mimosa online store, which is hosted on Shopee, an e-Commerce platform	May 2020	Mimosa products
Snapkis online store, which is hosted on Shopee, an e-Commerce platform	May 2020	Snapkis products
The Entertainer online store, which is hosted on Lazada, an e-Commerce platform	Nov 2020	The Entertainer and other branded toys
NotTooBig online store, which is hosted on Shopee, an e-Commerce platform	Feb 2021	Other branded Home & Travel products
The Entertainer online store, which is hosted on Shopee, an e-Commerce platform	Feb 2021	The Entertainer and other branded toys
Mothercare online store, which is hosted on Shopee, an e-Commerce platform	Mar 2021	Mothercare, ELC and other branded Clothing, Home & Travel products
The Entertainer online store (www.theentertainer.com.my)	Mar 2021	The Entertainer and other branded toys

Management Discussion and Analysis (cont'd)

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

(i) Retail (Cont'd)

Baby Expos

We have regularly participated in Baby Expos since 2010 to showcase our product offerings for some of our other branded products in the Home & Travel and Toys segment. However, in 2020, the Baby Expos were cancelled due to the outbreak of Covid-19 pandemic.

(ii) Distribution

The Group distributes a total of 22 brands of Home & Travel products mainly to specialty baby and toy stores, departmental stores, hypermarket, online stores, pharmacies, confinement centres, traditional Chinese medical halls and other corporate partners. Products sold to such customers include baby nursing products and toiletries, strollers, travel cots, high chairs, travel bags, baby seats, nursing pillows and toilet training mats.

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.

During the course of the year, we have acquired the following new brands for distribution:

- Bebe Au Lait
- Giggles
- 59s
- LoveAmme

2. OPERATIONAL REVIEW

The COVID-19 pandemic has resulted in a sharp slowdown in the retail market with a steep decline in consumer spending.

Despite the challenging and unprecedented business environment, KHJ continues to focus its efforts on optimising its operational structure to make it more efficient and sustainable.

KHJ continues to expand with two new outlets opened for Mothercare and two outlets for The Entertainer in Sunway Pyramid in Klang Valley and East Coast Mall in Kuantan. The 1 Utama outlet also relocated to a larger unit to accommodate our growing portfolio of brands and products. In the meantime, the Subang Parade outlet was closed down replaced by our new outlet in Sunway Pyramid.

3. FINANCIAL PERFORMANCE REVIEW

The retail sector was one of the hardest-hit sectors following the outbreak of the COVID-19 pandemic and the implementation of the Movement Control Order imposed by the Government of Malaysia. This unprecedented business condition has impacted our business performance materially as the Group recorded a significant decrease in the Group's revenue of 20.6% to RM80.4 million for the financial year under review as compared to a revenue of RM101.3 million in the previous financial year.

Due to the dip in revenue, the Group's profit before tax for continuing operations had decreased to RM7.41 million accordingly or 44.9% lower as compared to a profit before tax of RM13.45 million recorded in the previous financial year.

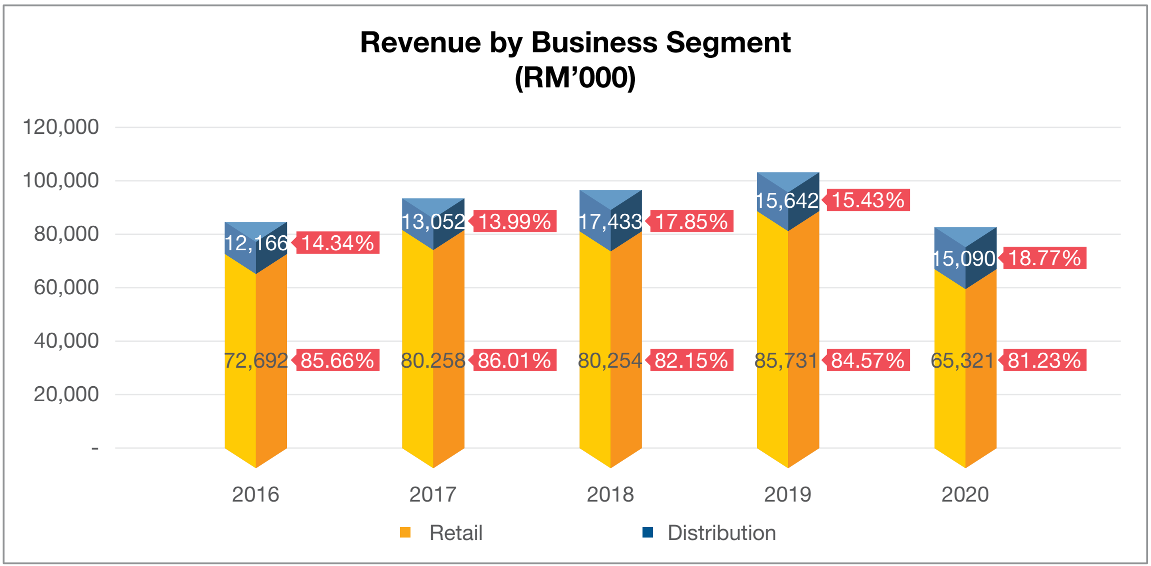
3. FINANCIAL PERFORMANCE REVIEW (CONT'D)

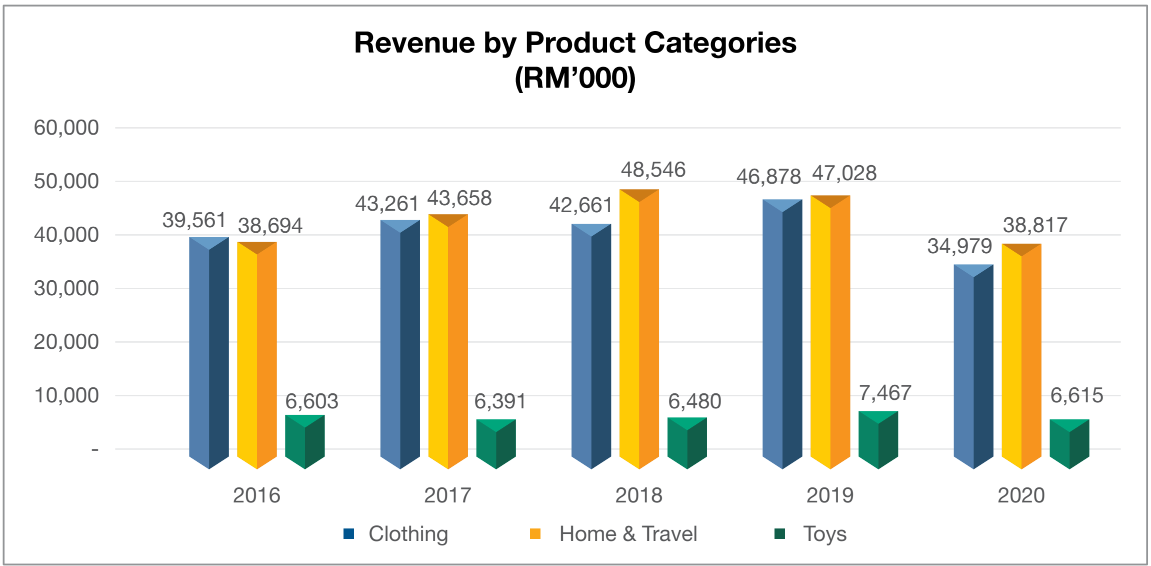
Revenue Analysis

The sales performance of the Group was adversely affected by the COVID-19 pandemic. The Group recorded a decrease in revenue of 20.6% as compared to FYE2019. This was mainly due to the unprecedented business disruptions to the retail sector caused by the pandemic, in particular the temporary closure of retail outlet operations from 18 March to 3 May 2020 due to the implementation of the Movement Control Order ("MCO") as well as the implementation of the Conditional Movement Control Order ("CMCO") by the Government until end of the year.

The major contributor to the revenue stream of the Group for FYE2020 was from the Retail segment, which accounted for approximately 81.2% of the total revenue for FYE2020. The sales of the Retail Segment declined substantially in FYE2020 to RM65.3 million from the retail sales of RM85.7 million recorded in the previous financial year.

The FYE2020 revenue breakdown by business segment and product category are provided below:





Management Discussion and Analysis (cont'd)

3. FINANCIAL PERFORMANCE REVIEW (CONT'D)

Financial Position

KHJ's balance sheet as at FYE2020 is reflected below:

	2020 (RM'000)
Total Assets	110,101
Total Liabilities	32,592
Debt to Assets	29.60%

Zero
Borrowings

4.8
Current Ratio

Net Assets
RM77.5 mil

Net Assets Per Share
20.40 sen

The Company has cash and bank balances, including fixed deposits with licensed banks, which amounted to RM31.80 million as at 31 December 2020, still maintaining a healthy cash flow position.

The Group does not have any borrowings as at 31 December 2020. Our net current asset stands strong at RM61.1 million with a ratio of 4.8 times as at FYE2020. If not because of the lease liabilities arising from MFRS 16, the current ratio will be 9.1 times.

The Group will continue to remain prudent in maintaining a sound financial position to achieve its strategic objectives of generating better revenue in the coming years. It is notable that the total equity attributable to owners of the Company was RM77.5 million as at FYE2020 whilst net assets per ordinary share attributable to owners of the Company is 20.40 sen.

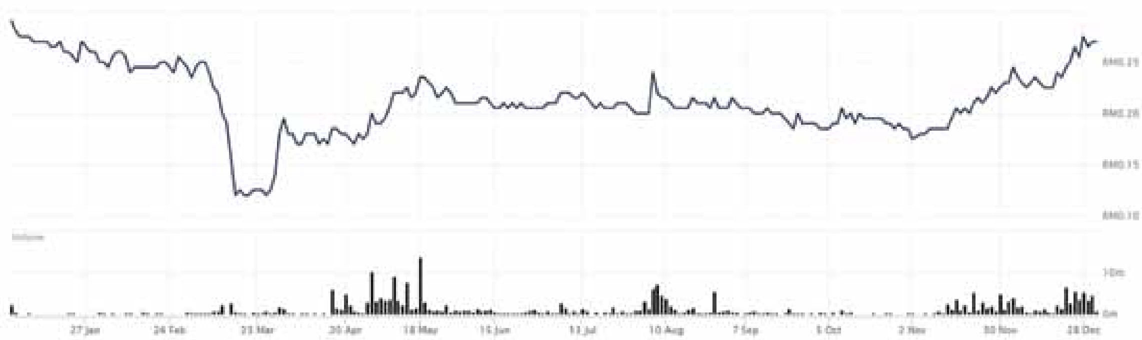
Capital Expenditure

The Group's total capital expenditure ("Capex") in FYE2020 amounted to RM4.7 million, mainly used for expansion of the Group's retail network. As we move forward with our expansion plan to open more outlets and revamp our IT infrastructure, it is anticipated that we will incur additional Capex in the coming months.

Capital Management

There was no change in the share capital of the Company during the financial year.

Share Price Performance



The share price of Kim Hin Joo closed at RM0.27 on 31 December 2020, with a total market capitalisation of RM102.6 million. The year's high stood at RM0.29 while the year's low stood at RM0.12.

4. DIVIDENDS

A single tier tax-exempt interim dividend of 1.0 sen per ordinary share amounting to RM3,800,000 computed based on the issued captial of the Company comprising 380,000,000 shares as at 31 December 2020 has been declared by the Board on 26 February 2021 and was paid on 12 April 2021.

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 RM2.1 million based on FYE2020 results) of the PAT.

The decision has been made upon considering the financial requirements of KHJ in the second 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:

a) 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 TEAL Brands Limited for the operations of our outlets.

