

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**8.1 Promoters and substantial shareholders****8.1.1 Shareholdings in our Company**

The table below sets out the direct and indirect shareholdings of our Promoters and substantial shareholders before the IPO (for the past 4 years and as at the LPD) and after the IPO:-

	Before the IPO						After the IPO					
	As at 31 December 2015, 2016 and 2017			As at 31 December 2018 and the LPD			After the Offer for Sale			After the IPO		
	Direct	Indirect	No. of Shares ('000)	Direct	Indirect	No. of Shares ('000)	Direct	Indirect	No. of Shares ('000)	Direct	Indirect	No. of Shares ('000)
Promoters and substantial shareholders			(1)%			(2)%			(2)%			(3)%
Nationality/ Country of incorporation												
Promoters and substantial shareholders			(1)%			(2)%			(2)%			(3)%
KHI	-	-	(5)273,600	90.0	-	-	235,600	77.5	-	235,600	62.0	-
Pang Kim Hin	-	(4)900	90.0	-	(6)273,600	90.0	-	-	(6)235,600	(7)1,000	0.3	(6)235,600
Substantial shareholder												
Dato' Pang Leong Hoon ⁽⁶⁾	100	-	10.0	10.0	-	-	11,400	3.8	-	11,400	3.0	-
Other shareholders												
Mothercare Sg	900	-	90.0	(5)-	-	-	-	-	-	-	-	-
Total	1,000	100.0		304,000	100.0		247,000	81.3		248,000	65.3	

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Notes:-

- (1) Based on our issued share capital comprising 1,000,000 Shares prior to the pre-IPO restructuring exercise as set out in **Section 5.4** of this Prospectus.
- (2) Based on our issued share capital comprising 304,000,000 Shares after the Bonus Issue, as set out in **Section 5.4.2** of this Prospectus. The Bonus Issue was completed on 26 June 2018.
- (3) Based on our enlarged issued share capital comprising 380,000,000 Shares after the IPO.
- (4) Deemed interested by virtue of his shareholdings held through Mothercare Sg pursuant to Section 8 of the Act.
- (5) On 12 February 2018, KHI became our shareholder by holding 90.0% equity interest in our Company through the acquisition of 900,000 Shares held by Mothercare Sg. Mothercare Sg ceased to be our shareholder on the same day. Following the Bonus Issue, the number of Shares held by KHI increased from 900,000 Shares to 273,600,000 Shares.
- (6) Deemed interested by virtue of his shareholdings held through KHI pursuant to Section 8 of the Act.
- (7) Assuming Pang Kim Hin subscribes for his entitlement under the pink form allocation as set out in **Section 3.1.1(ii)** of this Prospectus.
- (8) Dato Pang Leong Hoon will cease to be our substantial shareholder after the Offer for Sale and the IPO.

As disclosed in the table above, Pang Kim Hin (who is our Non-Executive Chairman, Promoter and substantial shareholder) exercises control over our Company, through his shareholdings in KHI. Save for Pang Kim Hin, our Directors are not aware of any other person who, directly or indirectly, jointly or severally, exercises control over our Company.

As at the LPD, our Promoters and substantial shareholders have the same voting rights with each other. After the IPO, our Promoters and substantial shareholders will have the same voting rights with other shareholders of our Group. There is no arrangement between our Company and our shareholders with any third parties, the operation of which may result in the change in control of our Company.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

8.1.2 Profiles of our Promoters and substantial shareholders

KHI and Pang Kim Hin are our Promoters and substantial shareholders. Dato' Pang Leong Hoon, who is our substantial shareholder as at the LPD, will cease to be our substantial shareholder after the IPO.

KHI is a private company limited by shares incorporated on 24 July 2017 in Singapore. The principal activity of KHI is investment holding. Through KHI's subsidiaries, it is primarily involved in the following:-

- retail of baby, children and maternity products in Malaysia and Singapore;
- distribution of baby, children and maternity products in Malaysia, Singapore and Hong Kong; and
- brand development and management of baby and children products.

As at the LPD, KHI has a share capital of SGD22,925,032, comprising 1,270,000 ordinary shares.

The directors and shareholders of KHI as at the LPD and their respective shareholdings in KHI are set out below:-

Directors and shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Director and shareholder				
Pang Kim Hin	985,000	77.56	⁽¹⁾ 285,000	22.44
Directors				
Pang Shu Ming	-	-	-	-
Pang Fu Wei	-	-	-	-
Pang Shu Xin	-	-	-	-
Other shareholders				
Queemay Holdings Pte Ltd ⁽²⁾	150,000	11.81	-	-
Chew Kheng Imm ⁽³⁾	135,000	10.63	-	-
Total	1,270,000	100.00		

Notes:-

- Deemed interested by virtue of his shareholdings held through Queemay Holdings Pte Ltd pursuant to Section 8 of the Act, as well as his spouse's, Chew Kheng Imm, shareholdings pursuant to Section 59(11) of the Act.
- The ultimate beneficial owner for KHI Shares which are indirectly held through Queemay Holdings Pte Ltd are set out as follows:-

Shareholders	Direct	
	No. of ordinary shares	%
Pang Kim Hin	10,725	42.90
Pang Shu Ming	175	0.70
Pang Hock Kiat Samuel	1,000	4.00
Pang Hock Leng Sean	1,000	4.00
Pang Su Chin Cindy	500	2.00
Pang Su-Lin Stefanie	2,856	11.42
Pang Su-Yin Penelope	2,856	11.42
Pang Hock Hsien Daryl	5,538	22.16
Pang Shu Xin	175	0.70
Pang Fu Wei	175	0.70
	25,000	100.00

- Chew Kheng Imm is the spouse of Pang Kim Hin.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Pang Kim Hin, a Singaporean aged 69, is our Promoter, substantial shareholder and Non-Independent Non-Executive Chairman. He is a member of our Remuneration Committee and Nomination Committee. He is also the chairman of KHI, our ultimate holding company, where he oversees the overall business direction and operations of KHI Group and is primarily responsible for managing the respective companies' relationships with their franchisors.

He graduated with a Bachelor of Engineering - Mechanical from McGill University, Canada in June 1972. Upon graduation, he served National Service in Singapore until January 1975. He began his career in January 1975 as an engineer in Guthrie Engineering (S) Pte Ltd where he was subsequently promoted to deputy divisional manager, where he was responsible for engineering works for fire protection systems, safety equipment and materials handling systems. 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 a director of Kim Hin Joo Pte Ltd in May 1987, where he still serves as a board member.

In March 1985, he founded 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, Pang Kim Hin's son, Pang Fu Wei, took over his role in Mothercare Sg. Since then, Pang Kim Hin's responsibilities in Mothercare Sg has shifted towards a non-executive role.

In September 1986, he was appointed as a director of our Company, which was dormant at the time, 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, Pang Kim Hin's daughter, Pang Shu Ming, joined our Group and took over his primary responsibilities in Malaysia. Since then, Pang Kim Hin's responsibilities in our Group have shifted towards a non-executive role.

In March 1992, he took over the entire business of Mother and Child 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, 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 Sg. Subsequently, he introduced the distribution business to Malaysia in 2008, through Global Product, as well as Hong Kong in 2017, through Trade Solutions.

Pang Kim Hin had previously served as a board member of co-operatives and statutory boards in Singapore, namely the National Trades Union Congress 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.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Please refer to **Section 8.2.3** of this Prospectus for details of Pang Kim Hin's principal directorships in other corporations and principal business activities performed outside our Group.

Dato' Pang Leong Hoon, a Malaysian aged 86, has been our substantial shareholder since April 2005. However, he is not actively involved in our Group's business. Dato' Pang Leong Hoon was appointed as a director of our Company on 26 July 1988 and was also a director of all our subsidiaries until he resigned from being a director in all the companies in our Group on 13 September 2018. He will cease to be our substantial shareholder after the IPO, holding an equity stake of 3% in our Company.

8.1.3 Payments made to our Promoters and substantial shareholders

Save as disclosed below, there are no other amount or benefits paid or intended to be paid or given to our Promoters and substantial shareholders within the 2 years preceding the date of this Prospectus:-

- (i) payment of corporate management fees to KHI, which includes remuneration for Pang Kim Hin, our Non-Executive Chairman, further details of which are set out in **Section 9.1** of this Prospectus; and
- (ii) remuneration and material benefits-in-kind (which includes contingent or deferred remuneration) paid to Dato' Pang Leong Hoon for the FYEs 31 December 2016 and 2017 and the period of 1 January 2018 to 13 September 2018 are as follows:-

	Remuneration and material benefits-in-kind		
	FYE 31 December 2016	FYE 31 December 2017	1 January 2018 to 13 September 2018
	(RM)	(RM)	(RM)
Dato' Pang Leong Hoon	(1)5,000	(1)5,000	(1)(2)3,750

Notes:-

- (1) Remuneration was paid in the form of director's fee for his role as our director.
- (2) He resigned from our Board on 13 September 2018.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

- (iii) declaration and payment of dividends to KHI and Dato' Pang Leong Hoon within the 2 years preceding the date of this Prospectus, in the following manner:-

Dividend declared and paid	KHI (RM'000)	Dato' Pang Leong Hoon (RM'000)	Total (RM'000)
A first interim dividend of RM8 per share was declared in respect of the FYE 31 December 2017 and paid on 11 October 2017	-	800	800
A first interim dividend amounting to RM34,484,289 declared in respect of the FYE 31 December 2018 and paid on 28 June 2018*	10,800	1,200	12,000

Note:-

* The total dividend declared was offset by the following:-

- (a) Assignment of dividend amounting to RM20.24 million by KHI to Pang Kim Hin, which was subsequently set-off entirely against amount owing by Pang Kim Hin to KHJ; and
- (b) RM2.25 million set-off against amount owing by Dato' Pang Leong Hoon to KHJ.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)**8.2 Directors****8.2.1 Shareholdings in our Company**

The following table sets forth the direct and indirect shareholdings of each of our Directors before and after the IPO, assuming our Directors will subscribe for their respective entitlements under the pink form allocation as set out in **Section 3.1.1(ii)** of this Prospectus in full:-

Director	Designation	Nationality	Before the IPO/As at the LPD		After the IPO			
			Direct	Indirect	Direct	Indirect		
			No. of Shares ('000)	(1)%	No. of Shares ('000)	(1)%	No. of Shares ('000)	(2)%
Pang Kim Hin	Non-Independent Non-Executive Chairman	Singaporean	-	(3)90.0	1,000	0.3	235,600	(3)62.0
Pang Shu Ming	Managing Director	Singaporean	-	-	1,000	0.3	-	-
Goh Poh Teng	Executive Director	Malaysian	-	-	1,000	0.3	-	-
Chew Soo Lin	Senior Independent Non-Executive Director	Singaporean	-	-	800	0.2	-	-
Yen Se-Hua Stewart	Independent Non-Executive Director	Singaporean	-	-	800	0.2	-	-
Kor Yann Ning	Independent Non-Executive Director	Malaysian	-	-	800	0.2	-	-

Notes:-

(1) Based on our existing issued share capital comprising 304,000,000 Shares before the IPO.

(2) Based on our enlarged issued share capital comprising 380,000,000 Shares after the IPO.

(3) Deemed interested by virtue of his shareholdings held through KHI pursuant to Section 8 of the Act.

Notwithstanding the pink form allocation reserved for our Directors, our Directors may subscribe for Issue Shares under the public balloting portion as set out in **Section 3.1.1(i)** of this Prospectus.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

8.2.2 Profile of Directors

Save for the profile of Pang Kim Hin which is set out in **Section 8.1.2** of this Prospectus, the profiles of our other Directors are as follows:-

Pang Shu Ming, a Singaporean aged 38, is our Managing Director. She is also the Chairman of our Risk Management Committee. She graduated with a Bachelor of Arts from the University of Michigan, United States of America in April 2003. She joined Mothercare Sg as a Marketing Manager in November 2003 and was responsible for planning and overseeing marketing and promotional activities of the Mothercare business in Singapore.

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

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

Goh Poh Teng, a Malaysian aged 58, is our Executive Director. She is also a member of our Risk Management Committee. She graduated with a Bachelor of Economics from the University of Malaya, Malaysia in August 1984. She began her career in October 1984 as a management trainee for Kimisawa Department Store. During her tenure as a management trainee, she gained experience in operating different sections of a department store. She was subsequently promoted to supervisor in April 1985, where she was responsible for overseeing and managing the sales of stationery.

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

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

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

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Chew Soo Lin, a Singaporean aged 71, is our Senior Independent Non-Executive Director. He is also the Chairman of our Audit Committee and Nomination Committee, and a member of our Remuneration Committee and Risk Management Committee. He was appointed to our Board on 3 October 2018.

He began his career in 1966 working in various audit firms in England. In November 1971, he was admitted as a member of the Institute of Chartered Accountants in England and Wales ("ICAEW") where he continued to be a member 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 as a director and was primarily responsible for overseeing and managing various biscuit factories and trading companies within the group. In September 1998, he was appointed as an Executive Director of Khong Guan Limited and was subsequently re-designated as the Executive Chairman of Khong Guan Limited in August 2007, and is presently a board member.

He is presently an independent director of China Real Estate Grp Ltd (formerly known as Asia-Pacific Strategic Investments Limited), Duty Free International Limited and MTQ Corporation Limited, all of which are companies listed on the Singapore Exchange Limited. He also holds directorships in various subsidiaries of Khong Guan Limited.

Yen Se-Hua Stewart, a Singaporean aged 69, is our Independent Non-Executive Director. He is also the Chairman of our Remuneration Committee and a member of our Audit Committee, Nomination Committee and Risk Management Committee. He was appointed to our Board on 3 October 2018. He graduated with a Bachelor's Degree in Engineering from McMaster University, Canada in June 1972.

He began his career in January 1973 as a systems engineer with the Ministry of Defence, Singapore and 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 joined SECOM (Singapore) Pte Ltd ("**SECOM**"), a company that he founded in April 1992, 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.

He is presently the non-executive chairman and independent director of APAC Realty Limited, and an independent non-executive director of Huatong Global Limited, both of which are public companies listed on the Singapore Exchange Limited.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Kor Yann Ning, a Malaysian, age 35, is our Independent Non-Executive Director. She is also a member of our Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. She was appointed to the Board on 3 October 2018. She graduated from University of Sydney, Australia with a Bachelor of Commerce, majoring in Accounting & Commercial Law in June 2006. She is currently a member of Malaysia Institute of Accountants and Certified Practising Accountants Australia.

She began her career in October 2005 with GJ Fong & Co, an accounting and law firm based in Sydney, Australia. In July 2010, she left GJ Fong & Co and joined Fusion Partners Pty Ltd in Malaysia to set up its outsourced accounting function in Malaysia and to head a new service line specialising in taxation and audit. Subsequently, in May 2012, she left Fusion Partners Pty Ltd and joined OSK Investment Bank Berhad as a vice president and financial product controller for the bank's finance department. She was primarily responsible for overseeing the bank's treasury forex activities. After the merger of OSK Investment Bank Berhad and RHB Investment Bank Berhad, she was redesignated as senior manager in April 2013 and was tasked to oversee derivatives and structured products and capital market activities. In December 2015, she left RHB Investment Bank Berhad and joined S & F Construction Sdn Bhd, where she is currently the financial controller of the firm. She is responsible for the overall finance, risk management and analysis, IT transformation, human resource, and audit operations of the company.

She is presently an independent non-executive director of UMS Holdings Berhad, a company listed on the Main Market of Bursa Securities.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)**8.2.3 Involvement of our Directors in other businesses/corporations**

The following table sets out the involvement of our Directors in other businesses/corporations outside our Group within the past 5 years up to and including the LPD:-

(i) Pang Kim Hin

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
<u>Present directorships:-</u>				
1. KHI and its subsidiaries:- (a) KHI	Investment holding. Its subsidiaries are principally involved in retail, wholesale and distribution of baby and children wear (including products and accessories for infants)	- Director - Shareholder (Direct: 77.56%; Indirect: 22.44%)	24 July 2017	-
(b) Mothercare Sg	Retail of baby, children and maternity products under the Mothercare and ELC franchises in Singapore	- Director - Shareholder (Indirect: 100.00%)	15 March 1985	-
(c) Global Outsource	Wholesale and distribution of baby and children products and brand development and management of baby and children products	- Director - Shareholder (Indirect: 100.00%)	15 September 2003	-
(d) Trade Solutions	Wholesale and distribution of baby and children products	- Director - Shareholder (Indirect: 100.00%)	11 January 2017	-
(e) Kim Hin Innovation Labs Private Ltd	Product and brand development and management	- Director - Shareholder (Indirect: 100.00%)	6 March 2019	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
2. Mother and Child and its subsidiaries:- (a) Mother and Child	Retail of baby, children and maternity products under the Mothercare and ELC franchises in Hong Kong	- Director - Shareholder (Direct: 50.00%) -	15 September 1992	-
(b) Eldercare Solutions Limited	Property investment	- Director - Shareholder (Indirect: 100.00%)	29 April 2015	-
3. Ming Properties (Hong Kong) Limited and its subsidiaries:- (a) Ming Properties (Hong Kong) Limited	Property investment	- Director - Shareholder (Direct: 100.00%)	19 July 1994	-
(b) Global Retail Solutions Limited	Expo organiser	- Director - Shareholder (Indirect: 100.00%)	6 October 2010	-
4. Queemay Holdings Pte Ltd	Holding and letting of investment properties	- Director - Shareholder (Direct: 42.90%)	16 November 1981	-
5. Kim Hin Joo Pte Ltd and its subsidiaries:- (a) Kim Hin Joo Pte Ltd	Holding company involved in warehousing and investment in stocks and shares	- Director - Shareholder (Direct: 7.77%; Indirect 10.80%)	28 May 1987	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
(b) KHJ Trading Pte Ltd	Investment in stocks and shares	- Director	6 July 1984	-
(c) Kim Hin Joo Limited	Investment in stocks and shares	- Director	5 June 1987	-
(d) Soon Hin Private Limited	Investment in stocks and shares and management of warehouse	- Director	28 May 1987	-
6. Eldercare Solutions Pte Ltd	Property investment	- Director - Shareholder (Direct: 100.00%)	5 May 2015	-
7. Shenstone Investments Pte Ltd	Single property investment	- Director - Shareholder (Direct: 50.00%)	8 May 2008	-
8. Global Retail Solutions Pte Ltd	Dormant	- Director - Shareholder (Direct: 100.00%)	8 March 2012	-
9. Cheng Yean	Holding and letting of investment properties	- Director - Shareholder (Direct: 90.00%)	22 October 2018	-
<u>Past directorships:-</u> Nil				

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

(ii) Pang Shu Ming

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
<u>Present directorships:-</u>				
1. KHI and its subsidiaries:- (a) KHI	Investment holding. Its subsidiaries are engaged in retail, wholesale and distribution of baby and children wear (including products and accessories for infants)	- Director	3 July 2018	-
(b) Mothercare Sg	Retail of baby, children and maternity products under the Mothercare and ELC franchises in Singapore	- Director	20 January 2006	-
(c) Global Outsource	Wholesale and distribution of baby and children products and brand development and management of baby and children products	- Managing Director	1 November 2003	-
(d) Trade Solutions	Wholesale and distribution of baby and children products	- Director	11 January 2017	-
(e) Kim Hin Innovation Labs Private Ltd	Product and brand development and management	- Director	6 March 2019	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
2. Ming Properties (Hong Kong) Limited and its subsidiaries:-				
(a) Ming Properties (Hong Kong) Limited	Property investment	- Director	6 July 2012	-
(b) Global Retail Solutions Limited	Expo organiser	- Director	6 October 2010	-
3. Mother and Child	Retail of baby, children and maternity products under the Mothercare and ELC franchises in Hong Kong	- Director	14 October 2004	-
4. Eldercare Solutions Pte Ltd	Retail sales and wholesale trade of products for elderly such as adult diapers, wheelchairs, canes and walkers.	- Director	10 July 2015	-
5. Global Retail Solutions Pte Ltd	Dormant	- Director	8 March 2012	-
<u>Past directorships:-</u>				
1. Wonderland Art and Photography Pte Ltd	Struck off	- Director - Shareholder (Direct: 30.00%)	18 September 2013	5 December 2016 (i.e. struck off date)

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

(iii) Goh Poh Teng

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
<u>Present directorships:-</u> Nil				
<u>Past directorships:-</u> 1. Cheng Yean	Holding and letting of investment properties	- Director	16 August 2012	16 October 2018

(iv) Chew Soo Lin

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
<u>Present directorships:-</u> 1. China Real Estate Grp Ltd (formerly known as Asia Pacific Strategic Investments Limited)	Holding of investment properties and property development	- Independent Director	5 June 2007	-
2. Duty Free International Limited	Investment holding. Its subsidiaries are principally involved in duty free retail and trading business	- Independent Director	26 August 2011	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
3. MTQ Corporation Limited	Investment holding and management. Its subsidiaries are principally involved in the provision of engineering and manufacturing services to the oil and gas industry, as well as trading and manufacture of equipment	- Independent Director	18 May 2012	-
4. Khong Guan Limited and its subsidiaries:- (a) Khong Guan Limited	Trading of wheat flour and other edible products and investment holding	- Executive Chairman	24 September 1998	-
(b) Tong Guan Food Products Sdn Bhd	Wholesaler of wheat flour and other consumable products	- Director - Shareholder ^	18 January 1984	-
(c) Khong Guan Food Products Pte Ltd	Trading in quoted investments	- Director	9 May 2002	-
(d) Tau Meng Investments Pte Ltd	Investment in stocks and shares	- Director	14 November 1994	-
(e) Victus Marketing Pte Ltd	General traders, importers and exporters	- Director	26 October 1998	-
(f) Swee Hin Chan Company Sdn Bhd	Wholesalers of wheat flour, general goods and animal feeds	- Director	28 June 1982	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
5. Khong Guan Group Pte Ltd and its subsidiaries:- (a) Khong Guan Group Pte Ltd	Production of snack food and investment holding. Its subsidiaries are principally involved in the manufacture and sale of biscuits and consumer goods, and collection of rental from its properties	- Director - Shareholder ^	8 January 1988	-
(b) Borneo Biscuit Factory Sdn Bhd	Manufacturing and marketing of biscuits	- Director - Shareholder ^	2 December 2010	-
(c) Khian Guan Biscuit Manufacturing Company Sdn Bhd	Manufacturer of biscuits and sweets	- Director	22 May 2002	-
(d) Khong Guan Biscuit Factory (Borneo) Sendirian Berhad	Manufacturer of biscuits	- Director	16 July 2001	-
(e) Khong Guan Biscuit Factory (Johore) Sdn Bhd	Manufacturer of biscuits	- Director	14 July 1981	-
(f) Khong Guan Biscuit Factory (Singapore) Private Limited	Manufacture and sale of biscuits and biscuit-making machines, and collection of rental from its properties	- Director - Shareholder ^	9 June 1975	-
(g) Lian Seng Hang Sdn Bhd	Dealers in biscuits and confectionaries	- Director	16 February 1978	-
(h) Khong Guan Enterprise Sdn Bhd	Market survey, management services, general trading and investment holdings	- Director - Shareholder ^	5 August 2002	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
(i) Khong Guan Land Pte Ltd	Property developer	- Director	28 September 1989	-
(j) Khong Guan Management Sdn Bhd	Management and marketing services	- Director	15 November 1996	-
(k) Khong Guan Trading Pte Ltd	General wholesale trade	- Director - Shareholder (Direct: 1.14%)	11 April 1990	-
6. Khong Guan Development Private Limited and its subsidiaries:-				
(a) Khong Guan Development Private Limited	Real estate developer	- Director - Shareholder (Direct: 8.08%)	7 June 1975	-
(b) Singuan Realty Pte Ltd	Real estate developers	- Director	31 August 1981	-
7. United Malaysian Flour (1996) Sdn Bhd and its subsidiaries:-				
(a) United Malaysian Flour (1996) Sdn Bhd	Manufacture and trade in wheat flour and its by products	- Director	22 May 1996	-
(b) Cereal Products (M) Sdn Bhd	Manufacturing and marketing of oats and cereal products	- Director	18 February 1997	-
(c) Federal Oats Mills Sdn Bhd	Manufacturer of oats and yellow dhall	- Director	18 February 1997	-
(d) Khong Guan Vegetable Oil Refinery Sdn Bhd	Repacking, refining and marketing of edible oil	- Director	18 February 1997	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
(e) Leong Hong Oil Mill Sdn Bhd	Marketing of pollard and bran and investment holding	- Director - Shareholder ^	20 September 1998	-
8. Khong Guan Biscuit and Confectionary Manufacturing Company Limited	Investment in Biscuit Factory and trading	- Director - Shareholder (Direct: 4.76%)	1978	-
9. Khong Guan Overseas Investment Limited	Investment in stocks and shares	- Director - Shareholder (Direct: 8.50%)	20 July 1978	-
10. Poh Seng Trading (Ipoh) Sdn Bhd	Wholesalers and retailers of biscuits, wheat flour and confectionary	- Director - Shareholder (Direct: 2.50%)	1 February 1977	-
11. Shanghai Eastern Asia Food Products Co Ltd	Manufacturing of biscuits and other food products	- Director	1989	-
12. Tianjin Charming Foodstuff Co Ltd	Manufacturer of biscuit and confectionary	- Director	1993	-
13. Far East Biscuit Factory (Hong Kong) Limited	Investment in food manufacturing companies	- Director	16 June 1981	-
14. Far East Biscuit Factory (China) Ltd	Trading of biscuits and other snack products	- Director	20 January 1999	-
15. Inter-Ocean Shipping & Trading Pte Ltd	General trading and investment in stocks and shares	- Director	31 October 1998	-
16. Cepheus Corporation Pte Ltd	Investment in stocks and shares	- Director - Shareholder (Direct: 19.55%)	12 September 2004	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
17. Yinyu Pte Ltd	Investment in stocks and shares	- Director	10 July 2008	-
<u>Past directorships:-</u>				
1. JCG Investment Holdings Ltd (formerly known as China Medical (International) Group Limited)	Trading of industrial raw materials, semi-finished and finished products	- Director	28 April 2017	24 April 2018
2. Borneo Can Sdn Bhd	Manufacturing and sales of paper cartons, metal tins and cans	- Director	16 July 2001	11 May 2016

(v) Yen Se-Hua Stewart

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
<u>Present directorships:-</u>				
1. Huatong Global Limited	Investment holding. Its subsidiaries are principally engaged in the provision of civil engineering services and the sale of construction materials	- Independent Director	11 November 2014	-
2. STT Communications (Shanghai) Co., Ltd	Investment holding company of data centers in China	- Director	2 April 2015	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
3. APAC Realty Limited	Investment holding, owning and operating the master franchise rights relating to the "ERA Real Estate" brand for sale and licensing to sub-franchisees in the Asia Pacific region	- Non-Executive Chairman and Independent Director	4 September 2017	-
4. SECOM (Singapore) Pte Ltd and its subsidiaries:- (a) SECOM (Singapore) Pte Ltd	Provision of security services	- Executive Chairman - Shareholder (Indirect: 34.04%)	28 April 1992	-
(b) D'Garde Security Pte Ltd	Provision of security guard services and wholesale of security, fire-fighting and safety equipment and systems	- Director - Shareholder (Indirect: 100.00%)	3 March 2001	-
5. System-Bilt Pte Ltd	Investment holding company in stocks and shares	- Director - Shareholder (Direct: 99.99%)	20 October 1981	-
6. ProVision Technology (Asia Pacific) Pte Ltd	Provision of security services and wholesale of security and fire-fighting equipment	- Director - Shareholder (Indirect: 44.57%)	26 October 2004	-
7. System-bilt (Myanmar) Ltd	Single property investment holding company	- Director	16 November 1993	-
8. Verint Systems (Singapore) Pte Ltd	Provision of maintenance and application services for audio telecommunication equipment	- Director	21 June 1994	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
9. Shenstone Investments Pte Ltd	Single property investment	- Director - Shareholder (Direct: 50.00%)	8 May 2008	-
10. Eco Resort International Pte Ltd	Development and management of resorts and hotels	- Shareholder (Direct: 11.04%)	N/A	-
<u>Past directors:-</u>				
1. Info D Pte Ltd	Struck off	- Director - Shareholder ^	26 March 1994	7 August 2017 (i.e. struck off date)
2. SECOM Data Protection Pte Ltd	Struck off	- Director - Shareholder (Indirect: 100.00%)	13 October 2010	4 October 2016 (i.e. struck off date)
3. TeleChoice International Limited	Provision of infocommunications products and services	- Independent Director - Shareholder ^	6 May 2004	5 May 2015

(vi)

Kor Yann Ning

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
<u>Present directors:-</u> 1. UMS Holdings Bhd	Investment holding and subsidiaries engaged in marketing and distribution of mechanical power transmission products as well as automatic and industrial engineering hardware	- Independent Director	6 January 2017	-

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
2. Rengit Holdings Sdn Bhd	Property rental business	- Director - Shareholder (Direct: 10.00%)	19 January 2016	-
3. Rengit Partners Sdn Bhd	Dormant	- Director - Shareholder (Direct: 50.00%)	29 August 2017	-
<u>Past directorships:-</u>				
Nil				

Note:-

^ Negligible.

The involvement and/or interests held by the non-executive Directors outside our Group are not expected to affect their contribution to our Group as they are not involved in the day-to-day operations of our Group.

Our Board is of the opinion that the interests held by Pang Shu Ming and Pang Kim Hin in the abovementioned companies would not give rise to a conflict of interest situation with our business, as set out in **Section 10.1** of this Prospectus.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

8.3 Board practice

8.3.1 Directorship

In accordance with our Constitution, the Directors shall have the power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director, but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with our Constitution which is 9 directors.

Any person appointed as director, either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

As at the LPD, the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in office are as follows:-

Name	Date of appointment as Director	Date of expiration of the current term of office ⁽¹⁾	Approximate no. of years in office
Pang Kim Hin	15 September 1986 ⁽²⁾	subject to retirement at AGM 2020	32 years
Pang Shu Ming	22 April 2015	subject to retirement at AGM 2021	4 years
Goh Poh Teng	26 June 2014 ⁽³⁾	subject to retirement at AGM 2020	5 years
Chew Soo Lin	3 October 2018	subject to retirement at AGM 2021	less than a year
Yen Se-Hua Stewart	3 October 2018	subject to retirement at AGM 2022	less than a year
Kor Yann Ning	3 October 2018	subject to retirement at AGM 2022	less than a year

Notes:-

(1) Pursuant to Clause 95 of our Constitution, all the Directors shall retire from office at the first AGM of the Company. At the AGM in every subsequent year an election of Directors shall take place and 1/3 of the Directors for the time being, or, if their number is not 3, or a multiple of 3, then the number nearest to 1/3 shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors including a Managing Director shall retire from office once at least in each 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the general meeting at which he retires.

In addition, pursuant to Clause 97 of our Constitution, the Directors to retire in each year shall be those who have been longest in office since their last election but as between persons who become Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(2) Pang Kim Hin was redesignated to Non-Independent Non-Executive Chairman on 3 October 2018.

(3) Goh Poh Teng was redesignated to Executive Director on 3 October 2018.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

8.3.2 Audit Committee

The composition of our Audit Committee is set out below:-

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

The terms of reference of our Audit Committee, amongst others, include the following:-

- (i) To ensure openness, integrity and accountability in our Group's activities so as to safeguard the rights and interests of our shareholders;
- (ii) To provide assistance to our Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- (iii) To improve our Group's business efficiency, the quality of accounting and audit function and strengthening of public's confidence in our reported results;
- (iv) To maintain a direct line of communication between our Board and the external and internal auditors;
- (v) To enhance the independence of our external and internal auditors;
- (vi) To create a climate of discipline and control, this will reduce the opportunity for fraud;
- (vii) To assess the financial risks and matters relating to related party transactions and conflict of interests;
- (viii) To recommend our Board regarding the appointment of the external auditors; and
- (ix) Obtain advice from independent parties and other professionals, where necessary, in discharging their duties.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

8.3.3 Remuneration Committee

The composition of our Remuneration Committee is set out below:-

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

The terms of reference of our Remuneration Committee, amongst others, include the following:-

- (i) Provide assistance to our Board in determining the remuneration of our executive directors and, if applicable, key management. In fulfilling this responsibility, our Remuneration Committee is to ensure that our executive directors and our applicable key management:-
 - (a) are fairly rewarded for their individual contributions to overall performance;
 - (b) that the compensation is reasonable in light of our objectives; and
 - (c) that the compensation is similar to other companies.
- (ii) Establish our Managing Director and Executive Director's goals and objectives; and
- (iii) Review our Managing Director and Executive Director's performance against the goals and objective set.

8.3.4 Nomination Committee

The composition of our Nomination Committee is set out below:-

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

The terms of reference of our Nomination Committee, amongst others, include the following:-

- (i) Identify and recommend to our Board, candidates for our board directorships;
- (ii) Recommend to our Board, directors to fill the seats on our Board committees;
- (iii) Evaluate the effectiveness of our Board and Board committees (including its size and composition) and contributions of each individual director; and
- (iv) Ensure an appropriate framework and plan for our Board succession.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

8.3.5 Risk Management Committee

The composition of our Risk Management Committee is set out below:-

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

The terms of reference of our risk management committee, amongst others, include the following:-

- (i) To oversee our risk management framework and policies;
- (ii) To advise our Board on setting appropriate policies on internal control and seek assurance that our systems are functioning effectively;
- (iii) To determine our level of risk tolerance and actively identify, assess and monitor key business risks to safeguard our shareholders' investments and our assets; and
- (iv) To ensure that our Board conducts an annual review and periodic testing of our internal control and risk management.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)**8.4 Key management****8.4.1 Shareholdings**

The following table sets forth the direct and indirect shareholdings of each of our key management before and after the IPO, assuming our key management subscribes for their respective entitlements under the pink form allocation as set out in **Section 3.1.1(ii)** of this Prospectus in full:-

Name	Designation	Nationality	Before the IPO/As at the LPD		After the IPO	
			Direct No. of Shares (‘000)	Indirect No. of Shares (‘000)	Direct No. of Shares (‘000)	Indirect No. of Shares (‘000)
Pang Shu Ming	Managing Director	Singaporean	-	-	1,000	-
Goh Poh Teng	Executive Director	Malaysian	-	-	1,000	-
Phuan Siew Ling	Chief Financial Officer	Malaysian	-	-	350	-
Lua Foong Ling	Head of Retail and Marketing	Malaysian	-	-	250	-
Chia Wei Wei	Head of Retail Merchandising	Malaysian	-	-	250	-
Ian Douglas Tan Pak Soon	Head of Distribution	Malaysian	-	-	250	-
Ong Bee Lian	Head of Sales and Merchandising - Distribution	Malaysian	-	-	250	-
Au Yeong Weng Hau	Warehouse Manager	Malaysian	-	-	100	-

Notes:-

[^] Negligible.

(1) Based on our existing issued share capital comprising 304,000,000 Shares before the IPO.

(2) Based on our enlarged issued share capital comprising 380,000,000 Shares after the IPO.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Notwithstanding the pink form allocation reserved for our key management, our key management may subscribe for Issue Shares under the public balloting portion as set out in **Section 3.1.1(i)** of this Prospectus.

8.4.2 Profiles of key management

Save for the profiles of Pang Shu Ming and Goh Poh Teng which are set out in **Section 8.2.2** of this Prospectus, the profiles of the other key management of our Group are as follows:-

Phuan Siew Ling, a Malaysian aged 43, is our Chief Financial Officer. She is responsible for overseeing all financial and accounting functions of our Group. She completed her professional studies with the Association of Chartered Certified Accountants ("**ACCA**") in June 2002 and became a Member of the ACCA in October 2002. She has been a fellow member of the ACCA since October 2007 and has been a registered chartered accountant with the Malaysian Institute of Accountants since September 2003.

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

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

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

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

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Lua Foong Ling, a Malaysian aged 36, is our Head of Retail and Marketing. She obtained a Diploma Part 1 in Business Administration from The Association of Business Executives in November 2002. In May 2004, she obtained a Diploma Part 2 in Business Administration from The Association of Business Executives. She began her career as a purchasing assistant at Li-Foong Brass Industries (M) Sdn Bhd in January 2002 where she assisted in the procurement of raw materials for the company's manufacturing activity. In 2003, she left Li-Foong Brass Industries (M) Sdn Bhd and joined Maxicom Enterprise as a retail executive where she was responsible for retail sales of telecommunication products.

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

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

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

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

Chia Wei Wei, a Malaysian, aged 39 is our Head of Retail Merchandising. She graduated with a Degree of Bachelor of Arts in Commerce from Liverpool John Moores University, United Kingdom in September 2003. She 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, 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.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

In August 2009, she left FJ Benjamin Fashion (M) Sdn Bhd and joined our Group as a Buyer. Her responsibilities as Buyer revolved around purchasing activities, merchandise category planning, inventory and supply management. She was also tasked to analyse and manage the sales reports, brand and inventory forecasting, product pricing and budgeting. As our business expanded, her responsibilities were also extended to include managing and overseeing the overall operations of our retail purchasing/procurement department. She was also tasked to drive the sales in our Mothercare outlets through marketing and promotional activities. She was promoted to Head of Retail Merchandising in April 2015 and is responsible for overseeing and managing the overall retail merchandising activities for our Mothercare outlets.

Ian Douglas Tan Pak Soon, a Malaysian aged 37, is our Head of Distribution. He obtained his Sijil Pelajaran Malaysia in 1998. He began his career in November 2000 as a Sales Executive for Konica Minolta Business Solutions (M) Sdn Bhd, where he was responsible for the sales of photocopy machines to multinational customers.

In November 2002, he left Konica Minolta Business Solutions (M) Sdn Bhd and joined BIC-GBA Sdn Bhd as a Sales Executive, where he was responsible for the sale of stationery and customer relationship management. He was subsequently promoted to Assistant Sales Manager in January 2004, where his role was extended to include leading and managing a team of sales executives. In November 2005, he left BIC-GBA Sdn Bhd and joined ALJ Industries (M) Sdn Bhd as a Sales Manager, where he led a team of sales executives in selling food condiments and stationery. He was also responsible for monitoring product development, establishing and maintaining relationships with suppliers and customers, as well as carrying out promotional activities for the company's products.

He subsequently left ALJ Industries (M) Sdn Bhd and joined Kinderdijk Sdn Bhd as a Key Account Manager in November 2007. He was responsible for managing the overall business growth and direction of the company's distribution business of baby products.

In September 2008, he left Kinderdijk Sdn Bhd and he joined our Group as our Sales and Marketing Manager for our distribution business. He played a significant role in the establishment and growth of our distribution business. His responsibilities involved managing and building relationships with third-party suppliers, securing customers to expand our distribution network and increasing brand awareness through sales and marketing activities. He was promoted to Senior Sales Manager in August 2012 and was responsible for managing the day-to-day operations of our distribution business, which includes overseeing overall sales and marketing activities, budgeting, relationship management with our third-party suppliers, expanding our network of distribution points, and securing new brands and products for our distribution business.

He was promoted to Head of Distribution in January 2014 and presently oversees the overall operations and drives the strategic business direction of our distribution business.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Ong Bee Lian, a Malaysian, aged 41 is our Head of Sales and Merchandising - Distribution. She obtained her Sijil Pelajaran Malaysia in 1995. She began her career in the same year as an accounts clerk in Top Cast Engineering & Trading, where she was responsible for assisting in accounts related matters. She left Top Cast Engineering & Trading in 1998 and was a homemaker until 2004.

She resumed her career in 2004, as a retail supervisor in Hytex Garments (M) Sdn Bhd for one of its 'World of Baby' retail outlets. She was responsible for managing the day-to-day operations of that retail outlet. In 2005, she left Hytex Garments (M) Sdn Bhd and joined Childhood Basic Marketing Sdn Bhd as a sales merchandiser, where she was responsible for the inventory management of baby and children products at the company's baby specialty stores as well as product display for baby products events/exhibitions. Within the same year, she was promoted to sales executive, where she was responsible for managing and growing the distribution business of the company, monitoring the collection of receivables as well as to plan and monitor the sales performance of the baby specialty stores.

In May 2008, she left Childhood Basic Marketing Sdn Bhd and joined Kinderdijk Sdn Bhd as a sales executive, where she was responsible for the sales of baby and children products. Her role was also extended to servicing retailers and key account customers, managing a team of sales representatives and planning promotional activities.

She left Kinderdijk Sdn Bhd and joined our Group as a Senior Sales Executive for our distribution business in April 2009. She was tasked to assist our Head of Distribution in inventory management, management and expansion of our network of distribution points as well as manage the relationship with our new and existing customers. She was subsequently promoted to Assistant Sales Manager in January 2011 and led a team of sales representatives to further grow our sales and distribution networks. Her responsibilities were extended to include brand procurement, planning and execution of promotional activities, and sales coordination of our products in Baby Expos. She was promoted to Sales Manager in January 2013.

She was subsequently appointed as our Head of Sales and Merchandising – Distribution in June 2014 and is currently responsible for overall sales and merchandising activities for our distribution business.

Au Yeong Weng Hau, a Malaysian, aged 40 is our Warehouse Manager. He is responsible for planning and supervising our daily warehouse operations which includes packing and delivery of products to retail outlets and distribution points.

In January 1998, he joined Urban Surf Sdn Bhd as an Operation Executive, where he was responsible for daily warehouse operations, which included the distribution of products to outlets and retailers. In June 2003, he left Urban Surf Sdn Bhd and joined ASR Concept Corporation Sdn Bhd as an Operation Support/Advertising and Promotions Executive, where he was responsible for daily warehouse operations, including the distribution of products to outlets and retailers. In addition, he also assisted in advertising and promotional activities. In September 2005, he left ASR Concept Corporation Sdn Bhd and joined Diversified Gateway Berhad as a shipping and logistics executive. He was responsible for monitoring and arranging product shipments as well as inventory management.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

In December 2007, he left Diversified Gateway Berhad and joined BRC Group Sdn Bhd as a Warehouse Operation Manager, where he was responsible for planning and supervising the daily warehouse operations, which included the distribution of products to outlets and retailers and arranging for the returns of off-season products. He left BRC Group Sdn Bhd and joined Jovian Apparel Sdn Bhd as a warehouse manager in November 2014. He was responsible in assisting the setting-up of the distribution business, planning and supervising daily warehouse operations as well as developing and implementing proper warehousing and logistics procedures.

He left Jovian Apparel Sdn Bhd and joined Redina Malaysia Sdn Bhd as the head of warehouse in September 2015, where he was responsible for overseeing and supervising the daily warehouse operations. He left Redina Malaysia Sdn Bhd and joined our Group as Warehouse Manager in November 2017. He is responsible for planning and supervising daily warehouse operations and distribution of products to outlets and distribution points.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

8.5 Remuneration of Directors and key management

8.5.1 Directors

(i) FYE 31 December 2017

The aggregate remuneration and material benefits-in-kind (which includes contingent or deferred remuneration) paid to the Directors for services rendered in all capacities to our Group for FYE 31 December 2017 are as follows:-

Name	Fixed and non-deferred remuneration			Variable and non-deferred remuneration		Total (RM'000)
	Director's Fee (RM'000)	Salary (RM'000)	Contributions to EPF and SOCSO (RM'000)	Bonus (RM'000)	Benefit-in-kind (RM'000)	
Pang Kim Hin	(1)81	-	-	-	-	81
Pang Shu Ming	(1)245	-	-	-	-	245
Goh Poh Teng	3	138	30	114	-	285

(ii) FYE 31 December 2018

The aggregate remuneration and material benefits-in-kind (which includes contingent or deferred remuneration) paid to the Directors for services rendered in all capabilities to our Group for FYE 31 December 2018 are as follows:-

Name	Fixed and non-deferred remuneration			Variable and non-deferred remuneration		Total (RM'000)
	Director's Fee (RM'000)	Salary (RM'000)	Contributions to EPF and SOCSO (RM'000)	Bonus (RM'000)	Benefit-in-kind (RM'000)	
Pang Kim Hin	(1)143	-	-	-	-	143
Pang Shu Ming	(1)429	-	-	-	-	429
Goh Poh Teng	8	138	30	114	-	290
Chew Soo Lin	(2)8	-	-	-	-	8
Yen Se-Hua Stewart	(2)8	-	-	-	-	8
Kor Yann Ning	(2)8	-	-	-	-	8

Notes:-

- (1) The remuneration for Pang Kim Hin, our Non-Executive Chairman, and Pang Shu Ming, our Managing Director for the FYE 31 December 2017 and FYE 31 December 2018 are paid through corporate management fees payable to KHI Group pursuant to the corporate management agreements. Please refer to **Section 9.1** of this Prospectus for further details on the corporate management agreements. With effect from 1 January 2019, the remuneration of Pang Kim Hin and Pang Shu Ming were paid directly by our Company.
- (2) Appointed to our Board on 3 October 2018.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

(iii) FYE 31 December 2019

The aggregate remuneration and material benefits-in-kind (which includes contingent or deferred remuneration) paid or expected to be paid to the Directors for services rendered in all capacities to our Group for FYE 31 December 2019 are as follows:-

Name	Fixed and non-deferred remuneration			Variable and non-deferred remuneration		Total		
	Director's Fee (RM'000)	Salary (RM'000)	Contributions to EPF and SOCSO (RM'000)	Bonus (RM'000)	Benefit-in-kind (RM'000)	Paid as at the LPD (RM'000)	Expected to be paid (RM'000)	Total (RM'000)
Pang Kim Hin	60	-	-	-	-	15	45	60
Pang Shu Ming	24	312	^	26	-	110	252	362
Goh Poh Teng	22	156	32	105	64	124	255	379
Chew Soo Lin	32	-	-	-	-	8	24	32
Yen Se-Hua Stewart	30	-	-	-	-	8	22	30
Kor Yann Ning	28	-	-	-	-	7	21	28

Note:-

^ Negligible.