Although we have been operating the Mothercare and ELC franchise for more than 33 years and 9 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.

Mitigation Measures

- 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 buidling on our good relations with the franchisors of more than 33 years.

b) 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 finalized a development agreement with The Entertainer UK group to operate their branded outlets, which is pending approval from the Registrar of Franchise.

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.

Mitigation Measures

- 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 "The Entertainer" brands.

5. BUSINESS RISKS (CONT'D)

c) 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, ELC SIS and The Entertainer outlets 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.

Mitigation Measures

- Continued engagement with mall management and town council on issues that may affect the appeal of the neighbourhood.
- Active assessment of each outlet's needs for renovation, expansion or relocation.

d) 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.

Mitigation Measures

- Continued engagement with mall management to maintain good relations and strengthen the favourability of the terms of agreement of our lease.

e) Foreign Exchange Risks

Our purchases from our franchisors and overseas suppliers are denominated in foreign currencies, mainly USD and GBP (for our purchases from Mothercare UK, ELC UK and The Entertainer, 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.

Mitigation Measures

- 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.

SUSTAINABILITY STATEMENT

OUR COMMITMENT TO BUSINESS SUSTAINABILITY

We are pleased to present our second report on the sustainability performance of KHJ. The statement provides an overview of the measures we have implemented from 1 January 2020 to 31 December 2020, covering the activities of KHJ and our initiatives on Environmental, Social and Governance ("ESG") 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 30 April 2021. The Board has reviewed the contents of this report and acknowledges it to be a fair, balance and accurate representation of our ESG 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 main 3 sustainability pillars, namely, Economic, Environmental and Social corresponding to the ESG framework.

Pillar	Material Sustainability Matters
Economic	• Local hiring • Business Code of Conduct and Ethics • Anti-Bribery and Anti-Corruption Policy
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

Sustainability Statement (cont'd)

OUR COMMITMENT TO BUSINESS SUSTAINABILITY (CONT'D)

Material Sustainability Matters and Stakeholder Engagement (Cont'd)

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, suppliers, industry groups and local communities. Their views on a wide range of topics have influenced our sustainability strategy in several key areas.

The table below presents salient issues of interest for each stakeholder group and our means of engagement with them during 2020 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 • Online shopping	• Responsible product design • Marketing campaigns/ promotions • Customer satisfaction survey • Customer feedback channel • Social media • Online purchase and delivery services
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 Business Code of Conduct and Ethics, 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 2020, other than our Managing Director and the Non-Executive members of our Board, all our employees in our head office, warehouse and outlets of the Group are Malaysians.

Code of Conduct and Ethics

We have set in place the Business Code of Conduct and Ethics which requires all directors and 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.

We have reviewed and revised our Business Code of Conduct and Ethics in May 2020 to reflect the Group's newly enhanced anti-bribery and anti-corruption policies and procedures, in response to the amendment to the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009") which took effect on 1 June 2020.

Anti-Bribery and Anti-Corruption Policy

Following the amendment to the MACC Act 2009, specifically relating to Section 17A which may cause commercial organisations to be liable for the bribery conduct of associated persons, we have in May 2020 adopted and implemented the Anti-Bribery and Anti-Corruption Policy ("ABAC Policy").

The ABAC Policy incorporated more comprehensive issues and a robust set of internal standards and procedures to further enhance the Group's core principles in our Business Code of Conduct and Ethics. The ABAC Policy is also published on our corporate website.

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.

We have made it a priority to address the issues of anti-bribery and anti-corruption and have taken measures to provide proper channels for employees and non-employees to report any malpractices including bribery and corrupt business conduct. Our Whistleblowing Policy which is available on our corporate website formalizes a secure and confidential channel for concerns raised or malpractices to be reported.

COVID-19 RESPONSE

Following the global outbreak of COVID-19, the Group has put in place various precautionary measures recommended by the Malaysia Ministry of Health. The initiatives include strict site protocols for hygiene and social distancing, cleaning and disinfecting workplaces, temperature screening and contact tracing record at all our office and warehouse entrance and providing face masks to employees and hand sanitisers to employees and visitors to our office. We have also reduced non-essential travel and meetings are conducted via video conferencing technology.

To ensure customers safety at our outlets, all employees and shoppers are required to wear face masks and observe the COVID-19 protocols at all times.

COVID-19 has impacted business operations, suppliers and customers in their contractual obligations due to physical restrictions or financial difficulties. We have taken proactive steps to address the risks of COVID-19 in a way that mitigates adverse impact on our supply chain, and initiated meetings and negotiations with key stakeholders to mutually resolve any issues that may arise.

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 FYE2020.

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.

We aim to reduce energy usage through the progressive upgrading of incandescent and fluorescent lights to LED lights. LED lights typically last longer and boast better energy and cost efficiency, helping to reduce electricity usage and cost. In order to strike a balance between waste generation, investment cost and energy saving, we have adopted an approach to prioritise the upgrading of existing lighting systems which are nearing the end of their usable product life.

In all our outlets, we constantly promote recycle bags. We do not give plastic bags unless upon request. All our plastic bags are made of biodegradable ingredients which helps to breakdown the plastic molecules from centuries to months.

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 of Conduct and Ethics 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.

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 set in place a Diversity Policy to address these issues.

SOCIAL (CONT'D)

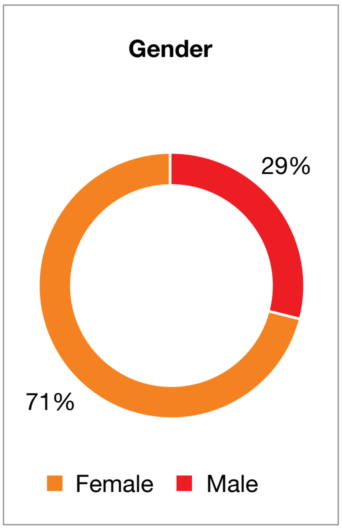
Diversity and Equal Opportunity (Cont'd)

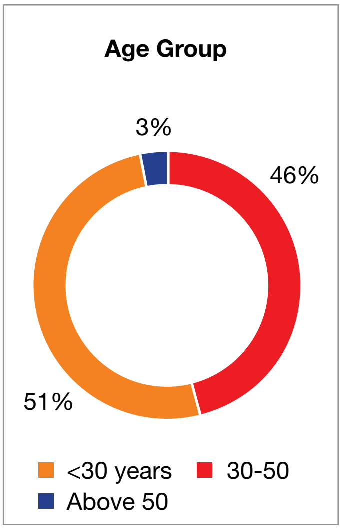
The Diversity Policy provides a framework for KHJ Group to achieve:

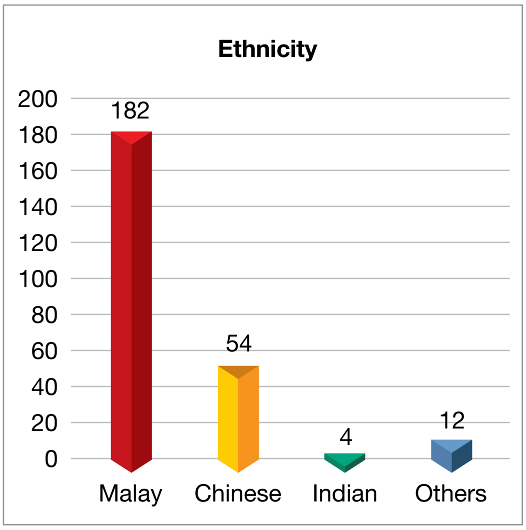
a. A diverse Board and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
b. A workplace culture characterised by inclusive practices and behaviours for the benefit of all stakeholders;
c. Improved employment and career development opportunities 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 252-strong workforce.

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







Employee Turnover and Hires

During the FYE2020, 86 of the Group's employees resigned. To ensure smooth continuation of operations, the Group has recruited a total of 88 new employees. This represents an employee turnover rate of 33.8%.

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.

Sustainability Statement (cont'd)

Training and Development (Cont'd)

During FYE2020, 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:

- Mandatory Accreditation Programme
- Managing Risk Through A Global Pandemic
- Section 17A, MACC (Amendment) Act 2018 and Adequate Procedures
- 2021 Budget
- Budget 2021: Key Updates and Changes for Corporate Accountants
- Tax-related Measures Introduced in Budget 2021
- Employer Covid-19 Assistance Programme (e-CAP)
- Sage EasyPay Year End Seminar
- 2020 Form EA Preparatory Course
- COSA (Child Occupant Safety Advisor) Training Programme
- How to Negotiate, Influence, and Communicate Effectively
- In-house Career Development Programme
- New The Entertainer Store Training

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 FYE2020, a total of 18 female employees had taken maternity leave. All 18 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 100%.

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 16 members emphasizes the importance of health and safety at the workplace. From this committee, there are also 3 sub-committees and they are the Emergency Response 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 FYE2020.

Engaging the communities

KHJ is of the view that the society and people 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 FYE2020 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 Malaysian Code on Corporate Governance 2017 ("MCCG") during the FYE2020 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 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 his 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 focusing on strategy, governance and compliance.

Mr Pang Fu Wei, 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 Whistleblowing Policy and Procedures facilitates 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 Related Party Transactions Policy and Procedures 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)

1. BOARD RESPONSIBILITIES (CONT'D)

(x) T.R.U.S.T Concept

Adequate Procedures to Curb and Prevent Bribery and Corruption

The Board has adopted a T.R.U.S.T Concept which form the ethos and philosophy of the top management in respect of the Group's fight against bribery and corruption in all its business dealings, transactions and such other related activities. The T.R.U.S.T Concept was formulated to set out the guidelines on adequate procedures to curb and prevent bribery and corruption and the procedures are guided by the following five principles:-

Principle I : Top Level Commitment;
Principle II : Risk Management Assessment;
Principle III : Undertake Control Measures;
Principle IV : Systematic Review, Monitoring and Enforcement; and
Principle V : Training and Communication.

(Collectively known as T.R.U.S.T Concept)

The establishment of this T.R.U.S.T Concept demonstrates the Group's zero-tolerance approach against all forms of bribery and corruption in its daily operations and the Group takes a strong stance against such acts. The Group will take all reasonable and appropriate measures to ensure that all its directors and employees are committed to act professionally and with integrity in all their business dealings and not participate in any corrupt activities for its advantage or benefit.

The T.R.U.S.T Concept can be accessed on the Company's website at www.khj-my.com.

(xi) Sustainability Strategies

The Board views the commitment to promote sustainability strategies in the environment, social and governance aspects as part of its broader responsibility to all its various stakeholders and the communities in which it operates.

The Group strives to achieve a sustainable long-term balance between meeting its business goals, preserving the environment to sustain the ecosystem and improving the welfare of its employees and the communities in which it operates.

The Group's efforts in this regard have been set out in the Sustainability Statement in this Annual Report.

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 FYE2020 as follows:

Name	Designation
Pang Kim Hin	Non-Independent Non-Executive Chairman
Pang Fu Wei	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 Rule 15.02 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 Company also met the requirements of MCCG to have at least half of the Board comprises of Independent Directors to allow more effective oversight of management. 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 has established and is supported by the various sub-committees, namely Nomination Committee ("NC"), Remuneration Committee ("RC"), Audit Committee ("AC") and Risk Management Committee ("RMC") which consist of a majority of Independent Non-Executive Directors to provide independent oversights of management and to ensure that there are appropriate checks and balances in discharging its oversight functions as well as unhindered advice and services, when the need arises.

These Committees play a significant part in reviewing matters within each Committee's terms of reference ("TOR") and facilitate the Board's discharge of its duties and responsibilities and report to the Board with their recommendations. The Board may also form such other committees from time to time as dictated by business imperatives and/or to promote operational efficiency. Notwithstanding the above, the ultimate responsibility for decision making still lies with the Board.