The remuneration of our Directors include salaries, bonuses, fees and allowances as well as other benefits. As set out in our Constitution, any change in Directors' fees and benefits must be approved by shareholders of our Company pursuant to an ordinary resolution passed at a general meeting where notice of any proposed increase should be given in the notice convening the meeting, further details of which are set out in **Section 13.2** of this Prospectus. The remuneration for each of our Directors is subject to annual review by our Remuneration Committee as well as the approval of our Board.

8.5.2 Key management

Save for Pang Shu Ming and Goh Poh Teng, whose remuneration and material benefits-in-kind are set out in **Section 8.5.1** of this Prospectus, the aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our key management for services rendered in all capacities to our Group are set out as follows:-

	Remuneration band	
	FYE 31 December 2018 (RM'000)	Proposed for FYE 31 December 2019 (RM'000)
Phuan Siew Ling	151 to 200	151 to 200
Lua Foong Ling	151 to 200	151 to 200
Chia Wei Wei	151 to 200	151 to 200
Ian Douglas Tan Pak Soon	201 to 250	201 to 250
Ong Bee Lian	151 to 200	151 to 200
Au Yeong Weng Hau	151 to 200	151 to 200

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

8.6 Involvement of our key management in other businesses/corporations

As at the LPD, save as disclosed in **Section 8.2.3** and in the table below, none of our executive directors and/or key management were involved in other businesses/corporations outside of our Group within the past 5 years up to and including the LPD:-

Name	Company	Principal business activities	Nature of relationship	Date of appointment as director	Date of cessation as director
Lua Foong Ling	Hocy Auto Trading Sdn Bhd	Trading in motor vehicles, spare parts and accessories	Director	23 September 2014	15 February 2016 (i.e. date of dissolution)

8.7 Declaration from our Promoters, substantial shareholders, Directors and key management

As at the LPD, save as disclosed below, none of our Promoters, substantial shareholders, Directors and key management is or has been involved in any of the following events (whether in or outside Malaysia):-

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or member of key management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgment was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, being the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (vi) being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;
- (vii) being the subject of any current investigation or disciplinary proceeding, or in the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (viii) any unsatisfied judgment against him.

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

8.8 Family relationships and/or associates

Save as disclosed below, there is no family relationship and/or association between any of our Promoters, substantial shareholders, Directors and key management as at the LPD:-

- (i) our Managing Director, Pang Shu Ming is the daughter of Pang Kim Hin and a director of KHI. KHI is our Promoter and substantial shareholder;
- (ii) our Chairman, Pang Kim Hin is the father of Pang Shu Ming and a director and controlling shareholder of KHI. KHI is our Promoter and substantial shareholder; and
- (iii) Dato' Pang Leong Hoon, our substantial shareholder before the IPO and the Selling Shareholder, is the uncle of Pang Kim Hin and the granduncle of Pang Shu Ming.

8.9 Service agreements

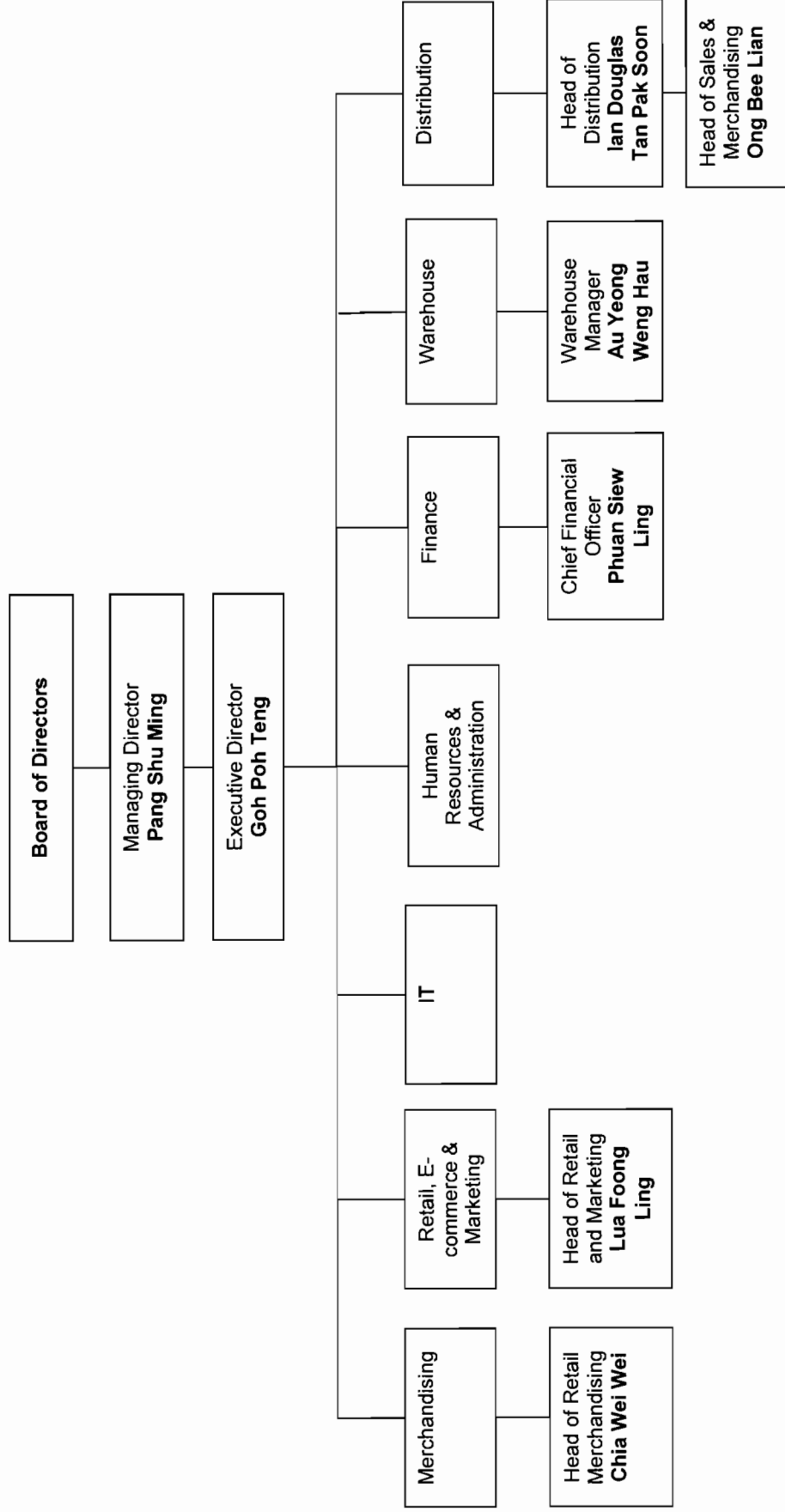
As at the LPD, none of our Directors and key management has any existing or proposed service agreement with our Group.

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8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

8.10 Management reporting structure

The management reporting structure of our Group is as follows:-



8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

8.11 Management succession plan

Our business is organised along functional lines where department managers are responsible for the execution of their duties. Our Group practices management empowerment whereby department managers are relatively autonomous, and have significant decision making authority within their span of control and within clearly defined boundaries. As such, there is no over reliance on our Managing Director and Executive Director to be involved in all details and aspects of the operational and functional areas.

Nevertheless, to ensure business continuity, our Group has put in place a management succession plan which includes:-

- (i) identifying key competencies and requirements for managers and higher positions. Job and candidate profiles are developed for management positions in line with business goals, strategies and the culture of our Group; and
- (ii) taking a positive approach towards addressing talent management to ensure the organisation has talent readily available from a capability perspective to undertake leadership positions throughout the organisation.

In addition, our middle management are constantly exposed to various aspects of our business activities in order to ensure that they have a full understanding of the responsibilities and the decision-making process and are equipped with the knowledge necessary for them to succeed to senior management positions.

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9. RELATED PARTY TRANSACTIONS**9.1 Related party transactions**

Save as disclosed below, there are no other existing and/or proposed related party transactions to be entered into by our Group which involves the interest, direct or indirect, of our Directors and substantial shareholders, and/or persons connected with them for the past 4 FYEs 31 December 2015 to FYE 31 December 2018 and the subsequent period up to the LPD:-

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December				Between 1 January 2019 and up to the LPD (RM'000)
				2015 (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	
1.	Our Company with Pang Kim Hin and Dato' Pang Leong Hoon	<p>Pang Kim Hin is our Chairman, Promoter and substantial shareholder</p> <p>Dato' Pang Leong Hoon is our substantial shareholder as at the LPD. He will cease to be our substantial shareholder after the IPO</p>	<p>Disposal of our entire shareholdings in Cheng Yearn to Pang Kim Hin and Dato' Pang Leong Hoon as detailed in Section 5.4.1 of this Prospectus</p> <p>This transaction was a one-off transaction, which was part of our pre-IPO restructuring exercise</p>	-	-	-	1,878 (represents 4.85% of our Group's NA)	-
2.	Our Group and Cheng Yearn	<p>Pang Kim Hin is our Chairman, Promoter and substantial shareholder. He is also a director and substantial shareholder of Cheng Yearn</p> <p>Dato' Pang Leong Hoon is our substantial shareholder as at the LPD. He will cease to be our substantial shareholder after the IPO. He is also a director and substantial shareholder of Cheng Yearn</p>	<p>Payment of rental by our Group to Cheng Yearn for the tenancy of our headquarters and warehouses further to the one-off transaction above (Note 1)</p>	-	-	-	600 (represents 1.73% of our Group's administrative and other operating expenses)	400

9. RELATED PARTY TRANSACTIONS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December				Between 1 January 2019 and up to the LPD (RM'000)
				2015 (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	
3.	Our Group with Mothercare Sg, Global Outsourcing and Trade Solutions	<p>- Mothercare Sg, Global Outsourcing and Trade Solutions are wholly-owned subsidiaries of KHI, our Promoter and substantial shareholder</p> <p>- Pang Kim Hin is our Chairman, Promoter and substantial shareholder. He is also a substantial shareholder and director of KHI, Mothercare Sg, Global Outsourcing and Trade Solutions</p> <p>- Pang Shu Ming, our Managing Director, is also a director of KHI, Mothercare Sg, Global Outsourcing and Trade Solutions</p>	<p>1. Purchase of Home & Travel products from Mothercare Sg, Global Outsourcing and Trade Solutions as disclosed under Note 2(a) below</p> <p>2. Sale of Home & Travel products to Mothercare Sg, Global Outsourcing and Trade Solutions as disclosed under Note 2(b) below</p>	599 (represents 1.58% of our Group's total purchases)	826 (represents 1.82% of our Group's total purchases)	1,541 (represents 3.48% of our Group's total purchases)	3,431 (represents 6.53% of our Group's total purchases)	369
4.	Our Group with Mother and Child	<p>- Pang Kim Hin is our Chairman, Promoter and substantial shareholder. He is also a substantial shareholder and director of Mother and Child</p> <p>- Pang Shu Ming, our Managing Director, is also a director of Mother and Child</p>	<p>1. Purchase of products for one of our Home & Travel brands (Babyzen) from Mother and Child</p> <p>2. Sale of products for one of our Home & Travel brands (Mum 2 Mum) to Mother and Child</p>	40 (represents 0.11% of our Group's total purchases)	-	-	-	-

9. RELATED PARTY TRANSACTIONS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December				Between 1 January 2019 and up to the LPD (RM'000)
				2015 (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	
5.	Our Group with KHI and Mothercare Sg	<p>KHI is our Promoter and substantial shareholder. Mothercare Sg is a wholly-owned subsidiary of KHI</p> <p>Pang Kim Hin is our Chairman, Promoter and substantial shareholder. He is also a substantial shareholder and director of KHI and Mothercare Sg</p> <p>Pang Shu Ming, our Managing Director, is also a director of KHI and Mothercare Sg</p>	<p>Payment of corporate management fees to KHI and Mothercare Sg.</p> <p>These transactions include remuneration fees of Pang Kim Hin and Pang Shu Ming up to 31 December 2018 for the services as disclosed under Note 3(a) below</p>	191 (represents 0.71% of our Group's administrative and other operating expenses)	262 (represents 0.93% of our Group's administrative and other operating expenses)	327 (represents 1.03% of our Group's administrative and other operating expenses)	572 (represents 1.65% of our Group's administrative and other operating expenses)	64
6.	Our Group with Mothercare Sg	<p>KHI is our Promoter and substantial shareholder. Mothercare Sg is a wholly-owned subsidiary of KHI</p> <p>Pang Kim Hin is our Chairman, Promoter and substantial shareholder. He is also a substantial shareholder and director of KHI and Mothercare Sg</p> <p>Pang Shu Ming, our Managing Director, is also a director of KHI and Mothercare Sg</p>	<p>Payment of corporate management fees to Mothercare Sg for the services as disclosed under Note 3(b) below</p>	-	-	152 (represents 0.48% of our Group's administrative and other operating expenses)	234 (represents 0.68% of our Group's administrative and other operating expenses)	62

9. RELATED PARTY TRANSACTIONS (cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 31 December			Between 1 January 2019 and up to the LPD to the LPD (RM'000)	
				2015 (RM'000)	2016 (RM'000)	2017 (RM'000)		2018 (RM'000)
7.	Our Group with Global Outsourcing and Innovation Labs Private Ltd ("KHIL")	<ul style="list-style-type: none"> - KHI is our Promoter and substantial shareholder - Global Outsourcing and KHIL are wholly-owned subsidiaries of KHI - Pang Kim Hin is our Chairman, Promoter and substantial shareholder. He is also a substantial shareholder and director of KHI, Global Outsourcing and KHIL - Pang Shu Ming, our Managing Director, is also the Managing Director of Global Outsourcing and a director of KHI and KHIL 	Payment of corporate management fees of 15% of the purchases of Snapkis, Mimosa, NSE (Never Stop Exploring), Loveamme and Purest Organics, being housebrands developed and owned by KHI Group. Further details of which are disclosed under Note 3(c) below	-	-	143 (represents 0.45% of our Group's administrative and other operating expenses)	529 (represents 1.53% of our Group's administrative and other operating expenses)	149

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9. RELATED PARTY TRANSACTIONS (cont'd)**Notes:-**

- (1) We previously had existing tenancy agreements for the 2 properties held under Cheng Yean, which was used as our headquarters and warehouses. We began renting the warehouses from Cheng Yean known as Wisma Pang Cheng Yean and Wisma Choo Peck Lian since February 2013 and April 2017 respectively. Following the completion of the disposal of Cheng Yean as disclosed above and in **Section 5.4.1** of this Prospectus, Cheng Yean is no longer a subsidiary of our Group. The payment of rental by our Group to Cheng Yean was therefore re-categorised to a recurrent related party transaction subsequent to the completion of the disposal. Our Group has entered into 2 new tenancy agreements with Cheng Yean on 1 July 2018 for the rental of our headquarters and warehouses.

The material salient terms of the tenancy agreements are summarised as follows:-

- (a) The monthly rental for each of the tenanted properties is RM50,000;
- (b) Each of the tenancy is for a term of 3 years commencing from 1 July 2018 to 30 June 2021, with an option to first renewal for a term of 3 years, and second renewal for a term of 2 years, subject to the parties mutually agreeing on the new rental rate ("**Renewal of Tenancies**");
- (c) Cheng Yean is, amongst others, required:-
- (i) to pay for all the quit rent and assessments charged to the tenanted properties;
 - (ii) to insure the tenanted properties during the tenure against loss or damage by fire; and
 - (iii) to ensure that the tenanted properties are in good tenantable conditions during the tenure; and
- (d) Our Group is, amongst others, required:-
- (i) to use and occupy the tenanted properties for business use only and not for any other or illegal purposes;
 - (ii) to pay all outgoing charges relating to utilities;
 - (iii) not to make any alterations in or additions to the tenanted properties without obtaining written consent of the landlord; and
 - (iv) not to assign or underlet the tenanted properties without obtaining prior consent of the landlord.

The Audit Committee has reviewed the terms of the tenancy agreements and is of the view that the tenancy agreements were entered into at arm's length and in accordance with the Group's normal commercial terms which are not more favourable to the related parties than those generally available to third parties. In respect of the Renewal of Tenancies, we will ensure that such arrangements are entered into at arm's length basis on terms and conditions that are fair and reasonable, and that the new rental rates are determined after taking into consideration, amongst others, the rental rates of similar properties in the vicinity.

- (2) Our purchases and sales of products from Mothercare Sg, Global Outsource and Trade Solutions for the financial years under review comprise mainly Home & Travel products for the following brands:-

Note	Transaction	Brands of products				Between 1 January 2019 and up to the LPD
		FYE 31 December				
		2015	2016	2017	2018	
(a)	Purchases ⁽¹⁾	Babyzen, Brush Baby, Farska, Maclaren	Avent, Snapkis, Clevamama	Daiichi, GB, Jujube, Snapkis	Jujube, Snapkis	Snapkis, Lovetodream
(b)	Sales ⁽²⁾	Friendly Organics	Snapkis, Playgro, Unimom	Jujube	Mimosa, Snapkis	Mimosa, Snapkis

9. RELATED PARTY TRANSACTIONS (cont'd)

Notes:-

- (1) *These purchases (which includes housebrand products, Snapkis) were carried out on ad-hoc basis in circumstances where there were shortages of inventories and/or supply of certain brands or when large orders were required to be fulfilled by our Group.*
- (2) *These sales of products were carried out on ad-hoc basis in circumstances where there were shortages of inventories and/or supply of certain brands or when large orders were required to be fulfilled by Mothercare Sg, Global Outsource or Trade Solutions.*
- (3) *KHI, through its subsidiaries, is primarily involved in the retail and distribution of baby, children and maternity products in Singapore, as well as the operation of Mothercare and ELC outlets in Singapore. Given that the subsidiaries of KHI operate in a similar business model as our Group, we entered into various corporate management service agreements with KHI and its Singaporean subsidiaries relating to management and support services for certain corporate functions ("**Corporate Management Agreement(s)**").*

The details of the services provided pursuant to the Corporate Management Agreements for the financial years under review are set out as follows:-

- (a) *Management and support services relating to the following:-*
- (i) *strategic planning, formulation of business strategies, business development and overall management and supervision of our operations; and*
- (ii) *support services relating to, amongst others, assistance in respect of marketing, IT and other administrative functions.*

*The fees payable under (a)(i) above includes the remuneration of Pang Kim Hin and Pang Shu Ming during the financial years under review ("**Remuneration**"). With effect from 1 January 2019, the remuneration of Pang Kim Hin and Pang Shu Ming were paid directly by our Company.*

- (b) *Management and support services relating to digital marketing and customer service as well as the usage of website and e-commerce IT systems pursuant to the Corporate Management Agreements dated 1 January 2017 (which expired on 31 March 2018), 1 April 2018 (which expired on 31 March 2019) and 1 April 2019, which will expire on 31 March 2020. Our Audit Committee has reviewed the terms of this management and support services and is of the view that the agreement was entered into at arm's length and in accordance with our Group's normal commercial terms which are not more favourable to the related parties than those generally available to third parties.*
- (c) *Pursuant to Corporate Management Agreements dated 1 January 2017, 1 June 2017, 1 August 2017 and 1 April 2018, we have paid corporate management fees to Global Outsource for the brand management, product development and marketing of Mimosa and Snapkis brand products. These Corporate Management Agreements enabled us to distribute Mimosa and Snapkis brand products to our customers. These Corporate Management Agreements have since expired.*

Following an internal restructuring within the KHI Group, the development and management of the housebrand products previously developed and managed by Global Outsource are now undertaken by KHIL (including new housebrands namely Never Stop Exploring (NSE), Loveamme and Purest Organics).

We entered into the current Corporate Management Agreements with Global Outsource and KHIL, respectively, on 1 April 2019 pursuant to which we will pay corporate management fees to:-

- (i) *Global Outsource for the supply of the remnant housebrand products held by Global Outsource prior to the internal restructuring; and*
- (ii) *KHIL for the brand management, product development and marketing of housebrand products as well as the housebrand products supplied by KHIL.*

Our Audit Committee has reviewed the terms of these Corporate Management Agreements and is of the view that these agreements were entered into at arm's length and in accordance with our Group's normal commercial terms which are not more favourable to the related parties than those generally available to third parties.

9. RELATED PARTY TRANSACTIONS (cont'd)

Our Board (save for Pang Kim Hin and Pang Shu Ming who are interested directors) is of the opinion that all the above transactions were carried out:-

- (i) on an arm's length basis;
- (ii) on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and
- (iii) not to the detriment of our minority shareholders.

In addition, our Audit Committee will, amongst others, review the terms of all related party transactions moving forward, and report to our Board for further action to safeguard the interest of our Group and our minority shareholders, as well as to mitigate any potential conflict of interest situation. When necessary, our Board will make appropriate disclosures with regard to any related party transaction entered into by us. In the event that there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose their interest to our Board, of the nature and extent of their interest including all matters in relation to the proposed related party transactions that he is aware or should reasonably be aware of, which is not in our best interest. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transactions.

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, our Directors, substantial shareholders and/or persons connected with them, which have any interest, direct or indirect, in the transaction, will abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Director and/or substantial shareholders will also undertake to ensure that the person connected with them will abstain from voting on the resolution approving the proposed related party transaction at a general meeting.

9.2 Related party transactions that are unusual in their nature or condition

Our Directors have confirmed that there are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for the past 4 FYEs 31 December 2015, 2016, 2017, 2018 and up to the LPD.

9.3 Outstanding loans (including guarantees of any kind)

Our Board has confirmed that there are no outstanding loans (including guarantees of any kind) that have been granted by our Group to or for the benefits of the related parties for the past financial years under review and up to the LPD.