The respective 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.

None of the IDs have exceeded the tenure of a cumulative term of nine (9) years in the Company as at 31 December 2020. The Company has yet to 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 which states 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. 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.

Corporate Governance Overview Statement (cont'd)

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 two (2) female Directors representing 28% on the Board while 75% of KHJ's Senior Management comprises women.

(v) Time Commitment

The Board would meet at least four (4) times a year, at quarterly intervals which are scheduled well in advanced before the end of the preceding financial year to facilitate the Directors in planning their meetings schedule for the year. 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.

The Board was satisfied with the level of commitments given by the Directors toward fulfilling their roles and responsibilities as Directors of the Company as most of the Directors have attended whether in person or via video conferencing all the Board Meetings under the financial year under review. Additional meetings were convened when necessary to deal with urgent and important matters that require attention of the Board.

Details of the Board members' attendance at the Board and Board Committee meetings for FYE2020 are as follows:

Director	Board	AC	NC	RC	RMC
Pang Kim Hin	5/5	–	3/3	3/3	–
Pang Fu Wei*	4/4	–	–	–	2/2
Goh Poh Teng	5/5	–	–	–	2/2
Chew Soo Lin	5/5	5/5	3/3	3/3	2/2
Yen Se-Hua Stewart	5/5	5/5	3/3	3/3	2/2
Kor Yann Ning	5/5	5/5	3/3	3/3	2/2
Hew Moh Yung	5/5	5/5	3/3	3/3	2/2

*Appointed on 27 February 2020

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

2. BOARD COMPOSITION (CONT'D)

(vi) 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.

(vii) Directors' Training

The Company is cognizant of the importance of continuous training for Directors to further enhance their knowledge and expertise and to keep abreast with latest developments in regulatory requirements and business practices.

All members of the Board have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. From time to time, all directors are provided with reading materials and internal briefings pertaining to their roles and responsibilities by the Company Secretary.

The Board encourages its Directors to attend talks, seminars, workshops and conferences to update and enhance their skills and knowledge to enable them to carry out their roles effectively as Directors in discharging their responsibilities towards corporate governance, operational and regulatory issues.

The Directors have participated in the following training programmes for FYE2020:

Director	Training programme	Date
Pang Kim Hin	- MIA Webinar Series: Section 17A, MACC (Amendment) Act 2018 and Adequate Procedures	7 December 2020
Pang Fu Wei	- Mandatory Accreditation Programme	7 – 9 April 2020
Goh Poh Teng	- MIA Webinar Series: Managing Risks Through A Global Pandemic	17 – 18 November 2020
Chew Soo Lin	- MIA Webinar Series: Section 17A, MACC (Amendment) Act 2018 and Adequate Procedures	7 December 2020
Yen Se-Hua Stewart	- MIA Webinar Series: Section 17A, MACC (Amendment) Act 2018 and Adequate Procedures	7 December 2020
Kor Yann Ning	- 2021 Budget Proposal - 2021 Budget Webinar - Tax Considerations due to Covid-19 - MIA Webinar Series: Strategic Future C-Suite Leadership Foresight in the AGE of AI	22 December 2020 18 November 2020 14 October 2020 30 September 2020
Hew Moh Yung	- MIA Webinar Series: Section 17A, MACC (Amendment) Act 2018 and Adequate Procedures	7 December 2020

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

3. NOMINATION COMMITTEE

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 FYE2020 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.

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.

The NC undertakes 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.

The composition, authority as well as the duties and responsibilities of the NC are set out in its TOR which is available on the Company's website at www.khj-my.com.

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

4. REMUNERATION COMMITTEE

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.

The composition of the RC for the FYE2020 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

During the FYE2020, 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.

(i) Details of Director's Remuneration for the FYE2020

The aggregate of remuneration received by the Directors of the Company and the Group for the FYE2020 are as follows:

<u>Company</u>

Directors	Directors' Fees	Salaries, Bonus and Allowances	Other Benefits	Total
	RM'000	RM'000	RM'000	RM'000
Executive Directors:				
Pang Shu Ming*	17	130		147
Pang Fu Wei**	27	156		183
Goh Poh Teng	32	320	8	360
Non-Executive Directors:				
Pang Kim Hin	60			60
Chew Soo Lin	46			46
Yen Se-Hua Stewart	42			42
Kor Yann Ning	40			40
Hew Moh Yung	41			41
Total	305	606	8	919

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

4. REMUNERATION COMMITTEE (CONT'D)

(i) Details of Director's Remuneration for the FYE2020 (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*	17	130		147
Pang Fu Wei**	27	156		183
Goh Poh Teng	32	320	8	360
Non-Executive Directors:				
Pang Kim Hin	60			60
Chew Soo Lin	46			46
Yen Se-Hua Stewart	42			42
Kor Yann Ning	40			40
Hew Moh Yung	41			41
Total	305	606	8	919

Note: *Salary includes bonus and EPF*
* *Resigned on 30 June 2020*
** *Appointed on 27 February 2020*

(ii) Details of Top Eight (8) Key Senior Management Remuneration for the FYE2020

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	2#*
RM100,001 to RM150,000	NA
RM150,001 to RM200,000	4#
Total	8

* Comprising 2 senior management personnel who were appointed in Oct 2020
\# Comprising 3 senior management personnel who resigned from our Group effective Jan 2020, Oct 2020 and November 2020, respectively.

The composition, authority as well as the duties and responsibilities of the RC are set out in its TOR which is available on the Company's website at www.khj-my.com.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AUDIT COMMITTEE

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 FYE2020 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 FYE2020 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 FYE2020, 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.

For the FYE2020, 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.

The composition, authority as well as the duties and responsibilities of the AC are set out in its TOR which is available on the Company's website at www.khj-my.com.

2. 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 FYE2020, 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.

Corporate Governance Overview Statement (cont'd)

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

2. INTERNAL AUDIT FUNCTION (CONT'D)

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.

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

3. RISK MANAGEMENT COMMITTEE (RMC)

The composition of the RMC for the FYE2020 was as follows:

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

The composition, authority as well as the duties and responsibilities of the RMC are set out in its TOR which is available on the Company's website at www.khj-my.com.

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.

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 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 Notice of AGM is circulated at least twenty-eight (28) days before the date of the meeting to be in line with the MCCG to enable shareholders to vet through the Annual Report and papers supporting the resolutions proposed. This has also met the requirements under Section 316(2) of the Companies Act 2016 and Rule 7.15 of ACE LR which call for at least 21-days' notice period for public companies or listed issuers respectively.

In addition to being dispatched individually to shareholders, the Notice of AGM is also circulated in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities. This allows shareholders to have immediate access of the notice of AGM and make the necessary preparations for the AGM.

(ii) Poll Voting

All the resolutions set out in the Notice of Thirty-Ninth AGM ("39th AGM") were put to vote by poll voting and duly passed. The shareholders were informed of their rights to demand for a poll. The outcome of the 39th AGM was announced to Bursa Securities on the same meeting day. The Company had appointed a scrutineer to verify the poll results.

A Summary of Key Matters discussed at the 39th AGM has been published on the Company's website within the stipulated timeline upon being reviewed by the Board members and approved by the Chairman.

Corporate Governance Overview Statement (cont'd)

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

2. Conduct of General Meetings (Cont'd)

(iii) Leverage Technology for Remote Participation and Voting by Shareholders

In view of the Coronavirus Disease 2019 pandemic and as part of the Company's precautionary measures and initiatives, the forthcoming 40th AGM of the Company will be held on a fully virtual basis through live streaming from the broadcast venue and online remote voting using the Remote Participation and Voting Facilities ("RPV Facilities"). This allows shareholders to attend, participate, speak (including posing questions to the Board via real time submission of typed texts) and vote remotely at the AGM of the Company.

Moving forward, the Company may consider leveraging on the use of technology to facilitate voting in absentia and/or remote shareholders participation at general meetings, taking into consideration the number of shareholders, applicable laws and regulations and the cost and resources required vis-à-vis benefits.

All Directors as well as members of Senior Management will endeavour to attend the forthcoming 40th AGM to respond to any enquiries from the shareholders.

(iv) 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.

(v) 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 2020 of the Company which is available on the Company's corporate website: www.khj-my.com.

The Board was satisfied that the Company, 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 30 April 2021.

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 FYE2020 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	3,779	6,221	Within 36 months
2.	Expansion of Toys range by opening and operating The Entertainer toy outlets	5,000	2,852	2,148	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	3,000	675	1325	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	4,880	–	Within 24 months
6.	Expansion of product range offered under the distribution segment	4,000	4,000	–	Within 24 months
7.	Listing expenses	3,800	3,800	–	Within 3 months
	Total	**32,680**	**20,006**	**12,674**	

Additional Compliance Information (cont'd)

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 FYE2020 were as follows:

Fees	Group (RM)	Company (RM)
Audit fees	166,500	96,500
Non-audit fees	15,000	15,000
TOTAL	**181,500**	**111,500**

Details of the non-audit fees rendered by the External Auditors is disclosed on page 97, 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 FYE2020.

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 2020 to the latest practicable date are set out in the Circular to Shareholders dated 20 May 2021 and page 116, Note 25 of the Financial Statements.

AUDIT COMMITTEE REPORT

The Board is pleased to present the AC Report for the FYE2020, 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 Chairman 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 FYE2020.

Upon review, the NC was satisfied with the overall performance of the AC and its individual members for FYE2020 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.

Audit Committee Report (cont'd)

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 five (5) meetings during the FYE2020 and the details of members' attendance are as follows:

Members	Total no. of meetings attended	%
Chew Soo Lin	5/5	100
Yen Se-Hua Stewart	5/5	100
Kor Yann Ning	5/5	100
Hew Moh Yung	5/5	100

The lead audit partner of the External Auditors responsible for the Group had attended three (3) AC meetings held in FYE2020.

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.

Terms of Reference

The Terms of Reference ("TOR") 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 FYE2020, 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 FYE2020 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 FYE2020 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 FYE2020 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 shareholders' mandate for the RRPTs entered into from 29 July 2020 until the Company's forthcoming Annual 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.

Audit Committee Report (cont'd)

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

During the FYE2020, 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; and

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 FYE2020 is RM12,500.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Rule 15.26(b) of the Bursa Malaysia Securities Berhad's ACE Market Listing Requirements, 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 FYE 31 December 2020.

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 Risk Management Committee ("RMC"), has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal 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 27 November 2020.

As part of the risk management process, a Registry of Risk and a Risk Management Handbook had been prepared in accordance with the internationally recognised the Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management (COSO-ERM) framework. 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 ensuring 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.

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

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;
- 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; and
- The Risk Management Working Group updates the RMC on the Group's risk profile and reports any new significant risks.

INTERNAL AUDIT

The Group engaged Sterling Business Alignment Consulting Sdn Bhd ("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 and assessed the adequacy and integrity of the internal control system and reports directly to the Audit Committee ("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.

The annual internal audit plan 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 FYE2020, the Outsourced Internal Auditors have conducted four (4) internal audit reviews and one (1) follow-up status review on the business processes of the Group. The results of the internal audit review and, where applicable, recommendations for improvement were presented at the scheduled AC 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. Anti-Bribery and Corruption Policy and Whistleblowing Policy

The Group has established an Anti-Bribery and Corruption Policy as well as Whistleblowing Policy and Procedures which are made available on the Group'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 FYE2020, 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 30 April 2021.

STATEMENT OF DIRECTORS' RESPONSIBILITY

in respect of the preparation of financial statements

In accordance with the Companies Act 2016 ("the Act") 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 30 April 2021.

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 2020.

PRINCIPAL ACTIVITY

The principal activity of the Company is retailing of baby, children and maternity product. Other information relating to subsidiary companies is as disclosed in Note 11 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	5,347,551	8,072,188
Attributable to: Owners of the Company	5,347,551	8,072,188

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, other than the significant event during the year as disclosed in Note 30 to the financial statements.

DIVIDENDS

On 27 February 2020, the Company had declared a second interim single tier tax-exempt dividend 1.0 sen per ordinary share amounted to RM3,800,000 in respect of the financial year ended 31 December 2019 of which was paid on 10 April 2020.

On 26 February 2021, the Company had declared a first 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 2020. The entitlement date was on 18 March 2021 and the dividend was paid on 12 April 2021. The financial statements for the current financial year do not reflect this first 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 2021.

The directors do not recommend any final dividend in respect of the current financial year ended 31 December 2020.

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

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

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

On 29 July 2020, the shareholders of the Company approved the establishment of ESOS of up to fifteen percent (15%) of the total number of issued and paid-up ordinary shares of the Company (excluding treasury shares, if any) for eligible directors and employees of the Company and its subsidiaries.

As of 31 December 2020, the ESOS has yet to be implemented and Bursa Malaysia Securities Berhad had, vide its letter dated 29 December 2020, approved the Company's application for an extension of time of six months, from 26 December 2020 until 25 June 2021, for the Company to implement the ESOS.

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.

Directors' Report (cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

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.

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 Note 30 to the financial statements.

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)*	*(Resigned on 30 June 2020)*
Chew Soo Lin (m)	
Yen Se-Hua Stewart (m)	
Kor Yann Ning (f)	
Hew Moh Yung (m)	
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 under Section 59 of the Companies Act 2016 are as follows:

	Number of ordinary shares			
	At 1.1.2020	**Bought**	**Sold**	**At 31.12.2020**
Shares in the Company				
Direct interests				
Pang Kim Hin	11,289,900	–	–	11,289,900
Kor Yann Ning	800,000	–	–	800,000
Chew Soo Lin	2,150,000	–	–	2,150,000
Goh Poh Teng	1,000,000	–	–	1,000,000
Pang Fu Wei	–	538,800	–	538,800
Indirect interests				
Pang Kim Hin*	235,600,000	–	–	235,600,000
Chew Soo Lin#	800,000	–	–	800,000

* By virtue of his interests in Kim Hin International Pte Ltd.
# By virtue of his interests in Cepheus Corporation Pte Ltd.

DIRECTORS' INTERESTS (CONT'D)

The interests 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 1.1.2020	Bought	Sold	At 31.12.2020
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 interests 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 interests 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 RM13,260 respectively.

HOLDING COMPANY

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

Directors' Report (cont'd)

SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO END OF THE FINANCIAL YEAR

The details of significant events during and subsequent to end of the financial year are as disclosed in Note 30 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 2020 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 FU WEI

GOH POH TENG

Selangor
30 April 2021

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 2020, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 75 to 128.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, are of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters are 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.

Net realisable value of inventories

As at 31 December 2020, the inventories balance of the Group and of the Company stood at RM39,091,134 and RM28,994,001 respectively which represents approximately 36% and 31% of the total assets of the Group and of the Company.

As described in Note 3 to the financial statements, inventories are valued at the lower of cost and net realisable value. In estimating the net realisable value of inventories, management considers the inventories' ageing, seasonal trend, current economic conditions, market demand and expectation of future prices. COVID-19 pandemic has required management to exercise an increased level of judgement in a period of uncertainty with regard to written down of inventories to their net realisable values.

The above-mentioned is also disclosed in Note 4(ii)(a) to the financial statements as one of the key assumptions used by management under the section of *Key Sources of Estimation Uncertainty*.

During the financial year, RM117,405 and RM65,000 has been recognised in profit or loss of the Group and of the Company, which represent write down of inventories to their net realisable values.

Independent Auditors' Report (cont'd)

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

Key Audit Matters (Cont'd)

How the key audit matter was addressed in our audit

In addressing the matter above, we performed, amongst others, the following procedures:

- Evaluated the design and implementation of controls surrounding management's assessment of net realisable value of inventories and related write down in value of inventories;
- Evaluated the measurement criteria used by management in respect of net realisable value to determine that the measurements adopted by management are in accordance with *MFRS 102 Inventories*;
- Observed inventory count procedures carried out by management and performed test count, and observed conditions of the inventories on a sampling basis;
- Compared the selling prices of inventories to latest sales invoices subsequent to year end to evaluate management's assessment of the write down in value of inventories; and
- Tested the inventory aging report to ascertain the accuracy and completeness of the inventory aging report.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and 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 other information 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 the other information, 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.

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

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.

- 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.

Independent Auditors' Report (cont'd)

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

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

TAN YU MIN
Partner - 03503/07/2022 J
Chartered Accountant

Kuala Lumpur
30 April 2021

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for The Financial Year Ended 31 December 2020

		The Group		The Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Revenue	5	80,410,555	101,372,509	63,937,618	83,958,536
Cost of sales		(40,944,859)	(49,423,075)	(33,121,671)	(41,132,462)
Gross profit		39,465,696	51,949,434	30,815,947	42,826,074
Other operating income		3,809,476	1,168,257	9,215,836	743,869
Selling and marketing costs		(1,510,705)	(1,691,600)	(900,199)	(914,752)
Administration and other operating expenses		(33,205,527)	(37,138,002)	(29,114,365)	(33,151,039)
Finance costs		(1,146,209)	(839,316)	(1,019,032)	(733,564)
Profit before tax	6	7,412,731	13,448,773	8,998,187	8,770,588
Tax expense	7	(2,065,180)	(4,028,839)	(925,999)	(2,780,190)
Profit for the year, representing total comprehensive income for the year		5,347,551	9,419,934	8,072,188	5,990,398
Basic earnings per ordinary share attributable to owners of the Company (sen)	8	1.41	2.76		
Diluted earnings per share	8	N/A	N/A		

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

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2020

	Note	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
ASSETS					
Non-Current Assets					
Plant and equipment	9	6,368,697	4,486,882	4,681,544	4,132,090
Right-of-use assets	10	23,242,195	25,060,214	20,159,145	22,708,730
Investment in subsidiary companies	11	–	–	2,100,000	2,100,000
Deferred tax assets	12	679,127	548,680	634,814	506,162
Refundable deposits	15	2,766,631	2,724,791	2,595,181	2,644,441
Total Non-Current Assets		33,056,650	32,820,567	30,170,684	32,091,423
Current Assets					
Inventories	13	39,091,134	34,611,465	28,994,001	26,631,421
Trade receivables	14	998,967	1,202,538	211,148	273,387
Other receivables, deposits and prepaid expenses	15	3,131,710	1,954,009	2,065,764	1,309,920
Amount due from subsidiary companies	25	–	–	3,679,830	768,080
Tax recoverable		131,676	92,728	131,676	92,728
Short-term investments	16	1,894,607	–	1,894,607	–
Fixed deposits with licensed banks	17	17,334,784	25,762,399	17,334,784	25,762,399
Cash and bank balances	18	14,461,394	14,473,260	9,575,537	7,335,803
Total Current Assets		77,044,272	78,096,399	63,887,347	62,173,738
Total Assets		110,100,922	110,916,966	94,058,031	94,265,161

Statements of Financial Position (cont'd)

	Note	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
EQUITY					
Equity and Reserve					
Share capital	19	31,128,118	31,128,118	31,128,118	31,128,118
Retained earnings	20	46,381,059	44,833,508	35,781,549	31,509,361
Total Equity		77,509,177	75,961,626	66,909,667	62,637,479
LIABILITIES					
Non-Current Liabilities					
Lease liabilities	22	16,694,754	18,581,028	14,296,830	16,656,507
Deferred tax liabilities	12	–	364	–	–
Total Non-Current Liabilities		16,694,754	18,581,392	14,296,830	16,656,507
Current Liabilities					
Trade payables	23	3,054,742	4,111,012	1,911,709	3,779,336
Other payables, accrued expenses and provision	24	5,172,750	5,090,432	4,130,936	4,600,329
Amount due to holding company	25	15,966	–	–	–
Amount due to subsidiary companies	25	–	–	53,864	–
Amount due to other related companies	25	–	29,619	–	–
Lease liabilities	22	7,437,195	7,082,970	6,755,025	6,591,510
Tax liabilities		216,338	59,915	–	–
Total Current Liabilities		15,896,991	16,373,948	12,851,534	14,971,175
Total Liabilities		32,591,745	34,955,340	27,148,364	31,627,682
Total Equity and Liabilities		110,100,922	110,916,966	94,058,031	94,265,161

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

STATEMENTS OF CHANGES IN EQUITY

for The Financial Year Ended 31 December 2020

	Note	Share capital RM	Distributable reserve- Retained earnings RM	Total equity RM
The Group				
At 1 January 2019		1,000,000	37,313,574	38,313,574
Issuance of ordinary shares	19	32,680,000	–	32,680,000
Share issuance expenses	19	(2,551,882)	–	(2,551,882)
Total comprehensive income for the year		–	9,419,934	9,419,934
Dividend	21	–	(1,900,000)	(1,900,000)
At 31 December 2019/1 January 2020		31,128,118	44,833,508	75,961,626
Total comprehensive income for the year		–	5,347,551	5,347,551
Dividend	21	–	(3,800,000)	(3,800,000)
At 31 December 2020		31,128,118	46,381,059	77,509,177
The Company				
At 1 January 2019		1,000,000	27,418,963	28,418,963
Issuance of ordinary shares	19	32,680,000	–	32,680,000
Share issuance expenses	19	(2,551,882)	–	(2,551,882)
Total comprehensive income for the year		–	5,990,398	5,990,398
Dividend	21	–	(1,900,000)	(1,900,000)
At 31 December 2019/1 January 2020		31,128,118	31,509,361	62,637,479
Total comprehensive income for the year		–	8,072,188	8,072,188
Dividend	21	–	(3,800,000)	(3,800,000)
At 31 December 2020		31,128,118	35,781,549	66,909,667

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	7,412,731	13,448,773	8,998,187	8,770,588
Adjustments for:				
Amortisation of right-of-use assets	7,791,792	7,957,055	7,143,515	7,413,771
Depreciation of plant and equipment	2,805,018	2,609,558	2,357,259	2,346,828
Dividend income	–	–	(6,000,000)	–
Fair value gain on short-term investments	(49,607)	–	(49,607)	–
Finance costs on unwinding of interest expense of provision for restoration cost	12,077	14,025	11,284	14,025
Interest income	(683,029)	(562,486)	(565,152)	(512,530)
Inventories written off	209,321	283,098	176,062	257,429
Lease interest expenses	1,134,132	825,291	1,007,748	719,539
Loss on disposal of plant and equipment	–	92	–	92
Gain on modification of lease contract	(84,144)	–	–	–
Plant and equipment written off	3,578	7,787	3,578	–
Unrealised gain on foreign exchange	15,893	59,475	35,737	55,126
Unwinding of interest income - refundable deposits	(132,044)	(143,743)	(122,711)	(139,378)
Write-down of inventories	117,405	56,604	65,000	43,863
Operating Profit Before Working Capital Changes	18,553,123	24,555,529	13,060,900	18,969,353
(Increase)/Decrease in:				
Inventories	(4,806,395)	(1,256,355)	(2,603,642)	421,792
Trade receivables	203,580	251,914	62,239	16,484
Other receivables, deposits and prepaid expenses	(1,075,217)	521,825	(539,048)	369,182
Amount due from subsidiary companies	–	–	200,962	–
(Decrease)/Increase in:				
Trade payables	(1,112,116)	(4,385,726)	(1,943,308)	(4,714,889)
Other payables and accrued expenses	(65,834)	(286,302)	(569,537)	(26,601)
Amount due to holding company	15,966	–	–	–
Amount due to other related companies	(29,619)	–	–	–
Amount due to subsidiary company	–	–	53,864	–
Cash Generated From Operations	11,683,488	19,400,885	7,722,430	15,035,321
Income tax paid	(2,078,519)	(3,786,022)	(1,093,600)	(2,632,141)
Income tax refunded	–	120	–	–
Net Cash From Operating Activities	9,604,969	15,614,983	6,628,830	12,403,180