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10. CONFLICT OF INTEREST**10.1 Interest in businesses which carry on similar trade as our Group or businesses of our customers or suppliers**

Save as disclosed below, as at the LPD, none of our Promoters, Directors or substantial shareholders has any interest, direct or indirect, in other businesses and corporations which are carrying on a similar trade as our Group; or are customers or suppliers of our Group:-

Businesses/Corporations	Principal activities	Principal place of business	Nature	Director and/or our substantial shareholder	Nature of interest in the corporation
Mothercare Sg	Retail of baby, children and maternity products under the Mothercare and ELC franchises in Singapore	Singapore	1. Similar trade as our Group; 2. Our customer; and 3. Our supplier	KHI, Pang Kim Hin and Pang Shu Ming	<ul style="list-style-type: none"> KHI is our Promoter and substantial shareholder. Mothercare Sg is a wholly-owned subsidiary of KHI Pang Kim Hin is our Chairman, Promoter and substantial shareholder. He is also a director and substantial shareholder of KHI and Mothercare Sg Pang Shu Ming, our Managing Director, is also a director of KHI and Mothercare Sg
Global Outsourcing	<ul style="list-style-type: none"> Wholesale and distribution of baby and children products Brand development and management of baby and children products 	Singapore	1. Similar trade as our Group (except brand development); 2. Our customer; and 3. Our supplier	KHI, Pang Kim Hin and Pang Shu Ming	<ul style="list-style-type: none"> KHI is our Promoter and substantial shareholder. Global Outsourcing is a wholly-owned subsidiary of KHI Pang Kim Hin is our Chairman, Promoter and substantial shareholder. He is also a director and substantial shareholder of KHI and Global Outsourcing Pang Shu Ming, our Managing Director, is also a director of KHI and the Managing Director of Global Outsourcing
Mother and Child	Retail of baby, children and maternity products under the Mothercare and ELC franchises in Hong Kong	Hong Kong	Similar trade as our Group	Pang Kim Hin and Pang Shu Ming	<ul style="list-style-type: none"> Pang Kim Hin is our Chairman, Promoter and substantial shareholder. He is also a director and substantial shareholder of Mother and Child Pang Shu Ming, our Managing Director, is also a director of Mother and Child

10. CONFLICT OF INTEREST (cont'd)

Businesses/ Corporations	Principal activities	Principal place of business	Nature	Directors and/or substantial shareholders	Nature of interest in the corporation
Trade Solutions	Wholesale and distribution of baby and children products	Hong Kong	1. Similar trade as our Group; 2. Our customer; and 3. Our supplier	KHI, Pang Kim Hin and Pang Shu Ming	<ul style="list-style-type: none"> KHI is our Promoter and substantial shareholder. Trade Solutions is a wholly-owned subsidiary of KHI Pang Kim Hin is our Chairman, Promoter and substantial shareholder. He is also a director and substantial shareholder of KHI and Trade Solutions Pang Shu Ming, our Managing Director, is also a director of KHI and Trade Solutions

Our Directors are of the view that the interests of KHI, Pang Kim Hin and Pang Shu Ming in the abovementioned companies would not give rise to a conflict of interest situation after taking into consideration the following factors:-

- (a) there is a clear delineation between our Group's business and the abovementioned companies taking into account the following factors:-
- (i) the Mothercare and ELC franchise businesses in the respective countries are governed by separate development and operational agreements:-
- The Mothercare and ELC franchise businesses in Malaysia are governed by the Development Agreements and Operational Agreements signed between our Company and the franchisors as set out in **Section 6.19** of this Prospectus;
 - The Mothercare and ELC franchise businesses outside Malaysia are governed by separate development agreements and operational agreements entered into by Mothercare Sg (which operates Mothercare and ELC retail outlets in Singapore) and Mother and Child (which operates Mothercare and ELC retail outlets in Hong Kong);
 - Each of these development agreements and operational agreements, which governs the franchises in each country, are independent from each other; and
 - Any on-going discussions or future negotiations on the Development Agreements and Operational Agreements with our franchisors are based on commercial terms and strategies relevant to each country. With regards to the ELC Acquisition currently under transition, Pang Kim Hin and Pang Shu Ming believe the negotiations with TEAL Group for the Malaysian business will be prioritised over Singapore and Hong Kong as KHJ is committed to opening 3 to 4 new The Entertainer toy outlets in Malaysia over the next 2 to 3 years. Pang Kim Hin and Pang Shu Ming also expect a similar approach to be taken with regards to Mothercare UK, as KHJ intend to utilise the IPO proceeds to support the Mothercare store expansion in Malaysia.

10. CONFLICT OF INTEREST (cont'd)

With regards to any future discussions or negotiations with the respective franchisors in the long term, Pang Kim Hin and Pang Shu Ming are of the view that any prioritisation will depend on the progress of the business, commercial requirements and business strategies of each country.

(ii) Different principal place of business and target market:-

- Our principal place of business is in Malaysia and accordingly, our products are mainly targeted towards the Malaysian market and customers who are based in Malaysia; whilst
- The principal places of business of the abovementioned corporations are outside Malaysia, where their products and services mainly cater for the overseas market and consumers who are based outside Malaysia.

In short, the business in each country operates within the geographical boundaries set out in each of the development and operational agreements.

(iii) Similar to our retail business, our distribution business is to a certain extent limited within the geographical boundaries of Malaysia as our target market are primarily Malaysian customers. We do not compete with Global Outsource and Trade Solutions as we intend to focus on expanding our local distribution network over the next 3 years. As at the LPD, we have 635 distribution points, of which only 11 are overseas distribution points, comprising Mothercare Sg, Global Outsource, Trade Solutions, Mother and Child and overseas customers referred by our existing customers. We do not actively seek to distribute our products outside Malaysia and our overseas sales are typically on ad-hoc basis. Our overseas sales accounted for less than 2% of our total revenue during the financial years under review.

Assuming we reach our limit in expanding our local distribution network over the next 3 years, we will then consider entering into distribution arrangements with Global Outsource and Trade Solutions to delineate markets to be served in South East Asia between the entities. As the distribution arrangements will be negotiated with related entities, our Audit Committee will ensure that the terms to be entered into will be on an arm's length basis and not to the detriment of our Group and our minority shareholders.

(b) In addition, the involvement of our Directors, Pang Kim Hin and Pang Shu Ming, in the businesses and corporations set out above do not affect their contributions in our Group as:-

- (i) Pang Kim Hin holds a non-executive role in our Group, and thus, is not involved in our day-to-day operations; and
- (ii) save for Pang Shu Ming's involvement in Global Outsource, her involvement in the businesses and corporations set out in the table above are non-executive in nature. While she is actively involved in the operations of Global Outsource, a Singaporean entity primarily involved in KHI Group's distribution business, her primary focus is on the management of the KHI Group's Malaysian operations (i.e. KHJ Group). She is ably supported by a separate set of management team in Global Outsource, which operates independently from the management team in KHJ Group. Our Board regards her role in Global Outsource, involving product sourcing for their distribution business and relationship management with the brand principals, as complementary to her role for our Group.

10. CONFLICT OF INTEREST (cont'd)

- (c) all the sales to and purchases between our Group, Mothercare Sg, Global Outsource and Trade Solutions are carried out on arm's length basis and on normal commercial terms which are not more favourable to these companies than those generally available to third parties. The sales and purchases of products between our Group and Mothercare Sg, Global Outsource and Trade Solutions are carried out on ad-hoc basis in circumstances where there are shortages of inventories and/or supply of certain brands or when large orders are required to be fulfilled by the relevant entities.

The sales and purchases between our Group and these companies are recurrent in nature and in the ordinary course of business. The purchase of products from these companies represented less than 7% of our total purchases, whilst, the sale of products to these companies contributed less than 2% to our Group's revenue during the financial years under review as set out in **Section 9.1** of this Prospectus.

In order to safeguard the interest of our Group and our minority shareholders, our Audit Committee will supervise and monitor any potential conflict of interest situation and report to our Board for further deliberation and action.

10.2 Declaration by advisers for our IPO

(i) Principal Adviser, Sponsor, Underwriter and Placement Agent

UOBKH has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO.

(ii) Legal Adviser

Rahmat Lim & Partners has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Legal Adviser for our IPO.

(iii) Auditors and Reporting Accountants

Deloitte PLT has given its confirmation that there is no existing or potential conflict of interest in its capacity as the auditors and the Reporting Accountants for our IPO.

(iv) Independent Market Researcher

Smith Zander has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for our IPO.

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11. FINANCIAL INFORMATION

The historical financial information presented below should be read in conjunction with the management's discussion and analysis of financial condition and results of operations as set out in **Section 11.3** of this Prospectus and the Accountants' Report, together with its related notes and assumptions as set out in **Section 12** of this Prospectus. There has been no audit qualification on our audited financial statements for the past 4 financial years, FYE 31 December 2015 ("**FYE 2015**"), FYE 31 December 2016 ("**FYE 2016**"), 31 December 2017 ("**FYE 2017**") and 31 December 2018 ("**FYE 2018**").

11.1 Historical consolidated financial information

The following table sets out a summary of the audited consolidated financial information for the financial years under review.

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	77,031	84,858	93,310	97,687
Cost of sales	(37,544)	(40,252)	(44,419)	(46,500)
GP	39,487	44,606	48,891	51,187
Other operating income	561	1,484	732	885
Selling and marketing expenses	(1,506)	(1,508)	(1,719)	(1,953)
Administrative and other operating expenses	(26,765)	(28,157)	(31,621)	(34,655)
Finance costs	(28)	(29)	(22)	(13)
PBT	11,749	16,396	16,261	15,451
Income tax expense	(3,049)	(3,995)	(3,896)	(3,900)
Profit from continuing operations	8,700	12,401	12,365	11,551
Loss from discontinued operations, net of tax ⁽¹⁾	(496)	(167)	(804)	(439)
PAT	8,204	12,234	11,561	11,112
EBITDA (RM'000) ⁽²⁾	13,641	18,210	18,186	17,580
GP margin (%) ⁽³⁾	51.26	52.57	52.40	52.40
EBITDA margin (%) ⁽⁴⁾	17.71	21.46	19.49	18.00
PBT margin (%) ⁽⁵⁾	15.25	19.32	17.43	15.82
PAT margin (%) ⁽⁶⁾	10.65	14.42	12.39	11.38
Effective tax rate (%) ⁽⁷⁾	25.94	24.37	23.96	25.24
No. of shares in issue before the IPO ('000)	304,000	304,000	304,000	304,000
Basic EPS (sen) ⁽⁸⁾	2.70	4.02	3.81	3.66

11. FINANCIAL INFORMATION (cont'd)**Notes:-**

- (1) The loss from discontinued operations was due to the disposal of Cheng Year, which resulted in Cheng Year ceasing to be our subsidiary company. Cheng Year's revenue was solely derived from the letting of its properties.
- (2) The table below sets out a reconciliation of our PBT to EBITDA:-

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
PBT	11,749	16,396	16,261	15,451
Adjusted for:-				
Finance costs	28	29	22	13
Depreciation	1,954	1,881	2,140	2,324
Interest income	(90)	(96)	(237)	(208)
EBITDA	13,641	18,210	18,186	17,580

- (3) GP margin is computed based on the GP over revenue of our Group.
- (4) EBITDA margin is computed based on the EBITDA over revenue of our Group.
- (5) PBT margin is computed based on the PBT over revenue of our Group.
- (6) PAT margin is computed based on the PAT over revenue of our Group.
- (7) Excludes discontinued operations.
- (8) Basic EPS is computed based on PAT divided by our existing issued share capital comprising 304,000,000 Shares.

Historical consolidated statement of financial position

The following table sets out a summary of the audited consolidated statements of financial position for the financial years under review.

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Total non-current assets	27,309	25,958	27,651	4,243
Total current assets	33,493	49,481	49,489	48,884
Total assets	60,802	75,439	77,140	53,127
Share capital	1,000	1,000	1,000	1,000
Retained earnings	45,324	57,558	61,119	⁽¹⁾ 37,747
Total equity / NA	46,324	58,558	62,119	38,747
Total non-current liabilities	2,774	28	30	8
Total current liabilities	11,704	16,853	14,991	14,372
Total liabilities	14,478	16,881	15,021	14,380
Total equity and liabilities	60,802	75,439	77,140	53,127

Note:-

- (1) The decrease in retained earnings was mainly attributable to the dividend declared and paid by our Group of approximately RM34.48 million in respect of FYE 31 December 2018, comprising a cash dividend of RM12.0 million and the balance RM22.48 million dividends used to satisfy the consideration for the disposal of Cheng Year disclosed in Section 5.4.1 of this Prospectus.

11. FINANCIAL INFORMATION (cont'd)

11.2 Reporting Accountants' letter on the proforma consolidated statement of financial position

Deloitte.

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)
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**INDEPENDENT ASSURANCE REPORT
ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION OF KIM HIN JOO (MALAYSIA) BERHAD AND ITS SUBSIDIARY COMPANIES**

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of Kim Hin Joo (Malaysia) Berhad (“KHJ” or “the Company”) and its subsidiary companies (collectively defined as “the Group”) as at 31 December 2018 and the related notes prepared by the Board of Directors of KHJ.

The Pro Forma Consolidated Statements of Financial Position of the Group and the related notes, as set out in the accompanying Appendix I and stamped by us for the purposes of identification, have been prepared for inclusion in the submission to the Securities Commission Malaysia (“SC”) in connection with the listing of and quotation for entire enlarged issued share capital of KHJ on the ACE Market of Bursa Malaysia Securities Berhad (“the Listing”).

The applicable criteria on the basis of which the Board of Directors of KHJ have compiled the Pro Forma Consolidated Statements of Financial Position are described in Note 2 and Note 3 of Appendix I, as specified in the Prospectus Guidelines - Equity issued by the SC (the “Prospectus Guidelines”).

The Pro Forma Consolidated Statements of Financial Position has been compiled by the Board of Directors of KHJ to illustrate the impact of the events or transactions set out in Note 5 of Appendix I on the Group’s financial position as at 31 December 2018.

As part of this process, information about the financial position of the Group has been extracted by the Board of Directors of KHJ from the Group’s consolidated financial statements as at 31 December 2018, on which an audit report has been published.

11. FINANCIAL INFORMATION (cont'd)

Directors' Responsibilities

The Board of Directors of KHJ are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis set out in the notes thereon in accordance with the requirements of the Prospectus Guidelines - Equity.

Our Responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, by the Board of Directors of KHJ on the basis set out in the notes thereon.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of KHJ has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in the notes thereon.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or a review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of the Pro Forma Consolidated Statements of Financial Position included in the prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of KHJ in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

11. FINANCIAL INFORMATION (cont'd)

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position has been properly compiled, in all material respects, on the basis of applicable criteria.

Other Matter

This report is issued solely for the purpose of submission to the SC in connection with the Listing (in compliance with the Prospectus Guidelines - Equity). As such, this report is not to be used, circulated, quoted or otherwise referred to, for any other purposes nor is it to be filed with, reproduced, copied, disclosed or referred, in whole or in part, in any other document.

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


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

29 May 2019

11. FINANCIAL INFORMATION (cont'd)**APPENDIX I****KIM HIN JOO (MALAYSIA) BERHAD****NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****1. Introduction**

The Pro Forma Consolidated Statements of Financial Position as at 31 December 2018 of Kim Hin Joo (Malaysia) Berhad (“KHJ” or “the Company”) and its subsidiary companies (“the Group”), for which the Board of Directors are solely responsible, has been prepared for illustrative purposes only, for submission to the Securities Commission Malaysia in connection with the listing and quotation for entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad (“the Listing”).

1.1 Abbreviations and formulas

Unless the context otherwise requires, the following words, abbreviations and formulas shall apply throughout the report:

Abbreviations

Bursa Securities	: Bursa Malaysia Securities Berhad
Listing	: Listing of and quotation for entire enlarged issued share capital of KHJ on the ACE Market of Bursa Securities
MFRS	: Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board
KHJ or the Company	: Kim Hin Joo (Malaysia) Berhad
KHJ Group or the Group	: Collectively, KHJ and its subsidiary companies
Public Issue	: Public issue of KHJ shares resulting from the exercise undertaken as set out in Note 2
KHJ Shares or Shares	: Ordinary shares in KHJ
RM and sen	: Ringgit Malaysia and sen, respectively

11. FINANCIAL INFORMATION (cont'd)

APPENDIX I

2. Listing scheme

2.1 Listing exercise

In conjunction with the Listing, the Company will undertake initial public offering ("IPO") of 133,000,000 ordinary shares in KHJ, comprising the following:-

- (a) a public issue of 76,000,000 new KHJ Shares ("Issue Share(s)") ("Public Issue"); and
 (b) an offer for sale of 57,000,000 existing KHJ Shares ("Offer Share(s)") ("Offer for Sale");

at an issue/offer price of RM0.43 per Issue Share / Offer Share.

Under the Public Issue, KHJ would obtain proceeds amounting to RM32,680,000. The Company will not receive any proceeds from the Offer for Sale. The gross proceeds from the Offer for Sale of RM24,510,000 will accrue entirely to the selling shareholders, Kim Hin International Pte Ltd and Dato' Pang Leong Hoon. The Offer for Sale will not have any impact to the Pro Forma Consolidated Statements of Financial Position.

Upon completion of the IPO, the Company will be admitted to the Official List of Bursa Securities and the enlarged issued share capital of RM33,680,000 comprising 380,000,000 Shares will be listed and quoted on the ACE Market of Bursa Securities.

2.2 Utilisation of proceeds

The proceeds from the Public Issue of RM32,680,000 is intended to be utilised as follows:

	Estimated timeframe for use from the date of Listing	RM'000	%
Business expansion and capital expenditure:			
- Expansion of retail network	Within 36 months	10,000	30.6
- Expansion of Toys range by opening and operating The Entertainer toy outlets	Within 36 months	5,000	15.3
- Revamp and upgrade the Company's back-end information technology (IT) infrastructure system and e-commerce platform	Within 36 months	3,000	9.2
- Expansion or relocation of the Company's existing outlets	Within 36 months	2,000	6.1
		20,000	61.2
Working capital:			
- 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	Within 24 months	4,880	15.0
- Expansion of product range offered under the distribution segment	Within 24 months	4,000	12.2
		8,880	27.2
Estimated listing expenses	Within 3 months	3,800	11.6
		<u>32,680</u>	<u>100.0</u>

11. FINANCIAL INFORMATION (cont'd)

APPENDIX I

The estimated listing expenses totalling RM3,800,000 comprise professional fees, authorities, regulatory fees, underwriting, placement and brokerage fees and miscellaneous expenses relating to the IPO.

A total of RM1,348,600 is assumed to be directly attributable to the issuance of new shares and as such, will be debited against share capital and the remaining expenses of RM2,451,400 are assumed to be attributable to the Listing and as such, will be expensed off to profit or loss.

3. Basis of preparation

The Pro Forma Consolidated Statements of Financial Position as at 31 December 2018 has been compiled based on the audited financial statements of the Group in a manner consistent with the format of the financial statements and the accounting policies adopted by the Group. The audited financial statements of the Group were prepared in accordance with MFRS and International Financial Reporting Standards.

The Pro Forma Consolidated Statements of Financial Position as at 31 December 2018 has been prepared for illustrative purposes only to show the effects for the transactions as described in Note 2 of Appendix I, with the assumption that these transactions were completed on 31 December 2018. The Pro Forma Consolidated Statements of Financial Position is not necessarily indicative of the financial statements that would have been attained had the transactions as described in Note 2 of Appendix I actually occurred at the respective dates. Accordingly, such information, because of its nature, may not be reflective of the actual financial statements of the Group and does not predict the future financial information of the Group.

The Pro Forma Consolidated Statements of Financial Position is presented in RM except when otherwise indicated.

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2018 were adopted and approved by the Board of Directors on 27 May 2019.

4. Pro forma adjustments to the Pro Forma Consolidated Statements of Financial Position**4.1 Pro Forma I**

Pro Forma I incorporates the effects of the Public Issue as set out in Note 2.1 above.

4.2 Pro Forma II

Pro Forma II incorporates the effects of the utilisation of proceeds as set out in Note 2.2 above.

11. FINANCIAL INFORMATION (cont'd)

APPENDIX I

5. Pro Forma Consolidated Statements of Financial Position

	Note	Audited as at 31 December 2018 RM	Adjustment for Pro Forma I RM	Pro Forma I RM	Adjustment for Pro Forma II RM	Pro Forma II RM
ASSETS						
Non-Current Assets						
Property, plant and equipment	6.1	4,074,021		4,074,021	20,000,000	24,074,021
Deferred tax assets		169,272		169,272		169,272
Total Non-Current Assets		<u>4,243,293</u>		<u>4,243,293</u>		<u>24,243,293</u>
Current Assets						
Inventories	6.2	33,694,812		33,694,812	4,000,000	37,694,812
Trade receivables		1,454,452		1,454,452		1,454,452
Other receivables, deposits and prepaid expenses		5,571,352		5,571,352		5,571,352
Amount due from other related companies		46,308		46,308		46,308
Tax recoverable		526,128		526,128		526,128
Fixed deposits with licensed banks		739,000		739,000		739,000
Cash and bank balances	6.3	6,851,329	32,680,000	39,531,329	(27,800,000)	11,731,329
Total Current Assets		<u>48,883,381</u>		<u>81,563,381</u>		<u>57,763,381</u>
Total Assets		<u>53,126,674</u>		<u>85,806,674</u>		<u>82,006,674</u>
(Forward)						

11. FINANCIAL INFORMATION (cont'd)

APPENDIX I

	Note	Audited as at 31 December 2018 RM	Adjustment for Pro Forma I RM	Pro Forma I RM	Adjustment for Pro Forma II RM	Pro Forma II RM
EQUITY						
Equity and Reserve						
Share capital	6.4	1,000,000	32,680,000	33,680,000	(1,348,600)	32,331,400
Retained earnings	6.5	37,746,748		37,746,748	(2,451,400)	35,295,348
Total Equity		<u>38,746,748</u>		<u>71,426,748</u>		<u>67,626,748</u>
LIABILITIES						
Non-current Liabilities						
Deferred tax liabilities				8,126		8,126
Current Liabilities						
Trade payables		8,427,019		8,427,019		8,427,019
Other payables, accrued expenses and provision		5,362,709		5,362,709		5,362,709
Amount due to other related companies		582,072		582,072		582,072
Total Current Liabilities		<u>14,371,800</u>		<u>14,371,800</u>		<u>14,371,800</u>
Total Liabilities		<u>14,379,926</u>		<u>14,379,926</u>		<u>14,379,926</u>
Total Equity and Liabilities		<u>53,126,674</u>		<u>85,806,674</u>		<u>82,006,674</u>
Number of KHJ Shares		304,000,000		380,000,000		380,000,000
Net assets (RM)		38,746,748		71,426,748		67,626,748
Net assets per ordinary share (RM)		<u>0.13</u>		<u>0.19</u>		<u>0.18</u>

11. FINANCIAL INFORMATION (cont'd)**APPENDIX I****6. Notes to the Pro Forma Consolidated Statements of Financial Position****6.1 Property, plant and equipment****RM**

Audited as at 31 December 2018 and as per Pro Forma I	4,074,021
Utilisation of proceeds from the Public Issue	<u>20,000,000</u>

As per Pro Forma II	<u>24,074,021</u>
---------------------	-------------------

6.2 Inventories**RM**

Audited as at 31 December 2018 and as per Pro Forma I	33,694,812
Utilisation of proceeds from the Public Issue	<u>4,000,000</u>

As per Pro Forma II	<u>37,694,812</u>
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6.3 Cash and bank balances**RM**

Audited as at 31 December 2018	6,851,329
Proceeds from the Public Issue	<u>32,680,000</u>

As per Pro Forma I	39,531,329
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Utilisation of proceeds from the Public Issue relating to:-

(i) Business expansion and capital expenditure	(20,000,000)
--	--------------

(ii) Expansion of product range under the distribution segment	(4,000,000)
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(iii) Listing expenses	<u>(3,800,000)</u>
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As per Pro Forma II	<u>11,731,329</u>
---------------------	-------------------

6.4 Share capital**RM**

Audited as at 31 December 2018	1,000,000
Proceeds from the Public Issue	<u>32,680,000</u>

As per Pro Forma I	33,680,000
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Estimated expenses directly attributable to the issuance of shares	<u>(1,348,600)</u>
--	--------------------

As per Pro Forma II	<u>32,331,400</u>
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6.5 Retained earnings**RM**

Audited as at 31 December 2018 and as per Pro Forma I	37,746,748
Estimated expenses attributable to the Listing	<u>(2,451,400)</u>

As per Pro Forma II	<u>35,295,348</u>
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11. FINANCIAL INFORMATION (cont'd)

APPENDIX I

7. Approval

The above Pro Forma Consolidated Statements of Financial Position are approved and adopted by the Board of Directors of KHJ in accordance with a resolution dated 27 May 2019.

Signed on behalf of the Board of Directors,



PANG SHU MING



GOH POH TENG

11. FINANCIAL INFORMATION (cont'd)**11.3 Management's discussion and analysis of financial condition and results of operations**

The following management's discussion and analysis of our financial condition and results of operations for the financial years under review should be read in conjunction with the accompanying notes, assumptions and bases included in the Accountants' Report included in **Section 12** of this Prospectus.

This discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and our financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set out under risk factors in **Section 4** of this Prospectus.

11.3.1 Overview of our operations

Our business activities are categorised into the following:-

- (i) **Retail** of baby, children and maternity products through our Mothercare outlets and ELC SIS, Mothercare online store, online sales channels and Baby Expos; and
- (ii) **Distribution** of baby, children and maternity products to local retailers as well as overseas retailers and distributors.

A summary of our business activities is set out below:-

Business segment	RETAIL		DISTRIBUTION
Sales channels	<ul style="list-style-type: none"> • Mothercare outlets • ELC SIS • Mothercare online store 	<ul style="list-style-type: none"> • Online sales channels⁽¹⁾ • Baby Expos 	<ul style="list-style-type: none"> • Retailers and distributors⁽²⁾
Category of products sold	<ul style="list-style-type: none"> • Clothing • Home & Travel • Toys 	<ul style="list-style-type: none"> • Home & Travel • Toys 	<ul style="list-style-type: none"> • Home & Travel
Suppliers	<ul style="list-style-type: none"> • Mothercare UK • ELC UK/ TEAL Brands Limited⁽³⁾ • Third-party suppliers 	<ul style="list-style-type: none"> • Third-party suppliers 	<ul style="list-style-type: none"> • Third-party suppliers
Target customers	Retail Consumers (i.e. parents and parents-to-be, as well as care providers in the upbringing of young children)		Local and overseas retailers and distributors

Notes:-

- (1) *Global Product sells its products online through its NotTooBig online store, which is hosted on Lazada.*
- (2) *Includes specialty stores, department stores, hypermarkets, other distributors, online stores (which are operated by our distribution consumers i.e. retailers / distributors), pharmacies, confinement centres, traditional Chinese medical halls and corporate customers.*
- (3) *Before the ELC Disposal, ELC products were purchased from ELC UK. Following the ELC Disposal and effective from 13 May 2019, we purchase ELC products from TEAL Brands Limited.*

Please refer to **Section 6** of this Prospectus for our detailed business overview.

11. FINANCIAL INFORMATION (cont'd)**11.3.2 Components of results of operations****(i) Revenue**

We recorded revenue of approximately RM77.03 million, RM84.86 million, RM93.31 million and RM97.69 million for the past 4 FYEs 2015, 2016, 2017 and 2018 respectively.

Our revenue is derived from the sales of Clothing, Home & Travel and Toys through our retail and distribution sales channels in the following manner:-

Retail	Distribution
Revenue is recognised based on the sales value of products at our retail outlets, Mothercare online store, online sales channels and Baby Expos	Revenue is recognised based on the following:- (a) invoiced value of products delivered to our customers; and (b) the value of the consigned products sold based on the notification of sale statement issued by our consignee

Although we provide warranties for a limited selection of our products, our warranty policies will not have any material impact to our revenue as these products have back-to-back warranties with the manufacturer, original product supplier or brand owner. As a result of such arrangements, we do not have any provisioning policy for our products with warranties as our revenue will not be affected by warranty claims.

The segmental analysis of our revenue by entities, business segments, geographical location and product categories for the financial years under review are set out in the following tables:-

(a) Revenue by entities

Our revenue by entities is illustrated in the table below:-

	Audited							
	FYE 31 December							
	2015		2016		2017		2018	
Entities	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
KHJ	62,905	81.66	69,022	81.34	76,065	81.52	77,224	79.05
Global Product	12,256	15.91	14,339	16.90	15,930	17.07	19,590	20.06
Global Retail*	1,870	2.43	1,497	1.76	1,315	1.41	873	0.89
Total revenue	77,031	100.00	84,858	100.00	93,310	100.00	97,687	100.00

Note:-

* Global Retail's revenue for the financial years under review was derived from the sales of Clothing at its Gingersnaps retail outlets and an online sales channel, all of which collectively accounted for less than 3% of our total revenue. Since September 2018, Global Retail has ceased its retail operations, and now only distributes Gingersnaps branded Clothing to KHJ, for sales in Mothercare outlets.

11. FINANCIAL INFORMATION (cont'd)

Inter-company transactions within the Group during the financial years under review (i.e. distribution of certain baby, children and maternity products by Global Product to KHJ for sales at our Mothercare outlets) have been eliminated for the purposes of this **Section 11** of the Prospectus.

(b) Revenue by business segments

Our revenue by business segments is illustrated in the table below:-

Business segments	Audited							
	FYE 31 December							
	2015		2016		2017		2018	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Retail	66,264	86.02	72,692	85.66	80,258	86.01	80,254	82.15
Distribution	10,767	13.98	12,166	14.34	13,052	13.99	17,433	17.85
Total revenue	77,031	100.00	84,858	100.00	93,310	100.00	97,687	100.00

Retail segment

Our revenue from the retail segment is derived from the following:-

Source of revenue	Sold by	Categories of products sold
Sales at our Mothercare outlets, ELC SIS and Mothercare online store	KHJ	<ul style="list-style-type: none"> • Clothing • Home & Travel • Toys
Sales at Baby Expos and through online sales channels	Global Product	<ul style="list-style-type: none"> • Home & Travel • Toys
Sales at Gingersnaps outlets*	Global Retail	Clothing

Note:-

* Since September 2018, Global Retail has ceased its retail operations, and only distributes its products to KHJ, for sales in our Mothercare outlets.

During the financial years under review, our revenue was mainly affected by the following factors:-

- (a) increase in our number of retail outlets during the financial years under review. Our retail outlets had increased from 14 as at 31 December 2015 to 15 as at 31 December 2016, and subsequently to 16 as at 31 December 2017; and
- (b) the expansion/relocation to larger outlets. In FYE 2017, we had expanded 3 of our retail outlets located in Pavilion KL, The Curve and Mid Valley to larger outlets. Subsequently, we expanded our flagship KLCC outlet in FYE 2018 which required a closure of 35 days and resulted in reduced revenue growth for our retail segment in the FYE 2018. These expansions enabled us to carry a wider range of products.

Distribution segment

Our revenue from the distribution segment is derived from the distribution of Home & Travel by Global Product to local and overseas customers (i.e. distribution points).

11. FINANCIAL INFORMATION (cont'd)

The growth in our revenue for our distribution segment was mainly attributable to the increase in the number of our distribution points during the financial years under review. Our number of distribution points in Malaysia grew from 493 as at 31 December 2015, to 518 as at 31 December 2016, 565 as at 31 December 2017, 608 as at 31 December 2018 and subsequently to 624 as at the LPD.

(c) Revenue by geographical location

Our revenue by geographical location is illustrated in the table below:-

	Audited							
	FYE 31 December							
	2015		2016		2017		2018	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia:-								
Klang Valley	66,210	85.95	69,423	81.81	74,261	79.59	75,094	76.87
Non-Klang Valley:-								
• Northern Region	3,974	5.16	4,535	5.34	4,553	4.88	5,049	5.17
• Southern Region	1,085	1.41	2,461	2.90	5,996	6.43	7,131	7.30
• East Malaysia	5,482	7.12	7,738	9.12	7,534	8.07	8,005	8.19
• East Coast	199	0.26	276	0.33	369	0.39	702	0.72
	10,740	13.95	15,010	17.69	18,452	19.77	20,887	21.38
Total for Malaysia	76,950	99.90	84,433	99.50	92,713	99.36	95,981	98.25
Overseas	81	0.10	425	0.50	597	0.64	1,706	1.75
Total revenue	77,031	100.00	84,858	100.00	93,310	100.00	97,687	100.00

Our revenue for the financial years under review was mainly derived from the Klang Valley, as a majority of our outlets and distribution points are located within the Klang Valley. The increase in revenue from the Klang Valley over the financial years under review is in line with the opening of our new outlets, and increase in our distribution points.

Our revenue from Non-Klang Valley during the financial years under review was mainly contributed by the following:-

- revenue from the Northern region, which increased particularly in FYE 2016 as well as in FYE 2018 due to the increase in sales from existing distribution customers;
- revenue from the Southern region, which increased substantially following the opening of AEON Tebrau City in Johor in December 2016, as well as the increase in our distribution points sales from existing distribution customers; and
- revenue from East Malaysia, which increased substantially following the opening of Vivacity Megamall in Sarawak in December 2015.

11. FINANCIAL INFORMATION (cont'd)

Meanwhile, our revenue from overseas also increased during the financial years under review. This was mainly due to the increase in sales to our related parties (i.e. Mothercare Sg, Global Outsource and Trade Solutions as set out in **Section 9.1** of this Prospectus), all of which are on ad-hoc basis. Further, in FYE 2018, we had an ad-hoc order from our related party which resulted in an increase in our overseas revenue to approximately RM1.71 million (FYE 2017: RM0.59 million).

(d) Revenue by product categories

Our revenue by product categories is illustrated in the table below:-

Product category	Audited							
	FYE 31 December							
	2015		2016		2017		2018	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Clothing	35,529	46.12	39,561	46.62	43,261	46.36	42,661	43.67
Home & Travel	34,811	45.19	38,694	45.60	43,658	46.79	48,546	49.70
Toys	6,691	8.69	6,603	7.78	6,391	6.85	6,480	6.63
Total revenue	77,031	100.00	84,858	100.00	93,310	100.00	97,687	100.00

The movement in revenue for certain product categories over the financial years under review is in line with our management's decision to vary the product mix offered at our retail outlets and to our distribution customers, depending on the market demand and sales performance of our products.

(e) Commentary on past performance**FYE 2015 to FYE 2016**

Our revenue had increased by approximately RM7.83 million or 10.16% to RM84.86 million in the FYE 2016 (FYE 2015: RM77.03 million). This was due to the overall growth in both our retail segment and distribution segment for the FYE 2016 of approximately 9.70% and 12.99%, respectively. This was primarily attributable to the following factors:-

- (i) expansion of our retail network through the opening of 2 new Mothercare outlets with ELC SIS, details of which are set out below:-

Outlet locations	Opening date	Outlet type	Outlet size (sq ft)
Atria Shopping Gallery	28 May 2015	Mothercare with ELC SIS	5,910
Vivacity Megamall	12 December 2015	Mothercare with ELC SIS	4,558
Total			10,468

In the FYE 2016, we recognised a full year revenue generated from our 2 new Mothercare outlets with ELC SIS at Atria Shopping Gallery and Vivacity Megamall hence leading to the increase in our revenue. The opening of these outlets had increased our total retail space from 45,154 sq ft to 55,622 sq ft.

11. FINANCIAL INFORMATION (cont'd)

- (ii) the growth in revenue from some of our existing Mothercare outlets and ELC SIS in the FYE 2016. In particular, the sales at our outlets located in IOI City Mall, Pavilion KL and Gurney Plaza recorded sales growth ranging from 9.18% to 11.75% from the FYE 2015 to the FYE 2016.

In addition, the growth in revenue of our Mothercare outlets and ELC SIS was also attributable to changes made to our product mix at some of the outlets, where we offer a higher selection of Clothing, in particular, baby and children clothing. This has led to an increase in sales of our Clothing category, which grew from RM35.53 million in FYE 2015 to RM39.56 million in FYE 2016.

Sales of our Home & Travel products at our Mothercare outlets grew to RM24.16 million in FYE 2016 (FYE 2015: RM22.54 million), which was mainly driven by the increase in demand for Tommee Tippee brand products and strollers

- (iii) the increase in duration of our participation in Baby Expos, from 9 days to 12 days in the FYE 2016, which led to an increase in revenue generated from Baby Expos of approximately RM0.68 million or 45.97%.
- (iv) the increase in distribution points in Malaysia from 493 as at 31 December 2015 to 518 as at 31 December 2016.
- (v) the increase in revenue contribution from our existing distribution points particularly in the Klang Valley and Southern Region, which was mainly due to:-
- (a) the increase in sales and selling price for Tommee Tippee, an existing Home & Travel brand;
 - (b) the introduction of 2 new Home & Travel brands during the FYE 2016, namely, Snapkis and Bumbo (a brand of seats for babies and young toddlers); and
 - (c) the launching of a new range of products from Aden & Anais, an existing Home & Travel brand offering muslin fabric products such as blankets and swaddles for babies and toddlers.

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11. FINANCIAL INFORMATION (cont'd)**FYE 2016 to FYE 2017**

Our revenue increased by approximately RM8.45 million or 9.96% to RM93.31 million in the FYE 2017 (FYE 2016: RM84.86 million). The revenue from our retail segment and distribution segment in the FYE 2017 increased by approximately 10.41% and 7.28%, respectively. This was primarily attributable to the following factors:-

- (i) expansion of our retail network through the opening of 2 new outlets and the relocation/expansion of 3 existing outlets as follows:-

New outlets			
Outlet locations	Opening date	Outlet type	Outlet size (sq ft)
AEON Tebrau City	16 December 2016	Mothercare with ELC SIS	3,077
Melawati Mall	26 July 2017	Mothercare	2,236
Total			5,313

Relocated/Expanded outlets				
Outlet locations	Relocation/expansion date	Outlet type	Outlet size as at FYE 2016 (sq ft)	Expanded outlet size (sq ft)
Pavilion KL	20 January 2017	Mothercare	1,346	2,711
The Curve	3 August 2017	Mothercare with ELC SIS	2,418	3,675
Mid Valley	18 August 2017	Mothercare with ELC SIS	3,165	6,620
Total			6,929	13,006

In the FYE 2017, the full year revenue generated from our AEON Tebrau City outlet, the additional revenue generated from our new outlet located in Melawati Mall outlet and the expansion of our Pavilion KL, The Curve and Mid Valley outlets has led to the increase in our revenue for the FYE 2017. The opening and relocation/expansion of these outlets had increased our total retail space from 55,622 sq ft to 67,012 sq ft.

In addition, the growth in the revenue of some of our retail outlets (excluding the new and relocated/expanded outlets disclosed above) were also driven by the increase in sales of Clothing and Home & Travel products, which were mainly attributable to the increase in demand for, amongst others, baby and children clothing as well as strollers.

- (ii) the launch of our Mothercare online store on 7 October 2016, which contributed approximately 1.05% to our total revenue for the FYE 2017.
- (iii) the increase in revenue generated from Baby Expos of RM0.70 million or 32.40% from the FYE 2016 to the FYE 2017, despite our participation in Baby Expos decreasing from 12 days in the FYE 2016 to 11 days in the FYE 2017.

11. FINANCIAL INFORMATION (cont'd)

- (iv) the increase in revenue from the introduction of Jujube and Mimosa, 2 Home & Travel brands, as well as the increase in demand for Snapkis, an existing Home & Travel brand. However, the increase in revenue was partially offset by the discontinuation of 7 Home & Travel brands, during the FYE 2017, as well as the decrease in sales of some of our brands, namely Tommee Tippee, JJ Cole and Clevamama. The introduction of 2 new brands, as well as the discontinuation of 7 existing brands, had impacted both our retail and distribution segments.

FYE 2017 to FYE 2018

Our revenue increased by approximately RM4.38 million or 4.69% to RM97.69 million in the FYE 2018 (FYE 2017: RM93.31 million). The revenue from our retail segment remained consistent from the FYE 2017 (RM80.26 million) to the FYE 2018 (RM80.25 million), whilst revenue from our distribution segment in the FYE 2018 increased by approximately RM4.38 million or 33.57%.

Our revenue from our retail segment in FYE 2018 remained consistent with the previous corresponding FYE 2017 mainly due to the following:-

- (i) expansion of our KLCC outlet during the FYE 2018, which was completed on 28 September 2018, from 9,554 sq ft to 12,949 sq ft. The major refurbishments for the expansion, which took 35 days, had impacted the sales at our KLCC outlet; and
- (ii) decrease in revenue from some of our existing outlets in the FYE 2018 as compared to the previous financial year.

Meanwhile, the increase in our revenue for the distribution segment was due to the increase in sales from new and existing distribution points located in the Klang Valley and Southern Region in the FYE 2018. This increase in sales was primarily attributable to:-

- (a) increase in sales for Tommee Tippee, an existing Home & Travel brand;
- (b) the full year recognition of the sales of Mimosa, a Home & Travel brand; and
- (c) the launching of new products by Jujube and Snapkis, 2 existing Home & Travel brands.

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11. FINANCIAL INFORMATION (cont'd)**(ii) Cost of sales, GP and GP margin**

The table below sets out our cost of sales, GP and GP margin by business segment for the financial years under review:-

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<u>Retail segment</u>				
Revenue	66,264	72,692	80,258	80,254
Cost of sales	(30,909)	(33,378)	(36,754)	(36,479)
GP	35,355	39,314	43,504	43,775
<u>Distribution segment</u>				
Revenue	10,767	12,166	13,052	17,433
Cost of sales	(6,635)	(6,874)	(7,665)	(10,021)
GP	4,132	5,292	5,387	7,412
<u>Overall</u>				
Revenue	77,031	84,858	93,310	97,687
Cost of sales	(37,544)	(40,252)	(44,419)	(46,500)
GP	39,487	44,606	48,891	51,187
<u>GP margin</u>				
Retail (%)	53.35	54.08	54.20	54.55
Distribution (%)	38.38	43.50	41.27	42.52
Overall (%)	51.26	52.57	52.40	52.40

Our cost of sales comprise purchases from our suppliers, customs duties payable and transport charges for the delivery of products to our warehouses. As such, our cost of sales generally move in tandem with our revenue.

Our overall GP has been on an increasing trend throughout the financial years under review whilst our overall GP margin has been fairly consistent, ranging between 51.26% to 52.57%.

The factors affecting our cost of sales, GP and GP margin are as follows:-

- (a) changes in our product mix due to the demand and availability of certain brands and types of products given that different types of products and brands command different retail prices and margins. Our Clothing products typically commands the highest GP margin, followed by Toys and Home & Travel;
- (b) our pricing strategy, as well as the cost of products and rebates received from our suppliers;
- (c) foreign exchange fluctuations given that our purchases sourced from Mothercare UK, ELC UK and Product Marketing Mayborn are denominated in GBP and USD, and accounted for more than 50% of our total purchases for the financial years under review; and
- (d) any discounts provided to our customers.

11. FINANCIAL INFORMATION (cont'd)**Commentary on cost of sales, GP and GP margin****FYE 2015 to FYE 2016**

In line with the increase in our revenue, our cost of sales increased by approximately RM2.71 million or 7.21% to RM40.25 million in FYE 2016 (FYE 2015: RM37.54 million). Meanwhile, our overall GP increased by approximately RM5.12 million or 12.96% to RM44.61 million in FYE 2016 (FYE 2015: RM39.49 million) and our overall GP margin improved from 51.26% in the FYE 2015 to 52.57% in the FYE 2016.

Our GP from the retail segment increased by approximately RM3.96 million or 11.20% to RM39.31 million in the FYE 2016 (FYE 2015: RM35.35 million) whilst our GP margin increased to 54.08% in the FYE 2016 (FYE 2015: 53.35%). The increase in our retail segment's GP and GP margin were mainly attributable to:-

- (i) the increase in sale of Clothing at our outlets, where our Clothing typically commands higher GP margin as compared to other product categories. The increase in sale of Clothing was mainly due to the change in our product mix at our retail sales channels, where we offered higher selection of Clothing in FYE 2016 as compared to FYE 2015; and
- (ii) better margins for 1 of our existing Home & Travel brands as a result of our favourable supply terms given by our supplier in terms of pricing and purchase rebates following our negotiations with them.

Our GP from the distribution segment also increased by approximately RM1.16 million or 28.07% to RM5.29 million in the FYE 2016 (FYE 2015: RM4.13 million) whilst our GP margin also improved from approximately 38.38% in the FYE 2015 to 43.50% in the FYE 2016. The increase in our distribution segment's GP and GP margin was mainly attributable to the increase in selling price for Tommee Tippee, an existing Home & Travel brand, and the rebates received from the supplier of Tommee Tippee.

FYE 2016 to FYE 2017

Our cost of sales increased by approximately RM4.17 million or 10.35% to RM44.42 million in the FYE 2017 (FYE 2016: RM40.25 million), in line with our increase in revenue. Meanwhile, our overall GP increased by RM4.29 million or 9.61% to RM48.89 million in the FYE 2017 (FYE 2016: RM44.60 million).

Our GP from the retail segment increased by approximately RM4.19 million or 10.66% to RM43.50 million in the FYE 2017 (FYE 2016: RM39.31 million) whilst our GP margin increased to 54.20% in the FYE 2017 (FYE 2016: 54.08%). The increase in our retail segment's GP and GP margin was mainly attributable to the introduction of Jujube, a new Home & Travel brand, which has high GP margins.