Statements of Cash Flows (cont'd)

	The Group		The Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Additional investment in a subsidiary company (Note 11)	–	–	–	(999,998)
Acquisition of plant and equipment	(4,690,411)	(3,105,014)	(2,910,291)	(3,070,193)
Dividend received from a subsidiary company	–	–	6,000,000	–
Decrease in amount due from other related companies	–	46,308	–	46,308
Increase in amount due to subsidiary companies	–	–	(3,112,712)	(747,530)
Increase in short-term investments	(1,845,000)	–	(1,845,000)	–
Interest income received	683,029	562,486	565,152	512,530
Proceed from disposal of plant and equipment	–	1,600	–	1,600
Net Cash Used In Investing Activities	(5,852,382)	(2,494,620)	(1,302,851)	(4,257,283)
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES				
Dividend paid	(3,800,000)	(1,900,000)	(3,800,000)	(1,900,000)
Interest paid (Note 22)	(1,134,132)	(825,291)	(1,007,748)	(719,539)
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)	(7,298,222)	(7,338,110)	(6,746,398)	(6,843,864)
Decrease in amount due to other related companies	–	(556,052)	–	(586,294)
Decrease in amount due to subsidiary companies	–	–	–	(1,738,457)
Net Cash (Used In)/From Financing Activities	(12,232,354)	19,508,665	(11,554,146)	18,339,964
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(8,479,767)	32,629,028	(6,228,167)	26,485,861
Effects of exchange rate differences on the balance of cash held in foreign currencies	40,286	16,302	40,286	16,302
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	39,496,659	6,851,329	32,359,202	5,857,039
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 18)	31,057,178	39,496,659	26,171,321	32,359,202

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 11.

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 30 April 2021.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

Adoption of amended MFRSs

In the current financial year, the Company adopted a number of amendments to MFRSs 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 2020:

Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the above amendments to MFRSs did not have any material impact on the amounts reported in the financial statements of the Group and of the Company upon its initial application.

New accounting pronouncement that has yet to be effective but has been early adopted

Amendments to MFRS 16 *COVID-19 - Related Rent Concessions*

The Group and the Company have on 1 January 2020, elected to early adopt amendments to MFRS 16 *COVID-19 - Related Rent Concessions* which will take effect on or after annual periods beginning on or after 1 June 2020.

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

New accounting pronouncement that has yet to be effective but has been early adopted (Cont'd)

The amendments provide lessee option elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying MFRS 16 if the change were not a lease modification.

The practical expedient would apply only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

(a) The change in lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

(c) There is no substantive change to other terms and conditions of the lease.

The amount recognised in profit or loss to reflect changes in lease payments that arise from rent concessions to which the Group and the Company have applied the practical expedient are amounted to RM1,714,125 and RM1,635,955 respectively.

New Standards and amendments to MFRSs in issue but not yet effective

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

MFRS 17	Insurance Contracts[4]
Amendments to MFRS 3	Reference to the Conceptual Framework[3]
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9[4]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current[4]
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2[1]
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use[3]
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract[3]
Amendments to MFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[2]
Amendments to MFRS 108	Definition of Accounting Estimates[4]
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Annual Improvements to MFRS 2018 - 2020 Cycle[3]	

[1] Effective for annual periods beginning on or after 1 January 2021 with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 April 2021 with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2022 with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 January 2023 with earlier application permitted.
[5] Effective date deferred to a date to be determined and announced.

The directors anticipate that the above-mentioned new and amendments to MFRSs will be adopted in the annual financial statements of the Group and of the Company when they become effective. The adoption of these new and amendments to MFRSs 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 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value-in-use in MFRS 136 *Impairment of Assets*.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiary Companies and Basis of Consolidation (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 *Business Combinations* (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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue (Cont'd)

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.

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").

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currencies (Cont'd)

Foreign currency transactions

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

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)

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 a rate, initially measured using the index or a 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (Cont'd)

As Lessee (Cont'd)

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.

Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment loss. The cost of an item of 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.

Depreciation of 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:

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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:

<u>Amortised cost</u>

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.

<u>FVTOCI</u>

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).

<u>FVTPL</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

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 and amount due from subsidiary 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 determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery of amounts due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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'.

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 holding company, 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 29, 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) Net realisable value of inventories

Inventories are valued at the lower of cost and net realisable value. In estimating the net realisable value of inventories, management considers the inventories' ageing, seasonal trend, current economic conditions, market demand and expectation of future prices. COVID-19 pandemic has required management to exercise an increased level of judgement in a period of uncertainty with regard to written down of inventories to their net realisable values.

During the financial year, an amount of RM117,405 and RM65,000 (2019: RM56,604 and RM43,863) has been recognised in profit or loss of the Group and of the Company, which represents a write down of inventories to their net realisable values.

(b) Lease terms and incremental borrowing rates 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.

(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.

Notes to The Financial Statements (cont'd)

5. REVENUE

	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Trading of baby, children and maternity products:				
Retail	65,320,808	85,730,733	63,738,295	83,958,536
Distribution	15,089,747	15,641,776	199,323	–
	80,410,555	101,372,509	63,937,618	83,958,536
Timing of revenue recognition:				
At a point in time	80,410,555	101,372,509	63,937,618	83,958,536

6. PROFIT BEFORE TAX

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

	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Purchase of trading goods	45,097,802	50,000,025	35,243,189	40,108,086
Net change in inventories of trading goods and goods-in-transit	(4,479,669)	(916,653)	(2,362,580)	723,084
Amortisation of right-of-use assets (Note 10)	7,791,792	7,957,055	7,143,515	7,413,771
Depreciation of plant and equipment (Note 9)	2,805,018	2,609,558	2,357,259	2,346,828
Employee benefits expenses	11,947,689	13,447,110	9,783,435	11,308,400
Management services fees	2,840,824	4,407,745	2,835,410	4,407,745
Variable lease payments not included in the measurement of lease liabilities	3,745,821	4,230,871	3,686,912	4,230,871
Other operating expenses	5,911,814	6,516,966	4,449,095	4,659,468
	75,661,091	88,252,677	63,136,235	75,198,253

6. PROFIT BEFORE TAX (CONT'D)

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

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Auditors' remuneration:				
Statutory	166,500	146,000	96,500	90,000
Other services	15,000	11,250	15,000	11,250
Dividend income	–	–	(6,000,000)	–
Fair value gain on short-term investments	(49,607)	–	(49,607)	–
Finance costs:				
Unwinding of interest expense of provision for restoration costs (Note 24)	12,077	14,025	11,284	14,025
Lease interest expense (Note 22)	1,134,132	825,291	1,007,748	719,539
	1,146,209	839,316	1,019,032	733,564
(Gain)/Loss on foreign exchange:				
Realised	(74,321)	(102,295)	(41,545)	(73,955)
Unrealised	15,893	59,475	35,737	55,126
Gain on modification of lease contract	(84,144)	–	–	–
Government grant on wages subsidy	(862,800)	–	(694,200)	–
Interest income	(683,029)	(562,486)	(565,152)	(512,530)
Inventories written off	209,321	283,098	176,062	257,429
Listing expenses	–	699,829	–	699,829
Loss on disposal of plant and equipment	–	92	–	92
Plant and equipment written off	3,578	7,787	3,578	–
Rent concessions	(1,714,125)	–	(1,635,955)	–
Unwinding of interest income - refundable deposits	(132,044)	(143,743)	(122,711)	(139,378)
Write-down of inventories (Note 13)	117,405	56,604	65,000	43,863

Employee benefits expenses include 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 RM1,100,215 and RM874,954 (2019: RM1,214,993 and RM1,008,218) respectively.

6. PROFIT BEFORE TAX (CONT'D)

(ii) Profit before tax has been arrived at after charging/(crediting): (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	
	2020 RM	2019 RM	2020 RM	2019 RM
Executive directors:				
Fees	75,924	46,000	75,924	46,000
Salaries and bonus	571,675	680,450	571,675	657,450
Contributions to EPF	34,329	34,614	34,329	31,854
Other emoluments	300	–	300	–
	682,228	761,064	682,228	735,304
Non-executive directors:				
Fees	229,005	159,819	229,005	159,819

The estimated monetary value of non-cash benefits-in-kind received and receivable by a director from the Group and the Company amounted to RM7,760 (2019: RM6,010).

(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	
	2020 RM	2019 RM	2020 RM	2019 RM
Salaries and bonus	808,118	867,468	634,267	655,382
Contributions to EPF	94,565	101,816	74,987	78,333
Other emoluments	1,900	54,328	1,900	2,113
	904,583	1,023,612	711,154	735,828

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 RM3,293 and RM2,533 (2019: RM4,307 and RM3,040) respectively.

7. TAX EXPENSE

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Estimated tax payable:				
Current year	2,191,908	4,013,188	1,050,470	2,707,272
Underprovision in prior years	4,083	266,029	4,181	282,489
	2,195,991	4,279,217	1,054,651	2,989,761
Deferred tax (Note 12):				
Origination of temporary differences	(130,836)	(303,457)	(124,543)	(261,861)
Under/(Over) provision in prior years	25	53,079	(4,139)	52,290
	(130,811)	(250,378)	(128,652)	(209,571)
Tax expense	2,065,180	4,028,839	925,999	2,780,190

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	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before tax:	7,412,731	13,448,773	8,998,187	8,770,588
Tax expense at the applicable tax rate of 24% (2019: 24%)	1,779,055	3,227,706	2,159,565	2,104,941
Tax effects of:				
Non-deductible expenses	318,238	502,338	206,392	343,938
Non-taxable income	(62,942)	(20,313)	(1,440,000)	(3,468)
Under/(Over)provision in prior years:				
Estimated current tax	4,083	266,029	4,181	282,489
Deferred tax	25	53,079	(4,139)	52,290
Deferred tax assets not recognised	26,721	–	–	–
Total tax expense	2,065,180	4,028,839	925,999	2,780,190

8. 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	
	2020 RM	**2019 RM**
Profit for the year	5,347,551	9,419,934
Weighted average number of ordinary shares for the purpose of basic earnings per share	380,000,000	341,895,890
Basic earnings per ordinary share attributable to owners of the Company (sen)	1.41	2.76

Diluted

No diluted earnings per share have been presented as there were no dilutive potential ordinary shares outstanding as at 31 December 2020 and 31 December 2019.

Notes to The Financial Statements
(cont'd)

9. PLANT AND EQUIPMENT

The Group	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 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	–	–	–	–	(508,883)	(508,883)
At 31 December 2019/1 January 2020	905,838	2,797,268	17,506,400	3,217,656	–	24,427,162
Additions	46,400	512,149	3,448,700	683,162	–	4,690,411
Write off	–	(590,890)	(952,437)	(145,787)	–	(1,689,114)
At 31 December 2020	952,238	2,718,527	20,002,663	3,755,031	–	27,428,459

Notes to The Financial Statements (cont'd)

9. PLANT AND EQUIPMENT (CONT'D)

The Group	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 2019	721,459	2,128,277	12,687,660	1,870,291	435,767	17,843,454
Charge for the year (Note 6)	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	–	–	–	–	(435,767)	(435,767)
At 31 December 2019/1 January 2020	764,222	2,410,129	14,568,457	2,197,472	–	19,940,280
Charge for the year (Note 6)	42,928	335,311	1,986,997	439,782	–	2,805,018
Write off	–	(587,313)	(952,436)	(145,787)	–	(1,685,536)
At 31 December 2020	807,150	2,158,127	15,603,018	2,491,467	–	21,059,762
Net Carrying Amount						
At 31 December 2019	141,616	387,139	2,937,943	1,020,184	–	4,486,882
At 31 December 2020	145,088	560,400	4,399,645	1,263,564	–	6,368,697

Notes to The Financial Statements (cont'd)

9. 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 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 25)	–	6,535	–	–	–	6,535
Reclassification to right-of-use assets	–	–	–	–	(508,883)	(508,883)
At 31 December 2019/1 January 2020	821,037	2,287,372	17,079,862	2,663,582	–	22,851,853
Additions	–	346,520	2,401,090	162,681	–	2,910,291
Write off	–	(590,890)	(952,437)	(145,787)	–	(1,689,114)
At 31 December 2020	821,037	2,043,002	18,528,515	2,680,476	–	24,073,030

Notes to The Financial Statements (cont'd)

9. 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 2019	636,659	1,741,340	12,398,183	1,646,465	435,767	16,858,414
Charge for the year (Note 6)	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	–	–	–	–	(435,767)	(435,767)
At 31 December 2019/1 January 2020	679,422	1,968,192	14,189,632	1,882,517	–	18,719,763
Charge for the year (Note 6)	37,515	259,578	1,798,987	261,179	–	2,357,259
Write off	–	(587,313)	(952,436)	(145,787)	–	(1,685,536)
At 31 December 2020	716,937	1,640,457	15,036,183	1,997,909	–	19,391,486
Net Carrying Amount						
At 31 December 2019	141,615	319,180	2,890,230	781,065	–	4,132,090
At 31 December 2020	104,100	402,545	3,492,332	682,567	–	4,681,544

10. 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	5,810,122	24,930,584	30,740,706
Additions	497,602	8,702,785	9,200,387
At 31 December 2019/1 January 2020	6,307,724	33,633,369	39,941,093
Additions	808,309	6,604,024	7,412,333
Modification of lease contracts	(1,512,751)	(1,214,041)	(2,726,792)
Termination of lease contracts	–	(1,567,487)	(1,567,487)
At 31 December 2020	5,603,282	37,455,865	43,059,147
Accumulated Amortisation			
At 1 January 2019	(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 January 2020	(1,604,754)	(13,276,125)	(14,880,879)
Amortisation for the year (Note 6)	(1,066,867)	(6,724,925)	(7,791,792)
Modification of lease contracts	802,377	753,097	1,555,474
Termination of lease contracts	–	1,300,245	1,300,245
At 31 December 2020	(1,869,244)	(17,947,708)	(19,816,952)
Net Carrying Amount			
At 31 December 2019	4,702,970	20,357,244	25,060,214
At 31 December 2020	3,734,038	19,508,157	23,242,195

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

The Company	Warehouse RM	Retail stores RM	Total RM
Cost			
At 1 January 2019	2,905,061	24,930,584	27,835,645
Additions	248,801	8,702,786	8,951,587
At 31 December 2019/1 January 2020	3,153,862	33,633,370	36,787,232
Additions	–	5,322,117	5,322,117
Modification of lease contract	–	(1,214,041)	(1,214,041)
Termination of lease contract	–	(1,567,488)	(1,567,488)
At 31 December 2020	3,153,862	36,173,958	39,327,820
Accumulated Amortisation			
At 1 January 2019	(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 2019/1 January 2020	(802,377)	(13,276,125)	(14,078,502)
Amortisation for the year (Note 6)	(522,551)	(6,620,964)	(7,143,515)
Modification of lease contract	–	753,097	753,097
Termination of lease contract	–	1,300,245	1,300,245
At 31 December 2020	(1,324,928)	(17,843,747)	(19,168,675)
Net Carrying Amount			
At 31 December 2019	2,351,485	20,357,245	22,708,730
At 31 December 2020	1,828,934	18,330,211	20,159,145

Four (2019: 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 four (2019: three) and two (2019: three) new retail stores for the Group and the Company in the current financial year. These resulted in additions to right-of-use assets of RM7,412,333 (2019: RM9,200,387) and RM5,322,117 (2019: RM8,951,587) for the Group and the Company respectively during the financial year.

On 10 July 2020, the Group and the Company entered into a 2-year lease for a retail store to rent, which has not commenced by the year end and as a result, a lease liability and right-of-use asset has not been recognised as at 31 December 2020. The aggregate future cash outflows to which the Group and the Company is exposed in respect of this contract is RM181,028, for the 2-year tenancy period. There is no extension or termination option on the lease.

11. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2020 RM	2019 RM
<u>Unquoted shares, at cost</u>		
At beginning of year	2,100,000	1,100,002
Add: Investment in subsidiary company	–	999,998
At end of year	2,100,000	2,100,000

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

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 2020 %	2019 %
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	Malaysia	Retailing, trading, distribution and e-Commerce of toys.#	100	100

\# The Company has commenced operations during the current financial year.

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 2020 RM	2019 RM
Distribution	Malaysia	2	2
Retail	Malaysia	1	–
Dormant	Malaysia	–	1
		3	3

12. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January	548,316	297,938	506,162	296,591
Transfer from/(to) profit or loss (Note 7):				
Plant and equipment	25,042	87,838	34,343	60,880
Inventories	28,177	5,502	15,600	2,444
Trade payables	8,094	13,168	9,880	13,098
Other payables and accrued expenses	264	(3,468)	264	(3,467)
Provision for restoration costs	2,708	23,736	2,708	23,736
Right-of-use assets and lease liabilities	65,784	123,602	65,857	112,880
Amount due from other related company	742	–	–	–
	130,811	250,378	128,652	209,571
At 31 December	679,127	548,316	634,814	506,162

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	
	2020 RM	2019 RM	2020 RM	2019 RM
Deferred tax assets	679,127	548,680	634,814	506,162
Deferred tax liabilities	–	(364)	–	–
	679,127	548,316	634,814	506,162

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

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deferred tax liabilities (before offsetting)				
Temporary differences arising from:				
Plant and equipment	(228)	(1,952)	–	–
Trade payables	(1,203)	(720)	–	(1,303)
	(1,431)	(2,672)	–	(1,303)
Offsetting	1,431	2,308	–	1,303
Deferred tax liabilities (after offsetting)	–	(364)	–	–

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

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Deferred tax assets (before offsetting)				
Temporary differences arising from:				
Plant and equipment	110,427	87,109	101,395	67,052
Inventories	44,512	16,335	28,664	13,064
Trade payables	8,577	–	8,577	–
Other payables and accrued expenses	14,520	14,256	14,520	14,256
Provision for restoration costs	175,602	172,894	175,602	172,894
Right-of-use assets and lease liabilities	326,178	260,394	306,056	240,199
Amount due from other related company	742	–	–	–
	680,558	550,988	634,814	507,465
Offsetting	(1,431)	(2,308)	–	(1,303)
Deferred tax assets (after offsetting)	679,127	548,680	634,814	506,162

As explained in Note 3, the tax effects of all taxable temporary differences are recognised. Where deductible temporary differences, which would give rise to deferred tax assets are generally recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

As of 31 December 2020, the estimated amount of unused tax losses and unabsorbed capital allowances pertaining to certain subsidiary company, for which no deferred tax assets have been recognised in the financial statements due to uncertainty of their realisation, is as follows:

	The Group	
	2020	**2019**
	RM	**RM**
Unutilised tax losses	101,153	–
Unabsorbed capital allowances	10,186	–

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, any accumulated tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment. Upon expiry of the 7 years, the unused tax losses will be disregarded.

Notes to The Financial Statements (cont'd)

13. INVENTORIES

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At cost:				
- Trading goods	38,509,842	31,782,520	28,883,215	24,371,944
- Goods-in-transit	406,835	2,770,829	72,198	2,221,059
	38,916,677	34,553,349	28,955,413	26,593,003
At net realisable value:				
- Trading goods	174,457	58,116	38,588	38,418
	39,091,134	34,611,465	28,994,001	26,631,421

The cost of inventories recognised as an expense of the Group and the Company includes RM117,405 and RM65,000 (2019: RM56,604 and RM43,863) in respect of write-down of inventories to net realisable value of the Group and of the Company respectively as disclosed in Note 6.

14. 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 (2019: 7 days to 90 days).

Included in the Group's trade receivables balance are debtors with a carrying amount of RM169,997 (2019: RM174,225) which are past due at the end of the reporting period. The Group has assessed the expected credit losses to be Nil (2019: 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 90 days (2019: 30 to 60 days).

An analysis of trade receivables as follows:

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Not impaired				
- not past due	828,970	1,028,313	211,148	273,387
- past due by:				
1 to 30 days	77,257	85,293	–	–
31 to 60 days	64,424	88,932	–	–
More than 60 days	28,316	–	–	–
	998,967	1,202,538	211,148	273,387

The trade receivables are denominated in Ringgit Malaysia.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Non-Current:				
Refundable deposits	2,766,631	2,724,791	2,595,181	2,644,441
Current:				
Other receivables	1,120,099	686,068	805,521	424,300
Refundable deposits	903,451	791,934	805,255	666,719
Prepaid expenses	1,108,160	476,007	454,988	218,901
	3,131,710	1,954,009	2,065,764	1,309,920
Total	5,898,341	4,678,800	4,660,945	3,954,361

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 RM3,511,217 and RM3,339,767 (2019: RM3,351,284 and RM3,270,993) 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 (2019: 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	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Ringgit Malaysia	5,182,601	4,244,803	4,371,856	3,755,417
British Pound	–	2,957	–	2,957
United States Dollar	398,015	371,768	288,432	195,987
Australian Dollar	24,396	59,272	–	–
Singapore Dollar	292,672	–	–	–
Euro Dollar	657	–	657	–
	5,898,341	4,678,800	4,660,945	3,954,361

16. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Financial assets at fair value through profit or loss:				
Money market fund	1,894,607	–	1,894,607	–
	1,894,607	–	1,894,607	–

17. FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits earned interest at rates ranging from 1.45% to 3.50% (2019: 2.90% to 3.50%) per annum with maturity period of 1 to 12 months (2019: 1 to 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 (2019: 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Fixed deposits with licensed banks (Note 17)	17,334,784	25,762,399	17,334,784	25,762,399
Cash and bank balances	14,461,394	14,473,260	9,575,537	7,335,803
	31,796,178	40,235,659	26,910,321	33,098,202
Less: Fixed deposits pledged (Note 17)	(739,000)	(739,000)	(739,000)	(739,000)
	31,057,178	39,496,659	26,171,321	32,359,202

The currency exposure profile of fixed deposits and cash and bank balances is as follows:

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	30,925,467	39,482,486	26,039,610	32,345,029
British Pound	827,215	667,069	827,215	667,069
Singapore Dollar	42,608	86,104	42,608	86,104
Hong Kong Dollar	888	–	888	–
	31,796,178	40,235,659	26,910,321	33,098,202

19. SHARE CAPITAL

	The Group and the Company			
	2020		2019	
	No. of shares	RM	No. of shares	RM
Issued and fully paid				
Ordinary shares				
At 1 January	380,000,000	31,128,118	304,000,000	1,000,000
Issuance of ordinary shares	–	–	76,000,000	32,680,000
Share issuance expenses	–	–	–	(2,551,882)
At 31 December	380,000,000	31,128,118	380,000,000	31,128,118

During the financial year ended 31 December 2019, 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 comprised 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 2019 ranked 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. DIVIDEND

	The Company	
	2020 RM	2019 RM
Interim single-tier dividend of RM0.005 per ordinary share in respect of the financial year ended 31 December 2019	–	1,900,000
Interim single-tier dividend of RM0.01 per ordinary share in respect of the financial year ended 31 December 2020	3,800,000	–
	3,800,000	1,900,000

On 27 February 2020, the Company had declared a first interim single tier tax-exempt dividend 1.0 sen per ordinary share amounted to RM3,800,000 in respect of the financial year ended 31 December 2019 of which was paid on 10 April 2020.