Our GP from the distribution segment increased by approximately RM0.10 million or 1.80% to RM5.39 million in the FYE 2017 (FYE 2016: RM5.29 million). However, our GP margin decreased from approximately 43.50% in the FYE 2016 to 41.27% in the FYE 2017. The decrease was mainly due to the discontinuation of 7 brands during FYE 2017 as well as the higher discounts given to our distribution customers (i.e. other retailers for clearance of these discontinued brands).

The decline in our GP margin for our distribution segment, resulted in a decline in our overall GP margin from 52.57% in the FYE 2016 to 52.40% in the FYE 2017.

11. FINANCIAL INFORMATION (cont'd)**FYE 2017 to FYE 2018**

Our cost of sales increased by approximately RM2.08 million or 4.68% to RM46.50 million in the FYE 2018 (FYE 2017: RM44.42 million), in line with our increase in revenue. Meanwhile, our overall GP increased by RM2.30 million or 4.70% to RM51.19 million in the FYE 2018 (FYE 2017: RM48.89 million), whilst our overall GP margin remained consistent at 52.40% in both the FYE 2017 and FYE 2018.

Similar to the revenue of our retail segment for FYE 2018, our retail segment recorded GP and GP margin were fairly consistent with our GP and GP margin for the previous corresponding FYE 2017. In FYE 2018, we launched new products by Jujube and Snapkis, 2 existing Home & Travel brands. The sales of these products had resulted in an increase in our GP margin in FYE 2018 as these brands carried a higher GP margins compared to most of our existing brands. This was however offset by the decrease in revenue of some of our existing outlets in the FYE 2018 as well as the loss of sales due to the closure of our Suria KLCC outlet for 35 days for major refurbishments.

We recorded an increase in GP for our distribution segment, by approximately RM2.02 million or 37.59% to RM7.41 million in the FYE 2018 (FYE 2017: RM5.39 million), whilst our GP margin also increased to 42.52% in the FYE 2018 (FYE 2017: 41.27%). The increase in GP margin was mainly driven by the increase in demand for Tommee Tippee products in FYE 2018, an existing Home & Travel brand, which carry high GP margins compared to most of our other distribution brands. In particular, the increase in sales of Tommee Tippee products was due to trade-in promotions carried out during the FYE 2018.

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11. FINANCIAL INFORMATION (cont'd)**(iii) Other operating income**

The following table sets out our other operating income during the financial years under review:-

	Audited							
	FYE 31 December							
	2015		2016		2017		2018	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Incentive income	323	57.58	333	22.44	211	28.83	171	19.32
Interest income	90	16.04	96	6.47	237	32.37	207	23.39
Marketing income	82	14.62	82	5.53	78	10.66	22	2.49
Realised and unrealised gain on foreign exchange	16	2.85	82	5.53	53	7.24	145	16.38
Sales tax refund	-	-	612	41.24	-	-	-	-
Creditor balance written off	-	-	209	14.08	87	11.88	34	3.84
Gain on disposal	-	-	-	-	-	-	214	24.18
Others	50	8.91	70	4.71	66	9.02	92	10.40
Total other operating income	561	100.00	1,484	100.00	732	100.00	885	100.00

(a) Incentive income

Our incentive income relates to volume-related incentive awarded by our major supplier to incentivise purchasers to meet the yearly minimum purchase value target.

(b) Interest income

Our interest income is derived from cash deposits with financial institutions.

(c) Marketing income

We receive marketing income from some of our suppliers when we carry out advertising and promotional activities for certain brands at our retail outlets, which includes advertisements in our sales catalogue, display of posters/banners and product placement at our outlet display windows.

(d) Realised and unrealised gain on foreign exchange

Our gain on foreign exchange is in respect of the settlement of foreign currency denominated transactions and the translation of monetary assets and liabilities denominated in foreign currency.

(e) Sales tax refund

We received a one-off sales tax refund amounting to RM0.61 million in the FYE 2016 relating to our sales tax paid based on our closing inventory as at 31 March 2015. This was a special refund for goods held on hand prior to the implementation of Goods and Services Tax ("GST").

11. FINANCIAL INFORMATION (cont'd)**(f) Creditor balance written off**

Our creditor balance written off mainly relates to the following:-

- certain payables recognised by us following the receipt of the products but not invoiced by our suppliers for reasons which we are not privy to. Some of these creditor balances were accumulated over 7 years and were subsequently written off in FYE 2016 after consulting our auditor and obtaining balance confirmation from our long outstanding creditors; and
- reversal of over-accrued rental.

(g) Gain on disposal

We recognised a one-off gain on disposal amounting to approximately RM0.21 million in the FYE 2018 following the disposal of our former subsidiary, Cheng Yearn, which was completed on 28 June 2018.

(h) Others

Our other operating income under this category mainly comprises delivery fees and postage charges to our customers for delivery of products from our outlets and our online store.

(i) Commentary on other operating income**FYE 2015 to FYE 2016**

Our other operating income increased by approximately RM0.92 million in the FYE 2016 mainly due to the one-off sales tax refund amounting to RM0.61 million and the creditor balance written off amounting to RM0.21 million during the FYE 2016.

FYE 2016 to FYE 2017

Our other operating income decreased by approximately RM0.75 million in the FYE 2017. This was mainly due to the decrease in incentive income and creditor balance written off as well as the absence of one-off sales tax refund recognised in the previous financial year.

FYE 2017 to FYE 2018

Our other operating income increased by approximately RM0.15 million in the FYE 2018. This was mainly attributable to the one-off gain of approximately RM0.21 million recognised from the disposal of Cheng Yearn and realised and unrealised gain on foreign exchange in the FYE 2018.

11. FINANCIAL INFORMATION (cont'd)**(iv) Selling and marketing expenses**

The following table sets out our selling and marketing expenses during the financial years under review:-

	Audited							
	FYE 31 December							
	2015		2016		2017		2018	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Advertising, promotion and display	669	44.43	657	43.57	844	49.10	943	48.29
Packaging	157	10.42	127	8.42	92	5.35	193	9.88
Exhibition	104	6.91	116	7.69	168	9.77	208	10.65
Temporary staff salaries	105	6.97	107	7.10	147	8.55	177	9.06
Staff travelling expenses	471	31.27	501	33.22	468	27.23	432	22.12
Total selling and marketing expenses	1,506	100.00	1,508	100.00	1,719	100.00	1,953	100.00

(a) Advertising, promotion and display

Our advertising, promotion and display expenses comprise, amongst others, digital and print advertisements, outlet window displays, signage and promotional events during sale periods as well as product and display sponsorships.

(b) Packaging

Our packaging expenses comprises shopping bags for our Mothercare outlets, ELC SIS and Gingersnaps outlets as well as printing of instructional and informational labels for certain products.

(c) Exhibition

Our exhibition expenses comprises rental and booths set-up costs for our participation in Baby Expos.

(d) Temporary staff salaries

Temporary staff salaries comprise salaries paid to our part-time staff employed at our retail outlets, Baby Expos and for our distribution business.

(e) Staff travelling expenses

Our staff travelling expenses includes site visit cost to our retail outlets and distribution points.

(f) Commentary on selling and marketing expenses**FYE 2015 to FYE 2016**

Our selling and marketing expenses recorded in the FYE 2016 was consistent with the previous financial year.

11. FINANCIAL INFORMATION (cont'd)

FYE 2016 to FYE 2017

Our selling and marketing expenses increased by approximately RM0.21 million in the FYE 2017, which was mainly attributable to the following:-

- (i) the increase in product and display sponsorships at selected distribution points and Baby Expos, as well as the reprinting of advertising material following the change in logo for one of our major brands; and
- (ii) increase in exhibition expenses and temporary staff salaries due to our increased frequency of participation in Baby Expos during the FYE 2017.

FYE 2017 to FYE 2018

Our selling and marketing expenses increased by approximately RM0.23 million in the FYE 2018, which was mainly attributable to the following:-

- (i) increase in packaging expenses due to the higher cost of purchase of biodegradable shopping bags for our retail outlets, in line with Dewan Bandaraya Kuala Lumpur's ban on the use of plastic bags effective 1 September 2017; and
- (ii) increase in advertising expenses mainly for product sponsorship, promotional signage and events.

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11. FINANCIAL INFORMATION (cont'd)**(v) Administrative and other operating expenses**

The following table sets out our administrative and other operating expenses during the financial years under review:-

	Audited							
	FYE 31 December							
	2015		2016		2017		2018	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Permanent staff costs	9,574	35.77	10,548	37.46	11,755	37.17	12,121	34.98
Rental expenses	8,568	32.01	9,232	32.79	9,688	30.64	10,795	31.15
Management service fees	3,790	14.16	4,169	14.81	4,372	13.83	4,166	12.02
Depreciation	1,954	7.30	1,881	6.68	2,140	6.77	2,324	6.71
Credit card and bank charges	615	2.30	615	2.18	644	2.04	633	1.83
Utilities expenses	380	1.42	352	1.25	440	1.39	413	1.19
Outlet expenses	205	0.76	209	0.75	279	0.88	241	0.69
Corporate management fees	192	0.72	262	0.93	622	1.97	1,331	3.84
Professional fees	152	0.57	97	0.34	313	0.99	1,211	3.49
Realised and unrealised loss on foreign exchange	394	1.47	40	0.14	17	0.05	4	0.01
Other miscellaneous expenses	941	3.52	752	2.67	1,351	4.27	1,416	4.09
Total administrative and other operating expenses	26,765	100.00	28,157	100.00	31,621	100.00	34,655	100.00

(a) Permanent staff costs

Our permanent staff costs comprise, amongst others, staff salaries (inclusive of sales commission and incentive, bonus, EPF and SOCSO contributions), directors' fees, training and recruitment expenses.

(b) Rental expenses

Our rental expenses relate to the rental for all our retail outlets.

(c) Management service fees

Our management service fees relate to fees payable to Mothercare UK and ELC UK in accordance to the terms set out in the Development Agreements.

Our management service fee is calculated based on an agreed rate of the gross sales generated at our Mothercare outlets, ELC SIS, Mothercare online store and ad-hoc sales to our corporate customers. This rate varies according to categories of products and brands sold. Since May 2016, we had also received rebates on management service fees for new outlets in their first 2 years of operations.

11. FINANCIAL INFORMATION (cont'd)**(d) Depreciation**

Our depreciation includes depreciation costs for vehicles, equipment, computer equipment, renovation, furniture and fittings as well as restoration costs.

(e) Credit card and bank charges

Our credit card and bank charges relate to the commission charged for credit card transactions at our retail outlets and Baby Expos.

(f) Utilities expenses

Our utilities expenses relate to the electricity and water charges incurred at our headquarters and warehouses as well as our retail outlets.

(g) Outlet expenses

Our outlet expenses comprise general expenses incurred at our retail outlets, such as cleaning fees, outlet maintenance and staff uniforms.

(h) Corporate management fees

Our corporate management fees comprise fees paid to KHI Group in relation to the provision of certain management and support services, details of which are set out in **Section 9.1** of this Prospectus.

(i) Professional fees

Our professional fees comprises, amongst others, fees paid to advisors in relation to legal, audit and taxation matters, as well as expenses relating to our Listing.

(j) Realised and unrealised loss on foreign exchange

Our loss on foreign exchange is in respect of settlement of foreign currency denominated transactions and the translation of monetary assets and liabilities denominated in foreign currency.

(k) Other miscellaneous expenses

Our miscellaneous expenses comprise, amongst others, our computer and motor vehicle maintenance charges, printing and stationery expenses, which individually contributed less than 1% to our total administrative and other operating expenses.

(l) Commentary on administrative and other operating expenses**FYE 2015 to FYE 2016**

Our administrative and other operating expenses increased by approximately RM1.39 million or 5.20% in the FYE 2016, which was mainly attributable to the following:-

- (i) increase in permanent staff cost and rental expenses by approximately 10.17% and 7.75%, respectively, which was mainly due to the opening of 2 new Mothercare outlets with ELC SIS in Atria Shopping Gallery and Vivacity Megamall on 28 May 2015 and 12 December 2015, respectively; and

11. FINANCIAL INFORMATION (cont'd)

- (ii) increase in our management service fees payable to our franchisors by approximately 10.0% in tandem with the additional revenue generated from the opening of our new outlets, as well as the growth in revenue for some of our existing outlets.

FYE 2016 to FYE 2017

Our administrative and other operating expenses increased by approximately RM3.46 million or 12.30% in the FYE 2017, which was mainly attributable to the following:-

- (i) increase in permanent staff cost and rental expenses by approximately 11.44% and 4.94% respectively. This was mainly due to:-
 - (a) the opening of new Mothercare outlets in AEON Tebrau City and Melawati Mall, as well as relocation/expansion of our existing outlets located in Pavilion KL, The Curve and Mid Valley; and
 - (b) increased number of permanent employees at our headquarters and warehouses;
- (ii) increase in our corporate management fees payable to KHI Group by approximately RM0.36 million, due to the introduction of brand management fees for the housebrand, Snapkis, and e-commerce fees for digital marketing and customer service, as well as the usage of website and e-commerce IT systems ("**e-commerce project fees**") commencing on 1 January 2017; and
- (iii) higher professional fees incurred by approximately RM0.22 million due to the increase in our audit fees, as well as legal fees incurred for new tenancy agreements and renewal of existing tenancy agreements.

FYE 2017 to FYE 2018

Our administrative and other operating expenses increased by approximately RM3.03 million or 9.59% in the FYE 2018, which was mainly attributable to the following:-

- (i) increase in our rental expenses by approximately RM1.11 million following the new tenancy agreements for our headquarters and warehouses, and the renewal of tenancy agreements for some of our existing outlets;
- (ii) increase in our corporate management fees payable to KHI Group by approximately RM0.71 million, resulting from an increase in our purchases of 2 housebrand products, Snapkis and Mimosa, from Global Outsource; and
- (iii) higher professional fees incurred by approximately RM0.90 million mainly due to the increase in our audit fees and fees pertaining to our Listing incurred during the FYE 2018.

11. FINANCIAL INFORMATION (cont'd)**(vi) Finance cost**

Our finance cost for the financial years under review is set out below:-

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Finance cost	28	29	22	13

Our finance cost relates solely to the unwinding of discount on the provision for restoration costs in respect of our obligation to restore our rented outlets to their original state in the event of termination of the respective tenancy agreements.

(vii) PBT

Our PBT and PBT margin for the financial years under review are set out below:-

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
PBT (RM'000)	11,749	16,396	16,261	15,451
PBT margin (%) ⁽¹⁾	15.25	19.32	17.43	15.82

Note:-

(1) Computed based on PBT over revenue of our Group.

FYE 2015 to FYE 2016

Our PBT increased by approximately RM4.65 million or 39.55% to RM16.40 million in the FYE 2016 (FYE 2015: RM11.75 million), whilst our PBT margin increased to 19.32% in the FYE 2016 (FYE 2015: 15.25%). The increase in our PBT and PBT margin was due to the increase in our GP and increase in our other operating income, which was mainly attributable to our one-off sales tax refund received in the FYE 2016.

FYE 2016 to FYE 2017

Despite our increase in revenue, our PBT decreased by approximately RM0.14 million or 0.82% to RM16.26 million in the FYE 2017 (FYE 2016: RM16.40 million), which led to a decrease in our PBT margin to 17.43% in the FYE 2017 (FYE 2016: 19.32%). This decrease was mainly due to the absence of the one-off sales tax refund received in the FYE 2016, which had increased our PBT in the FYE 2016.

FYE 2017 to FYE 2018

Despite our increase in revenue, our PBT decreased by approximately RM0.81 million or 4.98% to RM15.45 million in the FYE 2018 (FYE 2017: RM16.26 million), which led to a decrease in our PBT margin to 15.82% in the FYE 2018 (FYE 2017: 17.43%). This was mainly due to the increase in our administrative and other operating expenses, in particular, our rental, corporate management fees and professional fees for the Listing.

11. FINANCIAL INFORMATION (cont'd)**(viii) Tax expense**

The effective tax rate and statutory tax rate for the financial years under review are as follows:-

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Tax expense at the applicable tax rate	2,937	3,935	3,903	3,708
Tax effects of:-				
- Non-deductible expenses	65	97	21	167
- Non-taxable income	(4)	(31)	-	(51)
- Real property gains tax ("RPGT")	-	-	-	76
Provision of tax payable in prior years	33	(6)	19	(51)
Provision of deferred tax in prior years	18	-	(47)	51
Effective tax payable	3,049	3,995	3,896	3,900
Total profit before tax	11,749	16,396	16,261	15,451
Effective tax rate (%) ⁽¹⁾	25.94	24.37	23.96	25.24
Statutory tax rate (%)	25.00	24.00	24.00	24.00

Note:-

(1) Calculated based on the effective tax payable over our total profit before tax (excluding discontinued operations) for the respective financial years under review.

Our effective tax rate during the financial years under review is generally close to the statutory tax rate, with any variation from the statutory tax rate mainly due to certain expense or income not deductible for tax purposes. Our effective tax rate for the FYE 2017 was lower than the statutory tax rate mainly due to over provision of deferred tax in prior year.

Our effective tax rate for the FYE 2018 increased to 25.24% as we recorded an increase in non-deductible expenses during the FYE 2018, arising mainly from the depreciation of our KLCC outlet which was expanded during the year.

(ix) PAT and PAT margin

Our PAT and PAT margin for the financial years under review are set out below:-

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
PAT (RM'000)	8,204	12,234	11,561	11,112
PAT margin (%) ⁽¹⁾	10.65	14.42	12.39	11.38

Note:-

(1) Computed based on PAT over revenue of our Group.

11. FINANCIAL INFORMATION (cont'd)**FYE 2015 to FYE 2016**

Our PAT increased by approximately RM4.03 million or 49.12% to RM12.23 million in the FYE 2016 (FYE 2015: RM8.20 million), whilst our PAT margin also increased to 14.42% in the FYE 2016 (FYE 2015: 10.65%). This increase was mainly due to our increase in PBT and PBT margin, arising from our increase in revenue and GP, as well as our one-off sales tax refund received in the FYE 2016. Further, the lower applicable statutory tax rate of 24.0% as compared to the statutory tax rate of 25.0% imposed in the previous financial year had decreased our tax expenses during the FYE 2016, thus contributing to our higher PAT.

FYE 2016 to FYE 2017

Our PAT decreased by approximately RM0.67 million or 5.50% to RM11.56 million in the FYE 2017 (FYE 2016: RM12.23 million). We recorded a lower PAT in the FYE 2017 as a result of our lower PBT recorded compared to the FYE 2016, arising from the absence of our one-off sales tax refund received during the FYE 2016. Further, the decrease in our PAT was also due to an increase in loss from our discontinued operations of RM0.80 million (FYE 2016: RM0.17 million).

As a result, our PAT margin also decreased from approximately 14.42% in the FYE 2016 to 12.39% in the FYE 2017.

FYE 2017 to FYE 2018

Our PAT decreased by approximately RM0.45 million or 3.88% to RM11.11 million in the FYE 2018 (FYE 2017: RM11.56 million). Although we recorded an increase in revenue and GP, our PAT and PAT margin decreased to RM11.11 million and 11.38% in the FYE 2018 (FYE 2017: RM11.56 million and 12.39%) as a result of the professional fees for the Listing as well as the increase in administrative and operating expenses, in particular, our rental expenses and corporate management fees payable to KHI Group.

11.3.3 Significant factors affecting our financial position and results of operations

Our financial position and results of operations have been, and are expected to be affected by, amongst others, the principal factors set out below:-

(i) Product mix and brand portfolio

Our products are segmented into 3 main categories, namely Clothing, Home & Travel and Toys. The product mix and the popularity of each brand affects our GP and GP margins given that different types of products command different retail prices and margins.

Our product mix is dependent on consumer preference and demand, which varies from year to year, and varies depending on the location of each outlet/distribution point and the advertising and marketing activities undertaken.

Our Clothing typically commands the highest GP margin, followed by Toys and Home & Travel. As such, we periodically review the performance of our product categories and brand portfolio to determine the optimal product and brand mix in order to increase our overall GP margin and profitability. Any significant changes to our product mix and brand portfolio may result in the change of our GP margins, and as a result, affect our overall profitability.

11. FINANCIAL INFORMATION (cont'd)

(ii) Demand and supply conditions

Our revenue and profit are dependent on the demand and supply of our products. The demand and supply condition for the baby, children and maternity product industry is set out in the Industry Overview in **Section 7** of this Prospectus.

(iii) Competition

We operate in the baby, children and maternity product industry where we face competition from a large number of local and overseas players. Our competitors include specialty retailers, department stores and online retailers who compete based on a variety of factors such as range of merchandise, price points, quality, promotional activities, outlet location, outlet presentation, product presentation, new store roll-out and customer service. Increasingly, online retailers and e-commerce platforms are also flooding the market with cheaper products, the offer of convenience and the availability of delivery options.

(iv) Availability of inventory

Our profitability is also dependent upon, amongst others, our ability to anticipate and react to any interruptions in the supply of products and any fluctuations in the costs of our products.

Our Group relies on the continuous supply of inventory for our Clothing, Home & Travel and Toys at reasonable costs. Hence any significant changes to the supply and cost of these items may adversely affect our operations and profitability. We have to ensure that we have available inventory to cater for promotion and sales during the year given that we only place our orders for Mothercare Clothing 4 times a year, and 2 times a year for Home & Travel and Toys (including ELC).

Meanwhile, products from other third-party brand owners or suppliers, as well as our related parties are generally purchased on a monthly or ad-hoc basis depending on our inventory levels.

(v) Rental expenses

As at the LPD, we operate 17 Mothercare outlets with 11 ELC SIS, all of which are on tenanted properties. As such, rental expenses form one of our largest expense items. Typically, we enter into tenancy agreements for a tenancy term of 3 years with an option to renew for a further term of 3 years. Rental rates are generally fixed over each 3 year term. Such tenancy agreements may be subject to review and modification by the landlords, depending on the provisions of the respective tenancy agreements.

Our rental expenses may be affected if our landlords decide to terminate our tenancies, or significantly increase rental rates upon renewal, in particular for prime and competitive locations. In such event, we may be required to relocate to a less optimal location, or we may not be able to operate our affected outlet competitively.

Our rental expenses for our retail outlets for the financial years under review represented approximately 11.12%, 10.88%, 10.38% and 10.44% of our revenue, respectively.

11. FINANCIAL INFORMATION (cont'd)**(vi) Capital expenditure relating to our retail outlets**

As we continue to grow our business, we expect to incur capital expenditure for new outlet openings, outlets expansion, relocation, refurbishment and upgrades, as well as additional or replacement of operational assets. The average set-up cost per outlet varies depending on the location, size and format of the particular outlet.

Our historical number of retail outlet openings and expansions together with the capital expenditure incurred for the financial years under review are set out below:-

	2015	2016	2017	2018	Up to the LPD
No. of Mothercare retail outlets <i>(as at 31 December)</i>	14	15	16	16	17
No. of retail outlet openings	2	1	1	-	1
No. of retail outlet relocation	-	-	1	-	-
Capital expenditure for retail outlet openings and relocation (RM'000)	1,610	439	1,057	-	1,018
No. of retail outlet expansions	-	-	2	1	-
Capital expenditure for retail outlet expansions (RM'000)	-	-	1,768	1,156	-

Note:-

The capital expenditure highlighted above does not include rental deposit and cost of inventories.

(vii) Foreign exchange rate fluctuation

We are exposed to fluctuations in foreign exchange rates, in particular, the GBP and USD against the RM, for the following reasons:-

(a) Purchases of products

Our products sourced from Mothercare UK and ELC UK are denominated in GBP, whilst products sourced from Product Marketing Mayborn are denominated in USD. Our total purchases from Mothercare UK and ELC UK had collectively accounted for more than 40% of our total purchases, whilst total purchases from Product Marketing Mayborn accounted for more than 10% of our total purchases for the financial years under review.

Given that all of our sales are denominated in RM, we are unable to naturally hedge our exposure to foreign exchange fluctuations. In order to maintain our price competitiveness, we are also generally reluctant to pass on cost increases arising from adverse fluctuations in foreign exchange to our customers.

(b) Management service fees

Management service fees payable to our franchisors, Mothercare UK and ELC UK, are denominated in GBP, which accounted for approximately 4.26% to 4.92% of our total revenue for the financial years under review.

11. FINANCIAL INFORMATION (cont'd)

Our franchisors will invoice us 4 times a year for our management service fees, which is payable by us within a credit period of 14 days. As the management service fees are denominated in GBP, the GBP/RM exchange rate during the point of settlement would impact the total management service fees payable to our franchisors for the particular period of time.

We manage our foreign exchange risk by closely monitoring the movements in exchange rates and assess the need to utilise foreign exchange forward contracts to hedge our exposure against transactions in foreign currencies. Further details on our foreign exchange forward contract facilities are set out in **Section 11.4.11** of this Prospectus. We also maintain foreign currency bank accounts in GBP, USD and SGD with financial institutions to support our business operations and to meet our foreign currency denominated payment obligations.

We have not incurred any material losses arising from foreign currency translations for the financial years under review. The net foreign exchange gains/(losses) of our Group for the financial years under review are as follows:-

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Realised and unrealised gain on foreign exchange	16	82	53	145
Realised and unrealised loss on foreign exchange	(394)	(40)	(17)	(4)
Net gain/(loss) on foreign exchange	(378)	42	36	141
As a percentage of PBT (%)	(3.22)	0.26	0.22	0.91

(viii) Government/Economic/Fiscal/Monetary policies

We are subject to the risks relating to government, economic, fiscal and monetary policies, where any unfavourable change may materially affect our business operations and financial performance. For the financial years under review, our financial results were not adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies.

11.3.4 Order book

Due to the nature of our business being a retailer and distributor of baby, children and maternity products, an order book is not applicable to us.

11.3.5 Significant changes

There are no significant changes that have occurred, which may have a material effect on our financial position and results subsequent to the FYE 2018 up to the LPD.

11. FINANCIAL INFORMATION (cont'd)**11.4 Liquidity and capital resources****11.4.1 Working capital**

Our working capital is funded through cash generated from our operating activities and our existing cash and bank balances. Our principal sources of liquidity as at 31 December 2018 are set out below:-

	(RM'000)
Cash and bank balances	6,851
Net cash flows from operating activities	6,259

Our Board is of the opinion that, after taking into consideration our existing cash and cash equivalents, the expected funds to be generated from our operations and proceeds to be raised from our IPO, we have adequate working capital for a period of 12 months from the date of this Prospectus.

11.4.2 Cash flow

The table below sets out the summary of our consolidated statements of cash flows for the financial years under review and should be read in conjunction with the Accountants' Report as set out in **Section 12** of this Prospectus:-

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Net cash from operating activities	10,207	12,781	12,154	6,259
Net cash used in investing activities	(14,359)	(605)	(3,962)	(2,259)
Net cash used in financing activities	(4,057)	(3,072)	(8,353)	(12,823)
Net (decrease)/increase in cash and cash equivalents	(8,209)	9,104	(161)	(8,823)
Effect of foreign exchange rates changes	(207)	(4)	(10)	(22)
Cash and cash equivalents at beginning of the year/period	15,183	6,767	15,867	15,696
Cash and cash equivalents at end of the year/period	6,767	15,867	15,696	6,851
Cash and cash equivalents comprise the following:-				
Cash and bank balances	6,767	11,867	9,691	6,851
Fixed deposits with licensed banks	-	4,000	6,005	739
	6,767	15,867	15,696	7,590

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer/receive funds to/from our Company, subject to availability of distributable reserves and compliance with financial covenants, in the form of cash dividends, loans or advances.

11. FINANCIAL INFORMATION (cont'd)**Commentary on cash flow****FYE 2015****Net cash from operating activities**

We recorded net cash from operating activities of RM10.21 million where cash receipts from our customers were offset by cash payments made to our suppliers, employees, landlords and our franchisors, as well as income tax payments.

Cash receipts from customers amounted to RM77.26 million, of which RM66.48 million were generated from general retail consumers at our retail sales channels, and RM10.78 million were from our distribution customers. Save for the cash receipts from Manjaku Baby Centre Sdn Bhd (RM0.91 million) and Tesco Stores (M) Sdn Bhd (RM0.75 million), the cash receipts from our distribution customers were relatively small in value individually, and amounted to less than RM0.50 million per customer.

Meanwhile, our total cash payments amounted to RM67.05 million, which mainly comprise the following key items:-

- (a) payment of RM37.96 million to our suppliers, mainly comprising our top 5 suppliers for the FYE 2015, i.e. Mothercare UK (RM16.06 million), Product Marketing Mayborn (RM6.17 million), ELC UK (RM1.72 million), Stokke Hong Kong Limited (RM1.14 million) and Perroquet Bleu Corporation (RM0.78 million) for the purchases of Clothing, Home & Travel and Toys;
- (b) payment of RM8.60 million for the rental of our retail outlets;
- (c) payment of permanent staff costs of RM8.88 million, which includes staff salaries, sales commission and incentive, employees' EPF and SOCSO contributions, directors' remuneration and bonus;
- (d) payment of management service fees of RM3.48 million to our franchisors; and
- (e) payment of income tax amounting to RM3.48 million.

Net cash used in investing activities

We recorded net cash used in investing activities of approximately RM14.36 million for the FYE 2015, due to:-

- (a) RM2.27 million used mainly for renovation cost, as well as the acquisition of furniture, fittings and equipment for our 2 new outlets opened during the FYE 2015;
- (b) RM12.18 million used for the acquisition of investment property by Cheng Yean, being our purchase of freehold land and building (i.e. one of our buildings at our headquarters and warehouses); and
- (c) RM0.09 million interest income from cash deposits with a financial institution.

Net cash used in financing activities

Our net cash used in financing activities of approximately RM4.06 million for the FYE 2015 was due to:-

- (a) drawdown of bank borrowings amounting to RM2.20 million by Cheng Yean for the purchase of freehold land and building during the FYE 2015 (i.e. the properties of Cheng Yean);

11. FINANCIAL INFORMATION (cont'd)

- (b) repayment of bank borrowing (inclusive of interest paid) amounting to RM1.26 million; and
- (c) dividends paid to our shareholders amounting to RM5.00 million.

FYE 2016**Net cash from operating activities**

We recorded net cash from operating activities of RM12.78 million where cash receipts from our customers were offset by cash payments made to our suppliers, employees, landlords and our franchisors, as well as income tax payments.

Cash receipts from customers amounted to RM84.34 million, of which RM72.60 million were generated from general retail consumers at our retail sales channels, and RM11.74 million were from our distribution customers. Save for the cash receipts from Manjaku Baby Centre Sdn Bhd (RM1.11 million) and Tesco Stores (M) Sdn Bhd (RM0.50 million), the cash receipts from our distribution customers were relatively small in value individually, and amounted to less than RM0.50 million per customer.

Meanwhile, our total cash payments amounted to RM71.56 million, which mainly comprise the following key items:-

- (a) payment of RM41.34 million to our suppliers, mainly comprising our top 5 suppliers for the FYE 2016, i.e. including Mothercare UK (RM19.99 million), Product Marketing Mayborn (RM5.29 million), ELC UK (RM1.59 million), Stokke Hong Kong Limited (RM0.67 million) and Perroquet Bleu Corporation (RM0.65 million) for the purchases of Clothing, Home & Travel and Toys;
- (b) payment of RM9.21 million for the rental of our retail outlets;
- (c) payment of permanent staff costs of RM9.89 million, which includes staff salaries, sales commission and incentive, employees' EPF and SOCSO contributions, directors' remuneration and bonus;
- (d) payment of management service fees of RM4.32 million to our franchisors; and
- (e) payment of income tax amounting to RM3.51 million.

Net cash used in investing activities

We recorded net cash used in investing activities of approximately RM0.61 million for the FYE 2016, due to:-

- (a) RM0.70 million mainly used for renovation costs, as well as the acquisition of furniture, fittings and equipment for our AEON Tebrau City outlet; and
- (b) RM0.10 million interest income received from cash deposits with a financial institution.

Net cash used in financing activities

Our net cash used in financing activities of approximately RM3.07 million for the FYE 2016 was due to:-

- (a) drawdown of borrowings amounting to RM0.42 million in order to maintain a minimum balance amount in our financing facilities to avoid early settlement penalty; and

11. FINANCIAL INFORMATION (cont'd)

- (b) repayment of bank borrowing (inclusive of interest paid) of RM3.49 million. The bank borrowings were used to purchase the properties held by Cheng Yean.

FYE 2017**Net cash from operating activities**

We recorded net cash from operating activities of RM12.15 million where cash receipts from our customers were offset by cash payments made to our suppliers, employees, landlords and our franchisors, as well as income tax payments. Our net cash from operating activities for the FYE 2017 was fairly consistent with the FYE 2016 (RM12.78 million) despite our increase in revenue. This was mainly due to higher payments made to suppliers during the FYE 2017. We had increased our purchases during the FYE 2016 in order to cater for the opening of our new outlets. Due to the credit period granted by our suppliers, the payment for these purchases were only due in the FYE 2017, resulting in higher closing trade payables of RM8.77 million during the FYE 2016 (FYE 2015: RM4.73 million). As a result, our higher payments made to suppliers during the FYE 2017 comprised of payments for purchases made during the FYE 2016.

Cash receipts from customers amounted to RM93.55 million, of which RM79.85 million were generated from general retail consumers at our retail sales channels, and RM13.70 million were from our distribution customers. Save for the cash receipts from Manjaku Baby Centre Sdn Bhd (RM1.29 million), Tesco Stores (M) Sdn Bhd (RM0.82 million) and AEON Co (M) Bhd (RM0.59 million), the cash receipts from our distribution customers were relatively small in value individually, and amounted to less than RM0.50 million per customer.

Meanwhile, our total cash payments amounted to RM81.40 million, which mainly comprise the following key items:-

- (a) payment of RM45.73 million to our suppliers, mainly comprising our top 5 suppliers for the FYE 2017, i.e. Mothercare UK (RM19.29 million), Product Marketing Mayborn (RM7.01 million), ELC UK (RM1.43 million), B&G Baby & Maternity Distribution (M) Sdn Bhd (RM0.81 million) and Perroquet Bleu Corporation (RM0.79 million) for the purchases of Clothing, Home & Travel and Toys;
- (b) payment of RM9.52 million for the rental of our retail outlets;
- (c) payment of permanent staff costs of RM10.92 million, which includes staff salaries, sales commission and incentive, employees' EPF and SOCSO contributions, directors' remuneration and bonus;
- (d) payment of management service fees of RM4.22 million to our franchisors; and
- (e) payment of income tax amounting to RM4.96 million.

11. FINANCIAL INFORMATION (cont'd)**Net cash used in investing activities**

We recorded net cash used in investing activities of approximately RM3.96 million for the FYE 2017, due to:-

- (a) RM4.20 million mainly used for renovation costs, as well as the acquisition of furniture, fittings and equipment for our new outlet in Melawati Mall, as well as the relocation/expansion of our existing outlets in Pavilion KL, The Curve and Mid Valley. Our renovation costs also included renovation works for our headquarters and warehouses; and
- (b) RM0.24 million interest income received from cash deposits with a financial institution.

Net cash used in financing activities

Our net cash used in financing activities of approximately RM8.35 million for the FYE 2017 was due to:-

- (a) drawdown of borrowings amounting to RM0.50 million in order to maintain a minimum balance amount in our financing facilities to avoid early settlement penalty;
- (b) repayment of bank borrowing (inclusive of interest paid) of RM1.51 million, where the bank borrowings were used to purchase the properties held by Cheng Yean;
- (c) increase in amount due to our related companies, as compared to the previous FYE 2016, amounting to RM0.66 million arising from the purchase of inventories and corporate management fees charged to our Group; and
- (d) dividends paid to our shareholders amounting to RM8.00 million.

FYE 2018**Net cash from operating activities**

We recorded net cash from operating activities of RM6.26 million where cash receipts from our customers were offset by cash payments made to our suppliers, employees, landlords and our franchisors, dividend payments, as well as income tax payments. Our net cash from operating activities for the FYE 2018 was significantly lower than the FYE 2017 (RM12.15 million) due to payments made to our suppliers for purchases of inventory. We had increased our purchases during the FYE 2018 in order to cater for the opening of our new Johor flagship outlet in Mid Valley Southkey in April 2019, as well as the expansion of our existing KLCC outlet in FYE 2018.

Cash receipts from customers amounted to RM98.16 million, of which RM80.62 million were generated from general retail consumers at our retail sales channels, and RM17.54 million were from our distribution customers. Save for the cash receipts from Manjaku Baby Centre Sdn Bhd (RM1.35 million), Tesco Stores (M) Sdn Bhd (RM1.00 million), Able Potential Sdn Bhd (RM0.99 million), AEON Co (M) Bhd (RM0.85 million), Little Baby Marketing (RM0.65 million), Inayzi Enterprise (RM0.59 million) and Grand Baby Shop (RM0.52 million), the cash receipts from our distribution customers were relatively small in value individually, and amounted to less than RM0.50 million per customer.

11. FINANCIAL INFORMATION (cont'd)

Meanwhile, our total cash payments amounted to RM91.90 million, which mainly comprise the following key items:-

- (a) payment of RM51.36 million to our suppliers, mainly comprising some of our top 5 suppliers for the FYE 2018, i.e. Mothercare UK (RM20.19 million), Product Marketing Mayborn (RM8.41 million), Global Outsource (RM2.00 million), ELC UK (RM1.60 million) and Jiangsu Little Dinosaur Childrens Products Group Co. Ltd (RM1.11 million) for the purchases of Clothing, Home & Travel and Toys;
- (b) payment of RM10.52 million for the rental of our retail outlets;
- (c) payment of permanent staff costs of RM11.38 million, which includes staff salaries, sales commission and incentive, employees' EPF and SOCSO contributions, directors' remuneration and bonus;
- (d) payment of management service fees of RM4.25 million to our franchisors; and
- (e) payment of income tax amounting to RM4.90 million.

Net cash used in investing activities

We recorded net cash used in investing activities of approximately RM2.26 million for the FYE 2018, due to:-

- (a) RM1.84 million mainly used for renovation costs, and the acquisition of furniture, fittings and equipment for the expansion of our existing KLCC outlet;
- (b) RM0.57 million net cash outflow due to the disposal and discontinuation of operations of Cheng Year as the RM0.57 million relates to cash and bank balances of Cheng Year; and
- (c) RM0.21 million interest income received from cash deposits with a financial institution.

Net cash used in financing activities

Our net cash used in financing activities of approximately RM12.82 million for the FYE 2018 was mainly due to:-

- (a) dividends paid to our shareholders amounting to RM12.00 million;
- (b) fixed deposits pledged for bank guarantees amounting to RM0.74 million for refundable deposits for our tenancy agreements;
- (c) drawdown of borrowings amounting to RM0.13 million in order to maintain a minimum balance amount in our financing facilities to avoid early settlement penalty; and
- (d) repayment of bank borrowing (inclusive of interest paid) of RM0.14 million, where the bank borrowings were used to purchase the properties held by Cheng Year.

11. FINANCIAL INFORMATION (cont'd)**11.4.3 Capitalisation and indebtedness**

The table below summarises our deposits, cash and bank balances as well as capitalisation and indebtedness of our Group as at the LPD, and after taking into account the Public Issue as well as the utilisation of proceeds as set out in **Section 3.4** of this Prospectus. The proforma financial information below does not represent our Group's actual capitalisation and indebtedness as at the LPD and is provided for illustration purposes only.

	Unaudited As at 30 April 2019 (RM'000)	Pro forma After our IPO and utilisation of proceeds (RM'000)
Cash and cash equivalents	3,560	8,440
Indebtedness		
Short-term/ long-term indebtedness	-	-
Total indebtedness	-	-
Capitalisation		
Total shareholders' equity	40,817	69,697
Total capitalisation	40,817	69,697
Total capitalisation and indebtedness	<u>40,817</u>	<u>69,697</u>
Gearing ratio (times)⁽¹⁾	N/A	N/A

Note:-

(1) *The gearing ratio is not applicable as we did not have any borrowings as at the LPD.*

11.4.4 Borrowings

All of our borrowings outstanding as at 31 December 2015, 31 December 2016, and 31 December 2017 were interest bearing with interest ranging from 4.62% to 4.75% per annum. The bank borrowings were for the purchase of the properties held by Cheng Yean as disclosed in **Section 6.23.2(ii)** of this Prospectus.

As at 31 December 2018 and up to the LPD, our Group has no outstanding borrowings. We have not defaulted on payments on either interest and/or principal sums in respect of any borrowings throughout the past financial years under review and up to the LPD. Our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which could materially affect our financial position or business operations or the investment by holders of our securities.

11. FINANCIAL INFORMATION (cont'd)**11.4.5 Historical capital expenditure**

The following sets out our capital expenditure incurred over the financial years under review:-

	Audited							
	FYE 31 December							
	2015		2016		2017		2018	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Renovations, furniture, fixtures and fittings	1,600	66.64	406	53.56	3,108	73.61	1,119	59.11
Computer equipment	402	16.74	182	24.01	273	6.47	433	22.87
Operating, display and office equipment	169	7.04	109	14.38	817	19.35	292	15.43
Restoration costs	132	5.50	55	7.26	24	0.57	49	2.59
Motor vehicles	98	4.08	6	0.79	-	-	-	-
Total capital expenditure	2,401	100.00	758	100.00	4,222	100.00	1,893	100.00

Our capital expenditure mostly relates to the opening, expansion and refurbishment of new and existing outlets and associated renovation cost. These are primarily expenses for the design and fitting out of new stores, renovation costs together with replacement of equipment. Other expenses relating to the opening of new outlets comprises purchase of computer equipment and signage display units.

The capital expenditure at our headquarters comprises primarily of purchase and replacement of our office and warehouse equipment, renovation of our warehouses, as well as upgrading of our IT system.

11.4.6 Material capital commitments

There are no material capital commitments incurred or to be incurred by us that have not been provided for which, upon becoming enforceable, may have a material impact on our financial results or financial position as at the LPD. We expect to meet these capital commitments through the proceeds from the IPO.

11.4.7 Material divestures

Save as disclosed under **Section 5.4.1** of this Prospectus, there have not been any material divestures undertaken by our Group for the past financial years under review.

As at the LPD, we do not have any material divestures in progress, within or outside Malaysia.

11.4.8 Material litigation or claims

As at the LPD, neither our Company nor our subsidiaries is engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability.

11. FINANCIAL INFORMATION (cont'd)**11.4.9 Contingent liabilities**

As at the LPD, there are no material contingent liabilities which upon becoming enforceable may have a material impact on the financial position of our Group.

11.4.10 Key financial ratios

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
Average trade receivables turnover period (days) ⁽¹⁾	8.38	8.18	7.97	6.32
Average trade payables turnover period (days) ⁽²⁾	45.92	61.18	65.85	61.57
Average inventory turnover period (days) ⁽³⁾	203.48	219.90	224.16	240.14
Current ratio (times) ⁽⁴⁾	2.86	2.94	3.30	3.40
Gearing ratio (times) ⁽⁵⁾	0.09	0.02	^	N/A

Notes:-

- (1) Computed based on the average closing balance of trade receivables divided by revenue for the respective financial years multiplied by 365 days. Average closing balance was derived based on the sum of the closing balance of the previous financial year and closing balance of the financial year divided by 2.
- (2) Computed based on the average closing balance of trade payables divided by cost of sales for the respective financial years multiplied by 365 days. Average closing balance was derived based on the sum of the closing balance of the previous financial year and closing balance of the financial year divided by 2.
- (3) Computed based on the average closing balance of inventory divided by cost of sales for the respective financial years multiplied by 365 days. Average closing balance was derived based on the sum of the closing balance of the previous financial year and closing balance of the financial year, divided by 2.
- (4) Computed based on current assets over current liabilities.
- (5) Computed based on total borrowings over shareholders' equity.
- ^ Negligible.
- N/A Not applicable.

(i) Average trade receivables turnover days

For our retail segment, all sales transactions carried out in our retail outlets and Baby Expos are settled by cash or credit card (with a settlement period of 3 Market Days). Sales transactions from our retail segment represented more than 80% of our total revenue for the financial years under review.

For our distribution segment, we generally practice a cash-on-delivery basis, where we collect payment upon delivery of our products. We may also grant credit terms between 15 days to 90 days upon request from customers with long standing relationship with our Group or large corporate clients. Our credit terms granted to these customers are assessed and approved on a case-to-case basis taking into consideration, amongst others, our relationship with the customer, their payment history, transaction volume and credit worthiness.

11. FINANCIAL INFORMATION (cont'd)

A summary of our trade receivables for the financial years under review is set out as follows:-

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
Opening trade receivables (RM'000)	1,883	1,656	2,148	1,929
Closing trade receivables (RM'000)	1,656	2,148	1,929	1,454
Average trade receivables (RM'000)	1,770	1,902	2,039	1,692
Revenue (RM'000)	77,031	84,858	93,310	97,687
Average trade receivables turnover period (days)⁽¹⁾	8.38	8.18	7.97	6.32

Note:-

(1) Computed based on the average closing balance of trade receivables divided by revenue for the respective financial years multiplied by 365 days.