On 26 February 2021, the Company had declared a first 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 2020. The entitlement date was on 18 March 2021 and the dividend was paid on 12 April 2021. The financial statements for the current financial year do not reflect this first 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 2021.

The directors do not recommend any final dividend in respect of the current financial year ended 31 December 2020.

22. LEASE LIABILITIES

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Maturity analysis:				
Not later than 1 year	8,386,880	8,186,981	7,581,916	7,586,980
Later than 1 year but not later than 5 years	17,551,093	19,653,315	15,102,944	17,553,315
Later than 5 years	358,047	530,350	225,969	530,350
	26,296,020	28,370,646	22,910,829	25,670,645
Less: Unearned interest	(2,164,071)	(2,706,648)	(1,858,974)	(2,422,628)
	24,131,949	25,663,998	21,051,855	23,248,017
Present value of lease liabilities analysed as:				
Current	7,437,195	7,082,970	6,755,025	6,591,510
Non-current	16,694,754	18,581,028	14,296,830	16,656,507
	24,131,949	25,663,998	21,051,855	23,248,017

The Group and the Company applied the incremental borrowing rates to the lease liabilities recognised ranging from 3.75% to 5.15% (2019: 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		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January	25,663,998	23,801,721	23,248,017	21,140,294
Total financing cash outflows:				
Principal paid	(7,298,222)	(7,338,110)	(6,746,398)	(6,843,864)
Interest paid	(1,134,132)	(825,291)	(1,007,748)	(719,539)
	17,231,644	15,638,320	15,493,871	13,576,891
Non-cash changes				
Finance costs (Note 6)	1,134,132	825,291	1,007,748	719,539
Modification of lease contract	(1,170,431)	–	(382,091)	–
Termination of lease contract	(297,654)	–	(297,654)	–
Recognition of lease liabilities	7,234,258	9,200,387	5,229,981	8,951,587
At 31 December	24,131,949	25,663,998	21,051,855	23,248,017

23. 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 (2019: 30 to 90 days).

The currency profile of trade payables is as follows:

	The Group		The Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Ringgit Malaysia	354,646	1,055,522	204,116	929,952
British Pound	1,631,878	2,820,618	1,525,171	2,807,764
United States Dollar	1,037,200	231,159	175,093	37,907
Euro	–	3,713	–	3,713
Singapore Dollar	7,329	–	7,329	–
Australian Dollar	23,689	–	–	–
	3,054,742	4,111,012	1,911,709	3,779,336

24. OTHER PAYABLES, ACCRUED EXPENSES AND PROVISION

	The Group		The Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Other payables	1,592,848	484,267	1,104,414	343,914
Accrued expenses	2,776,699	3,885,775	2,271,329	3,536,025
Provision for restoration costs	803,203	720,390	755,193	720,390
	5,172,750	5,090,432	4,130,936	4,600,329

Movement of provision for restoration costs is as follows:

	The Group		The Company	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
At 1 January	720,390	621,492	720,390	621,492
Provision for the year	70,736	84,873	23,519	84,873
Unwinding of interest expense (Note 6)	12,077	14,025	11,284	14,025
At 31 December	803,203	720,390	755,193	720,390

24. OTHER PAYABLES, ACCRUED EXPENSES AND PROVISION (CONT'D)

The restoration costs were provided for future restoration of the Group's and of the Company's retail outlets.

The currency profile of other payables is as follows:

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	1,579,740	484,267	1,091,306	343,914
Singapore Dollar	10,721	–	10,721	–
British Pound	2,387	–	2,387	–
	1,592,848	484,267	1,104,414	343,914

25. 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 directors and major shareholder
Global Outsource Solutions Pte Ltd	Common directors and major shareholder
Trade Solutions Ltd	Common directors 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 directors and major shareholder
Global Retail Solutions Ltd	Common director and major shareholder
Kim Hin Joo Limited (HK)	Common directors 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	Subsidiary company

Amount due from/(to) subsidiary companies which arose from both trade, non-trade transactions and advances granted, are unsecured, interest-free, repayable on demand and are denominated in Ringgit Malaysia.

Amount due from/(to) other related companies, which arose from trade and non-trade transactions, are unsecured, interest-free, repayable on demand and are denominated in Singapore Dollar.

Amount due to holding company, which arose from trade and non-trade transactions, is unsecured, interest-free, repayable on demand and is denominated in Singapore Dollar.

25. 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:

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Purchase of goods from				
- Global Product Solutions Sdn Bhd	–	–	3,884,499	6,645,731
- Global Outsource Solutions Pte Ltd	578,276	706,068	10,813	63,454
- Trade Solutions Ltd	–	258,120	–	258,120
- Global Retail Network Sdn Bhd	–	–	2,016,725	1,395,829
- Mothercare (S) Pte Ltd	–	144	–	144
- Kim Hin Innovation Labs Private Ltd	1,732,660	598,063	242,082	83,791
- Mother and Child Ltd	171,409	–	171,409	–
Sale of goods to				
- Global Product Solutions Sdn Bhd	–	–	81,422	117,455
- Global Retail Network Sdn Bhd	–	–	111,723	–
- Mothercare (S) Pte Ltd	85,494	116,299	–	–
- Trade Solutions Ltd	–	257,832	–	–
- Kim Hin Innovation Labs Private Ltd	–	284,454	–	–
- Global Outsource Solutions Pte Ltd	59,002	414,730	–	–
- Kim Hin Innovation Labs Private Ltd	214,780	–	–	–
Advances to				
- Queemay Toys (Malaysia) Sdn Bhd	–	–	3,112,712	–
Rental paid to				
- Cheng Yean Properties Sdn Bhd	1,054,839	1,200,000	527,419	600,000
E-Commerce management fees payable to				
- Mothercare (S) Pte Ltd	249,318	248,943	249,318	248,943
Corporate management fees paid to				
- Kim Hin International Pte Ltd	194,660	194,732	–	–
- Global Outsource Solutions Pte Ltd	–	131,913	–	–
- Kim Hin Innovation Labs Private Ltd	–	254,770	–	10,774
Dividend received from				
- Global Product Solutions Sdn Bhd	–	–	6,000,000	–
Transfer of plant and equipment from (Note 9)				
- Global Product Solutions Sdn Bhd	–	–	–	6,535
Transfer of goods from				
- Queemay Toys (Malaysia) Sdn Bhd	–	–	113,345	–

26. 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 2019.

The Board of Directors reviews the capital structure of the Group and of 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 of 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	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Financial assets				
At amortised cost:				
Trade receivables	998,967	1,202,538	211,148	273,387
Other receivables and refundable deposits	4,790,181	4,202,793	4,205,957	3,735,460
Amount due from subsidiary companies	–	–	3,679,830	768,080
Fixed deposits with licensed banks	17,334,784	25,762,399	17,334,784	25,762,399
Cash and bank balances	14,461,394	14,473,260	9,575,537	7,335,803
At fair value through profit or loss:				
Short-term investments	1,894,607	–	1,894,607	–
Financial liabilities				
At amortised cost:				
Trade payables	(3,054,742)	(4,111,012)	(1,911,709)	(3,779,336)
Other payables and accrued expenses	(4,369,547)	(4,370,042)	(3,375,743)	(3,879,939)
Amount due to other related companies	–	(29,619)	–	–
Amount due to holding company	(15,966)	–	–	–
Amount due to subsidiary companies	–	–	(53,864)	–
Lease liabilities	(24,131,949)	(25,663,998)	(21,051,855)	(23,248,017)

26. FINANCIAL INSTRUMENTS (CONT'D)

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
2020				
British Pound	827,215	1,634,265	827,215	1,527,558
United States Dollar	288,432	1,037,200	288,432	175,093
Singapore Dollar	335,280	34,016	42,608	18,050
Euro	657	–	657	–
Hong Kong Dollar	888	–	888	–
Australian Dollar	–	23,689	–	–
	1,452,472	2,729,170	1,159,800	1,720,701
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

<u>Foreign currency sensitivity analysis</u>

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 after tax.

Notes to The Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (CONT'D)

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Strengthened 5%				
British Pound	30,668	81,722	26,613	81,234
United States Dollar	28,453	(5,343)	(4,307)	(6,007)
Singapore Dollar	(11,448)	(2,146)	(933)	(3,272)
Euro	(25)	141	(25)	141
Hong Kong Dollar	(34)	–	(34)	–
Australian Dollar	900	(2,252)	–	–
	48,514	72,122	21,314	72,096
Weakened 5%				
British Pound	(30,668)	(81,722)	(26,613)	(81,234)
United States Dollar	(28,453)	5,343	4,307	6,007
Singapore Dollar	11,448	2,146	933	3,272
Euro	25	(141)	25	(141)
Hong Kong Dollar	34	–	34	–
Australian Dollar	(900)	2,252	–	–
	(48,514)	(72,122)	(21,314)	(72,096)

Interest rate risk management

The Group's and Company's investments in fixed deposits are not exposed to a significant risk of change in their fair values as they are not affected by 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 and on the Company'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 and amount due from subsidiary 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 repayments made by them.

For other financial assets (including cash and bank balances, fixed deposits with licensed banks and short-term investments), the Group and the Company minimise credit risks by dealing exclusively with high credit rating counterparties.

26. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk management (Cont'd)

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 and amount due from subsidiary 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. No significant changes to estimation techniques or assumptions were made during the reporting period.

Other receivables, refundable deposits and amount due from subsidiary companies using general 3-stage approach

The Group and the Company monitor the credit risks of other receivables, refundable deposits and amount due from subsidiary 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 and amount due from subsidiary 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.

26. 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					
2020					
Non-interest bearing:					
Trade payables	3,054,742	–	–	3,054,742	–
Other payables and accrued expenses	4,369,547	–	–	4,369,547	–
Amount due to holding company	15,966	–	–	15,966	–
Interest bearing:					
Lease liabilities	8,386,880	6,471,141	11,437,999	26,296,020	3.75% to 5.15%
	15,827,135	6,471,141	11,437,999	33,736,275	
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	

	Less than 1 year RM	1 - 2 years RM	More than 2 years RM	Total RM	Contractual interest rate %
The Company					
2020					
Non-interest bearing:					
Trade payables	1,911,709	–	–	1,911,709	–
Other payables and accrued expenses	3,375,743	–	–	3,375,743	–
Amount due to subsidiary companies	53,864	–	–	53,864	–
Interest bearing:					
Lease liabilities	7,581,916	5,641,365	9,687,548	22,910,829	3.75% to 5.15%
	12,923,232	5,641,365	9,687,548	28,252,145	

26. 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 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	

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), amounts due from subsidiary companies, fixed deposits with licensed banks, cash and bank balances, trade payables, other payables and accrued expenses, amounts due to other related companies, subsidiary companies and holding company 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
2020				
Financial assets				
Refundable deposits (non-current)	2,766,631	2,746,648	2,595,181	2,567,296
Financial liabilities				
Lease liabilities	24,131,949	24,913,383*	21,051,855	21,739,131*

26. FINANCIAL INSTRUMENTS (CONT'D)

Fair values of financial instruments (Cont'd)

	The Group		The Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
2019				
Financial assets				
Refundable deposits (non-current)	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 values of refundable deposits is estimated using discounted cash flows analysis based on market interest rates at initial recognition.

* The fair values of lease liabilities is estimated using discounted cash flow analysis based on current borrowing rates for similar types of lease arrangements.

Fair value hierarchy

Financial assets that are measured at fair value

The table below analyses the financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy:

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Level 1				
Financial asset at FVTPL:				
Short-term investments	1,894,607	–	1,894,607	–

The fair values of short-term investments are determined at their quoted closing prices at the end of the reporting period.

27. CAPITAL COMMITMENT

At the end of the reporting period, the Group has the following commitment in respect of acquisition of plant and equipment:

	The Group	
	2020 RM	2019 RM
Contracted but not provided for	–	271,600

28. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

On 29 July 2020, the shareholders of the Company approved the establishment of ESOS of up to fifteen percent (15%) of the total number of issued and paid-up ordinary shares of the Company (excluding treasury shares, if any) for eligible directors and employees of the Company and its subsidiaries.

As of 31 December 2020, the ESOS has yet to be implemented and Bursa Malaysia Securities Berhad had, vide its letter dated 29 December 2020, approved the Company's application for an extension of time of six months, from 26 December 2020 until 25 June 2021, for the Company to implement the ESOS.

29. 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 baby, children and maternity products.

Distribution
Distribution of baby, 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 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.

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.

29. SEGMENT INFORMATION (CONT'D)

The Group 2020	Retail RM	Distribution RM	Elimination RM	Total RM
Revenue				
Revenue from external customers	65,320,808	15,089,747	–	80,410,555
Inter-segment revenue	–	5,035,706	(5,035,706)	–
Total revenue	65,320,808	20,125,453	(5,035,706)	80,410,555
Results				
Operating results	9,153,515	4,775,831	(6,053,435)*	7,875,911
Interest income	566,402	116,627	–	683,029
Finance costs	(1,049,677)	(96,532)	–	(1,146,209)
Profit before tax	8,670,240	4,795,926	(6,053,435)	7,412,731
Income tax expense	(915,590)	(1,149,590)	–	(2,065,180)
Profit for the year	7,754,650	3,646,336	(6,053,435)	5,347,551
Segment assets	99,794,049	18,288,383	(7,981,510)	110,100,922
Segment liabilities	32,243,245	4,951,260	(4,602,760)	32,591,745
Other information				
Acquisition of plant and equipment	4,147,254	543,157	–	4,690,411
Depreciation of plant and equipment	2,530,062	274,956	–	2,805,018
Additions of right-of-use assets	6,770,585	641,748	–	7,412,333
Amortisation of right-of-use assets	7,284,489	507,303	–	7,791,792

* Included dividend from subsidiary of RM6,000,000 (2019: Nil).

29. SEGMENT INFORMATION (CONT'D)

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 plant and equipment	3,070,193	34,821	–	3,105,014
Depreciation of 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

Notes to The Financial Statements (cont'd)

30. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO END OF THE FINANCIAL YEAR

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 3 May 2020. In addition, the Government announced the implementation of Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020 and Recovery Movement Control Order ("RMCO") from 10 June 2020 to 31 December 2020. On 11 January 2021, the Malaysian Government announced the re-imposition of the MCO for certain states of Malaysia effective from 13 January 2021 to 4 March 2021.

The Group's and Company's retail and distribution operations have been adversely affected due to the COVID-19 pandemic and the movement controls. The Group's and Company's operations were temporarily suspended during MCO from 18 March 2020 to 3 May 2020. As such, the Group's and Company's financial performance for the current financial year has been affected as there was lower revenue generated during the MCO period. In order to manage and cushion the effects of COVID-19 pandemic, the Group and Company initiated and implemented various measures in improving revenue, containing costs and enhancing cash flows of the Group and of the Company. All the relevant financial impacts have been taken into account in the current year's financial results of the Group and of the Company. The Board of Directors of the Company has performed an assessment of the Group's and the Company's cash flows for the next twelve months and concluded that there is no issue in its ability to continue as going concern in the foreseeable future.

The Group and the Company will continuously monitor the impact of COVID-19 and take appropriate and timely measures to minimise the impact of the outbreak on the Group's and on the Company's operations.

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 2020 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,

PANG FU WEI

GOH POH TENG

Selangor
30 April 2021

STATUTORY DECLARATION

Pursuant to Section 251 (1)(B) of The Companies Act 2016

I, **CHANG KIM WIN**, 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.

CHANG KIM WIN
(MIA: 14670)

Subscribed and solemnly declared
by the abovenamed **CHANG KIM WIN**
at **KUALA LUMPUR** on this 30th day of April, 2021.

Before me,

COMMISSIONER FOR OATHS

ANALYSIS OF SHAREHOLDINGS

As at 15 April 2021

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	–	0.00	–	0.00
100 - 1,000	159	9.53	87,500	0.02
1,001 - 10,000	562	33.69	3,486,700	0.92
10,001 - 100,000	811	48.62	25,153,100	6.62
100,001 to less than 5% of issued shares	135	8.09	115,672,700	30.44
5% and above of issued shares	1	0.06	235,600,000	62.00
Total	**1,668**	**99.99**	**380,000,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As per Register of Substantial Shareholders)

Name of Shareholder	Direct No. of Shares held	Direct % of Issued Capital	Indirect No. of Shares held	Indirect % 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)

Name of Directors	Direct No. of Shares held	Direct % of Issued Capital	Indirect No. of Shares held	Indirect % of Issued Capital
Pang Kim Hin	11,280,700	2.97	235,600,000[(1)]	62.00
Pang Fu Wei	538,000	0.14	–	–
Goh Poh Teng	1,000,000	0.26	–	–
Yen Se-Hua Stewart	–	–	–	–
Chew Soo Lin	2,150,000	0.57	800,000[(2)]	0.21
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.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Khoo Yok Kee (PB)*	9,583,900	2.52
5.	Kaginic Corporation Sdn Bhd	9,500,000	2.50
6.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investmentsequity Income Fund*	8,797,000	2.32
7.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Teo Siew Lai*	6,930,400	1.82
8.	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)*	6,874,800	1.81
9.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Teo Kwee Hock*	3,095,700	0.81
10.	Maybank Nominees (Asing) Sdn Bhd *Pledged Securities Account for Chew Soo Lin*	2,150,000	0.57
11.	Teddy Robin Lojikim	2,085,000	0.55
12.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Teddy Robin Lojikim (8069268)*	1,965,000	0.52
13.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Yaw Hiong*	1,700,000	0.45
14.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Ching Neoh*	1,250,000	0.33
15.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ooi Keng Thye*	1,231,000	0.32
16.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Exempt an for Eastspring Investments Berhad (PM0004)*	1,216,000	0.32
17.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Eastspring Investmentsislamic Equity Income Fund*	1,106,100	0.29
18.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Kok Yew Fatt (B Tinggi-CL)*	1,050,000	0.28
19.	Goh Poh Teng	1,000,000	0.26
20.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for Caceis Bank (SW-CSG-FGN)*	1,000,000	0.26
21.	Pang Shu Ming	1,000,000	0.26
22.	Thye Huat Chan Sendirian Berhad	900,000	0.24
23.	AMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Peng Nguang*	800,000	0.21
24.	Kor Yann Ning	800,000	0.21
25.	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tang Kock Liew*	730,000	0.19
26.	Chan Pheng Hock	700,000	0.18
27.	Lee Chong Hoe	650,000	0.17
28.	Chan Pheng Hock	600,000	0.16
29.	Chua Koon Meng	600,000	0.16
30.	Global Clay & Minerals Sdn Bhd	600,000	0.16
	Total	326,195,600	85.84

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting ("**40th 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	:	Friday, 18 June 2021
Time	:	10.00 a.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 40th AGM.

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. 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 amount of RM320,000.00 from this forthcoming 40th AGM until the conclusion of the next Annual General Meeting of the Company. **(Ordinary Resolution 1)**

3. To re-elect the following Directors who are retiring in accordance with Clause 95 of the Constitution of the Company:

   i) Mr Chew Soo Lin **(Ordinary Resolution 2)**

   ii) Mr Yen Se-Hua Stewart **(Ordinary Resolution 3)**

4. To re-appoint Messrs. Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 4)**

As Special Business

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

5. **Proposed Authority to Allot and Issue Shares pursuant to Section 76 of the Companies Act 2016 ("the Act")** **(Ordinary Resolution 5)**

   "**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."

6. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")** **(Ordinary Resolution 6)**

"THAT subject to the provisions of the Constitution of the Company and the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into and to give effect to the recurrent related party transactions ("**RRPTs**") of a revenue or trading nature with the related parties as stated in Section 2.4 of the Circular to Shareholders dated 20 May 2021 provided that:-

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' 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 40th AGM at which the 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' Mandate."

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

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143) (SSM PC No.: 202008001023)
TAN AI NING (MAICSA 7015852) (SSM PC No.: 202008000067)
Company Secretaries

Selangor Darul Ehsan
20 May 2021

Notice of Annual General Meeting (cont'd)

NOTES:

(1) As part of the safety measures to curb the spread of the Coronavirus outbreak, the Company will conduct the 40th AGM entirely through live streaming and online remote voting via Remote Participation and Electronic Voting ("**RPEV**") 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 40th 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 40th 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.

(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 40th AGM or Adjourned 40th 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 10 June 2021 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 – Directors' Fees from this AGM until the next AGM of the Company**

The amount of Directors' fees payable comprising fees payable to Directors as Chairman/members of the Board and Board Committees from this AGM until the conclusion of the next AGM of the Company, 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 5 – Proposed Authority for Directors to Allot and Issue Shares pursuant to Section 76 of the Act**

The proposed Ordinary Resolution 5 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 40th 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 6 – Proposed Shareholders' Mandate**

The proposed Ordinary Resolution 6, if passed, will allow the Company and its subsidiaries to enter into RRPTs in accordance with Paragraph 10.09 of Bursa Malaysia Securities Berhad's ACE Market Listing Requirements.

For further information on Ordinary Resolution 6, please refer to the RRPT Circular dated 20 May 2021 accompanying the Annual Report of the Company for the financial year ended 31 December 2020.

Notice of Annual General Meeting (cont'd)

Personal data privacy:

By submitting a proxy form(s) to participate, speak and vote at the 40th 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 40th AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 40th 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.

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 Fortieth Annual General Meeting ("40th 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 Friday, 18 June 2021 at 10.00 a.m. or at any adjournment thereof and to vote as indicated below:-

	Resolutions		**For**	**Against**
1	Approval for the payment of Directors' Fees payable to the Directors of the Company up to an aggregate amount of RM320,000.00 from this forthcoming 40th AGM until the conclusion of the next Annual General Meeting of the Company	Ordinary Resolution 1		
2	Re-election of Mr Chew Soo Lin as Director	Ordinary Resolution 2		
3	Re-election of Mr Yen Se-Hua Stewart as Director	Ordinary Resolution 3		
4	Re-appointment of Messrs. Deloitte PLT as Auditors of the Company and authorise the Directors to fix their remuneration	Ordinary Resolution 4		
5	Proposed Authority for Directors to Allot and Issue shares	Ordinary Resolution 5		
6	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	Ordinary Resolution 6		

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 .... 2021.

NOTES:

(1) As part of the safety measures to curb the spread of the Coronavirus outbreak, the Company will conduct the 40th 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.

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NOTES: (Cont'd)

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(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.

(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 40th AGM or Adjourned 40th 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 40th Annual General Meeting dated 20 May 2021.

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AFFIX
STAMP

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 Darul Ehsan, Malaysia

General Line : (+603) 8940 6638