We have managed to maintain a significantly low trade receivables turnover period of approximately 6 to 8 days throughout the financial years under review. This was mainly attributed to our cash-on-delivery and strict credit control practices which includes setting credit limits to customers based on their payment history as well as periodic review and monitoring of their credit limits. We may also restrict purchases from customers who have exceeded their credit limits and/or credit terms.

We have not recorded bad debts for the financial years under review. Our Group will assess the collectability of trade receivables on an individual customer basis and impairment will be made for those customers where recoverability is uncertain.

Ageing analysis of our trade receivables as at 31 December 2018

As at 31 December 2018, the trade receivables of our Group can be analysed as follows:-

	Within credit period	Exceed credit period			Total
	15-90 days	1-30 days	31-60 days	61-90 days	
Trade receivables (RM'000)	1,198	207	43	6	1,454
Percentage of total trade receivables (%)	82.39	14.24	2.96	0.41	100.00
Subsequent collections as at the LPD (RM'000)	1,189	207	43	6	1,445
Outstanding trade receivables after subsequent collections (RM'000)	9	-	-	-	9

11. FINANCIAL INFORMATION (cont'd)

As at 31 December 2018, our total trade receivables stood at approximately RM1.45 million, of which approximately RM0.26 million or 17.61% exceeded the normal credit period.

As at the LPD, RM1.44 million of the total trade receivables outstanding as at 31 December 2018 have been collected.

There were no impairment of trade receivables for the financial years under review.

(ii) Average trade payables turnover days

Our trade payables represent the outstanding amounts payable by us to our suppliers. The normal credit period generally granted to us by our suppliers ranges between 30 days to 75 days.

A summary of our trade payables for the financial years under review is set out as follows:-

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
Opening trade payables (RM'000)	4,719	4,727	8,767	7,261
Closing trade payables (RM'000)	4,727	8,767	7,261	8,427
Average trade payables (RM'000)	4,723	6,747	8,014	7,844
Cost of sales (RM'000)	37,544	40,252	44,419	46,500
Average trade payables turnover period (days)⁽¹⁾	45.92	61.18	65.85	61.57

Note:-

- (1) Computed based on the average closing balance of trade payables divided by cost of sales for the respective financial years multiplied by 365 days.

To maintain good relationship with our suppliers, we will make payments to the suppliers as they fall due as evidenced by our average trade payables turnover period throughout the financial years under review, all of which are within the normal credit period granted by our suppliers.

As at the LPD, there is no dispute in respect of trade payables and no legal action initiated by our suppliers to demand for payment.

FYE 2015 to FYE 2016

We recorded a higher average trade payables turnover period of approximately 61 days in the FYE 2016 as compared to 46 days recorded in the previous financial year. This was mainly attributable to management's decision to maximise our existing credit period with our major suppliers, Mothercare UK and ELC UK (which are up to 75 days) to cater for higher purchases made in the fourth quarter of FYE 2016 for:-

- (i) the launch of our Mothercare online store in October 2016;
- (ii) the new outlet opening in AEON Tebrau City in December 2016; and
- (iii) the opening of our larger outlet in Pavilion KL in January 2017.

11. FINANCIAL INFORMATION (cont'd)**FYE 2016 to FYE 2017**

We recorded an average trade payables turnover period of approximately 66 days in FYE 2017, which was fairly consistent with the average turnover period recorded in the previous financial year as we had continued to maximise our existing credit period with our major suppliers, Mothercare UK and ELC UK (which are up to 75 days).

FYE 2017 to FYE 2018

Our average trade payables turnover period has been fairly consistent with the previous financial year. Our average trade payables turnover period decreased from approximately 66 days in FYE 2017 to 62 days in FYE 2018, which is within our existing credit period with our major suppliers, Mothercare UK and ELC UK (which are up to 75 days).

Ageing analysis of our trade payables as at 31 December 2018

As at 31 December 2018, our trade payables amounted to approximately RM8.43 million which can be analysed as follows:-

	Within credit period			Exceed credit period	Total
	0-30 days	31-60 days	61-75 days		
Trade payables (RM'000)	8,427	-	-	-	8,427
Percentage of total trade payables (%)	100.00	-	-	-	100.00
Subsequent payments as at the LPD (RM'000)	8,427	-	-	-	8,427
Outstanding trade payables as at the LPD (RM'000)	-	-	-	-	-

All our trade payables are within the normal credit period of 30 days to 75 days. As at the LPD, we have no outstanding trade payables.

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11. FINANCIAL INFORMATION (cont'd)**(iii) Average inventory turnover period**

Our inventory comprises our trading goods and goods-in-transit, at cost or net realisable value, whichever is lower, less any allowance provided for slow moving inventory.

Our inventory levels are, to a certain extent, dependent on the following factors:-

- (a) our practice of maintaining an average of 7 months stock to ensure that we have adequate inventory to cater for our operations given that our orders for Mothercare Clothing are only placed 4 times a year, and 2 times a year for Home & Travel and Toys (including ELC);
- (b) the frequency of our orders placed with our major suppliers, as well as the anticipated lead time for delivery and receipt of products; and
- (c) stocking of inventory to cater for future product launches or promotions, outlet openings/expansions, expansion of our distribution business, seasonal increases in sales and demand from our customers.

A summary of our inventory for the financial years under review is set out as follows:-

	Audited			
	FYE 31 December			
	2015	2016	2017	2018
Opening inventory (RM'000)	20,428	21,432	27,069	27,490
Closing inventory (RM'000)	21,432	27,069	27,490	33,695
Average inventory (RM'000)	20,930	24,251	27,280	30,593
Cost of sales (RM'000)	37,544	40,252	44,419	46,500
Average inventory turnover period (days)⁽¹⁾	203.48	219.90	224.16	240.14

Note:-

- (1) Computed based on the average closing balance of inventory divided by cost of sales for the respective financial years multiplied by 365 days.

Our inventory turnover period was on an upward trend from the FYE 2015 (203 days) to the FYE 2018 (240 days). Due to the nature of our business, it is important that we maintain a full range of products in our inventory to ensure that we are able to provide a comprehensive product mix to our customers.

11. FINANCIAL INFORMATION (cont'd)

We review our inventory ageing listing on a periodical basis to ascertain whether an allowance is required in the financial statements for any obsolete and/or slow moving items. In addition, we also conduct physical counts of our inventory on a periodical basis to determine whether any allowance is required to be made. Our physical stock counts are carried out in the following manner:-

- (i) a full stock count at our warehouses and outlets are carried out on a yearly basis; and
- (ii) cycle counting of the inventory (i.e. partial stock-counts of randomly selected brands or products) at all our outlets is carried out periodically, depending on the stock levels and requirements at the respective outlets.

Following our stock counts, we may provide an allowance for slow moving inventory based on the age of the stock, whereby a provision will be made for inventory with net realisable value that are below cost. We typically deem slow moving inventories as items which have not been sold for more than 2 years.

Our allowance for slow moving items for the financial years under review accounted for less than 1% of our inventory. This was mainly attributable to our practice of organising clearance sales and offering higher discounts for older products.

The following table sets out our inventories written off for the financial years under review:-

	Audited			
	As at 31 December			
	2015	2016	2017	2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Inventories written off	490	392	553	396

These inventories written off mainly comprise lost and damaged Clothing and Home & Travel products. These loss and damaged products were mainly due to mishandling of the products in the course of storing the products at the warehouse and delivery to the outlets as well as theft and discrepancies in the stock count. In order to further mitigate such risks, we have since implemented stringent measures to manage the levels of our inventories written off, such as penalizing our staff at our outlets with high levels of lost and damaged inventory, and reprimanding our warehouse employees for mishandling of our inventories.

FYE 2015 to FYE 2016

Our average inventory turnover period increased from approximately 203 days in FYE 2015 to 220 days in FYE 2016. This was mainly due to our decision to increase our inventories and stock holding period in FYE 2016 to cater for the launch of our Mothercare online store in October 2016, our new outlet opening in AEON Tebrau City in December 2016 and the relocation to a larger outlet to be opened in Pavilion KL in January 2017.

11. FINANCIAL INFORMATION (cont'd)**FYE 2016 to FYE 2017**

Our average inventory turnover period increased from approximately 220 days in the FYE 2016 to 224 days in the FYE 2017. This was mainly due to our management decision to increase our inventories and stock holding period in FYE 2017 to cater for new outlet opening in Melawati Mall in July 2017 and the relocation/expansion of our existing outlets in The Curve and Mid Valley during the FYE 2017. The high inventory turnover days was also attributed to the newly opened outlets requiring a longer gestation period to generate sales at the outlets.

FYE 2017 to FYE 2018

Our average inventory turnover period increased from approximately 224 days in the FYE 2017 to 240 days in the FYE 2018. This was mainly due to our management decision to increase our inventories and stock holding period in FYE 2018 to cater for the opening of our new Johor flagship outlet in Mid Valley Southkey in April 2019, as well as the expansion of our existing KLCC outlet during the FYE 2018.

(iv) Current ratio

Our current assets mainly comprise our inventories, trade receivables, other receivables, deposits and prepaid expenses, fixed deposits with licensed banks and cash and bank balance. Meanwhile, our current liabilities mainly comprise our trade payables, other payables, accrued expenses, short term borrowings and tax liabilities.

A summary of our current ratio for the financial years under review is set out as follows:-

	Audited			
	As at 31 December			
	2015	2016	2017	2018
Current assets (RM'000)	33,493	49,481	49,489	48,883
Current liabilities (RM'000)	11,705	16,854	14,991	14,372
Current ratio (times)⁽¹⁾	2.86	2.94	3.30	3.40

Note:-

(1) Computed based on current assets over current liabilities.

We have maintained a healthy and improving current ratio during the financial years under review.

Our current ratio increased from 2.86 times as at 31 December 2015 to 2.94 times as at 31 December 2016. This was mainly attributable to an increase in our cash and cash equivalents by RM9.10 million as at 31 December 2016.

Our current ratio further increased to 3.30 times as at 31 December 2017, which was mainly due to a decrease in our short term bank borrowings from RM1.14 million to RM0.13 million. Subsequently, our current ratio increased to 3.40 times as at 31 December 2018, due to the tax recoverable amounting to RM0.50 million which was overpaid during the financial year, as well as the full settlement of our short term bank borrowings.

11. FINANCIAL INFORMATION (cont'd)**(v) Gearing ratio**

A summary of our gearing ratio for the financial years under review is set out as follows:-

	Audited			
	As at 31 December			
	2015	2016	2017	2018
Total borrowings (RM'000)	4,198	1,140	132	-
Shareholders' equity (RM'000)	46,324	58,558	62,119	38,747
Gearing ratio (times)⁽¹⁾	0.09	0.02	^	N/A

Notes:-

(1) *The gearing ratio is not applicable as we did not have any indebtedness as at 31 December 2018.*

[^] *Negligible.*

Our gearing ratio decreased from 0.09 times as at 31 December 2015 to 0.02 times as at 31 December 2016 primarily due to repayment of bank borrowings of approximately RM3.06 million and the increase in our shareholders' equity.

Our gearing ratio was negligible as at 31 December 2017 as we have made further repayment of bank borrowings of approximately RM1.01 million and as our shareholders' equity increased.

As at 31 December 2018 and up to the LPD, our Group does not have any outstanding bank borrowings.

11.4.11 Type of financial instruments used

For the financial years under review, we have entered into forward contracts to partially hedge our exposure against foreign currency fluctuations for our purchases from our suppliers and payment of management service fees to our franchisors. These forward contracts, which are entered into on an as needed basis, enable us to purchase foreign denominated currencies at a predetermined rate.

Our outstanding forward contracts entered into as at 31 December 2015, 31 December 2016, 31 December 2017 and 31 December 2018 are as follows:-

	As at 31 December			
	2015	2016	2017	2018
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Forward contracts with:-				
- Hong Leong Bank Berhad	1,955	1,528	2,820	2,272
- AmBank (M) Berhad	4,093	3,348	1,036	2,841
- OCBC Bank (Malaysia) Berhad	-	-	696	861
Total	6,048	4,876	4,552	5,974

11. FINANCIAL INFORMATION (cont'd)**11.4.12 Treasury policies and objectives**

We have been financing our operations with a combination of internal and external sources of funds. Our internal funds comprise of cash generated from operating activities, while our external funds mainly comprise of credit and loan facilities from financial institutions. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding whereas, our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities.

The decision to either utilise banking facilities or internally generated funds for our operations depend on factors such as our cash reserves, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure and the prevailing interest rates of the banking facilities.

11.5 Trend information

We expect the following factors, in addition to the factors described in this **Section 11** and those included in **Section 4** of this Prospectus, to affect the results of our operations and financial condition moving forward:-

- (i) Our retail segment, which contributed more than 80% to our total revenue, had recorded an increasing revenue growth from the FYE 2015 to FYE 2017, whilst our retail segment revenue in FYE 2018 remained consistent with the revenue recorded in FYE 2017. We are confident that the revenue from the retail segment will continue to grow in the future in view of our future plans as set out in **Section 6.25** of this Prospectus. In particular, we expect our revenue to increase further over the next 3 years with:-
 - (a) the opening of 4 to 5 new Mothercare outlets and 3 to 4 The Entertainer toy outlets (after the conclusion and finalisation of the development agreement with The Entertainer UK) in the next 3 years; and
 - (b) the expansion or refurbishment of our existing Mothercare to increase our retail space;
- (ii) Similar to our retail segment, we also expect the revenue from our distribution segment to grow as we continue servicing and expanding our distribution points and as we secure new brands with good demand potential to increase our product portfolio;
- (iii) We achieved a fairly consistent GP margin of approximately 51.26%, 52.57%, 52.40% and 52.40% for the FYE 2015, FYE 2016, FYE 2017 and FYE 2018 respectively. We hope to maintain the same range of GP margins in the future. However, this would depend on, amongst others, our continued ability to offer the optimal product mix to our customers, and manage our cost of sales efficiently;
- (iv) We hope to grow our PBT by prudently managing and monitoring our operating costs such as rental expenses, staff costs and outlet expenses; and
- (v) The potential financial impact on our retained earnings pursuant to the adoption of MFRS 16 'Leases' in the FYE 2019, details of which are set out in Note 2 of the Accountants' Report, **Section 12** of this Prospectus.

11. FINANCIAL INFORMATION (cont'd)

Our Board confirms that as at the LPD, there are no:-

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, positions and operations, other than the events relating to the Mothercare plc and ELC Disposal as set out in **Section 4.2.2** of this Prospectus as well as other factors disclosed under **Sections 4, 6 and 11** of this Prospectus;
- (ii) material capital commitments;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed under **Sections 4 and 11** of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our total revenue and/or profits save for those that have been disclosed in **Sections 6, 7 and 11** of this Prospectus.
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position, other than those disclosed in **Sections 4 and 11** of this Prospectus; and
- (vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources, other than those disclosed in **Sections 6, 7 and 11** of this Prospectus.

11.6 Dividend policy

Upon Listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group whilst maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In this regard, our Board intends to adopt a dividend payout policy of not less than 40% of our annual audited net profit attributable to our shareholders. Any dividend declared will be subject to the recommendation of our Board and any final dividends declared will be subject to the approval of our shareholders at our AGM.

Our ability to pay dividends to our shareholders is dependent upon a number of factors, including our level of cash and retained earnings, gearing, results of our operations, anticipated capital expenditure requirement, financial conditions and any other factors considered relevant by our Board. Actual dividend proposed and declared may vary depending on our financial performance and cash flow and may be waived if the payment of dividends would adversely affect our cash flow and operations.

You should take note that this dividend policy only describes our present intention and shall not constitute legally binding statements in respect of our future dividend distributions, which may be subject to modification at our Board's absolute discretion.

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12. ACCOUNTANTS' REPORT

Deloitte

Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur

ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus of
Kim Hin Joo (Malaysia) Berhad)

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The Board of Directors

Kim Hin Joo (Malaysia) Berhad

Wisma Pang Cheng Yean,

Lot 5205C, Jalan Perindustrian Balakong Jaya 1/3,

Kawasan Perindustrian Balakong Jaya,

43300 Seri Kembangan,

Selangor Darul Ehsan.

Dear Sirs,

Independent Audit Opinion on the financial information contained in the Accountants' Report of Kim Hin Joo (Malaysia) Berhad ("KHJ" or "the Company")

We have audited the financial information contained in the Accountants' Report of Kim Hin Joo (Malaysia) Berhad and its subsidiary companies (the "Group"), which comprise the consolidated statements of financial position of the Group as at 31 December 2018, 31 December 2017, 31 December 2016 and 31 December 2015 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the financial year ended ("FYE") 31 December 2018, FYE 31 December 2017, FYE 31 December 2016 and FYE 31 December 2015 and notes to the financial information, including a summary of significant accounting policies and other explanatory information, as set out on pages 1 to 83 of the Accountants' Report.

This historical financial information has been prepared for inclusion in the prospectus of Kim Hin Joo (Malaysia) Berhad in connection with the proposed listing of and quotation for entire enlarged issued share capital of Kim Hin Joo (Malaysia) Berhad on the ACE Market of Bursa Malaysia Securities Berhad ("the Proposed Listing"). This report is given for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the accompanying financial information as contained in the Accountants' Report give a true and fair view of the financial position of the Group as at 31 December 2018, 31 December 2017, 31 December 2016 and 31 December 2015 and of its financial performance and its cash flows for the FYE 31 December 2018, FYE 31 December 2017, FYE 31 December 2016 and FYE 31 December 2015 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

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 *Reporting Accountants' Responsibilities for the Audit of the Financial Information* 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 in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Directors for the Financial Information

The Directors are responsible for the preparation of financial information as contained in the Accountants' Report that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial information as contained in the Accountants' Report that are free from material misstatement, whether due to fraud or error.

In preparing the financial information as contained in the Accountants' Report, the Directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information as contained in the Accountants' Report 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 information as contained in the Accountants' Report.

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information as contained in the Accountants' Report, 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 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 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 information as contained in the Accountants' Report 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information as contained in the Accountants' Report, including the disclosures, and whether the financial information as contained in the Accountants' Report represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial information as contained in the Accountants' Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

Other Matters

- (a) This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by Securities Commission Malaysia and for inclusion in the prospectus of Kim Hin Joo (Malaysia) Berhad in connection with the proposed listing of and quotation of entire enlarged issued share capital of Kim Hin Joo (Malaysia) Berhad on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purpose. We do not assume responsibility to any other person for the content of this report.

- (b) We did not come across any significant events between the dates of the most recent audited financial statements used in the preparation of the Accountants' Report and the date of this report which will affect materially the contents of this report.

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


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

29 May 2019

12. ACCOUNTANTS' REPORT (cont'd)

1.0 Purpose of Report

This report has been compiled by Deloitte PLT, an approved company auditor, for inclusion in the prospectus to be issued by Kim Hin Joo (Malaysia) Berhad (“KHJ” or “the Company”) in connection with the proposed listing and quotation of the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (the “Proposed Listing”) and should not be relied upon for any other purpose.

2.0 General Information**2.1 Background**

The Company was incorporated in Malaysia under the Companies Act, 1965 on 10 February 1978 as a private limited liability company.

On 31 October 2018, the Company has converted to a public company. Accordingly, its name changed from Kim Hin Joo (Malaysia) Sdn Bhd to Kim Hin Joo (Malaysia) Berhad.

The Company is a subsidiary company of Kim Hin International Pte Ltd (“KHI”), of which is incorporated in Singapore, and is regarded by the Directors of the Company (“Directors”) as the Company’s ultimate holding company.

The principal activity of the Company is retailing of maternity, baby and children’s wear and product. The nature of the principal activities of the Company’s subsidiary companies are disclosed in Section 2.3 of this Accountants’ Report. The Company is domiciled in Malaysia and the address of its principal place of business and registered office are as follows:

Principal place of business and registered office

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

2.2 Share Capital

Subsequent to the date of incorporation, the issued share capital of the Company was increased from RM2 comprising 2 ordinary shares to RM1,000,000 comprising 1,000,000 ordinary shares by the issue and allotment of 999,998 new ordinary shares at RM1 each on 20 November 1978. On 26 June 2018, the share capital of the Company was further increased from 1,000,000 to 304,000,000 by way of issuance of 303,000,000 new ordinary shares (“bonus shares”) pursuant to a bonus issue exercise undertaken by the Company on the basis of 303 bonus shares for every 1 existing ordinary share held by the shareholders of the Company.

12. ACCOUNTANTS' REPORT (cont'd)

The bonus shares issued rank pari passu in all material respects with the then existing shares of the Company.

Details of the changes in the issued share capital of the Company since incorporation are as follows:

Date of allotment	No. of ordinary shares	Total RM
10 February 1978 (Date of incorporation)	2	2
20 November 1978	999,998	999,998
26 June 2018	303,000,000	-
	304,000,000	1,000,000

2.3 Information on Subsidiary Companies

The details of the subsidiary companies of the Company are disclosed below.

Name of entities	Principal place of business/ Country of incorporation	Principal activities	Proportion of ownership interest and voting power held by the Group			
			FYE 2018 %	FYE 2017 %	FYE 2016 %	FYE 2015 %
Held by the Company:						
Global Product Solutions Sdn Bhd ("GPSSB")	Malaysia	Distribution of maternity and children's products.	100	100	100	100
Global Retail Network Sdn Bhd ("GRNSB")	Malaysia	Distribution of children's and maternity apparels.	100	100	100	-
Cheng Yean Properties Sdn Bhd ("CYPSB") # * ^	Malaysia	Letting out property with maintenance supports.	-	100	100	100
Eldercare Solutions Sdn Bhd ("ESSB") *	Malaysia	Dormant	100	100	100	100

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

Name of entities	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest			
			FYE	FYE	FYE	FYE
			2018	2017	2016	2015
			%	%	%	%
Held through a subsidiary company, GPSSB:						
Global Retail Network Sdn Bhd ("GRNSB")	Malaysia	Distribution of children's and maternity apparels.	-	-	-	100 ^{^^}

The shares of CYPSB were registered in the names of two Directors of CYPSB who are holding the shares in trust for the Company.

* Audited by firms other than Deloitte PLT.

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

- (a) Disposal of 315,000 ordinary shares, representing 90% equity interest in CYPSB to Pang Kim Hin at a consideration of RM1,690,460; and
- (b) Disposal of 35,000 ordinary shares, representing 10% equity interest in CYPSB to Dato' Pang Leong Hoon at a consideration of RM187,829.

The transactions were completed on 28 June 2018. Upon completion of the disposal, the Company no longer has control over CYPSB and CYPSB ceased to be a subsidiary company of the Group and became a related party of the Group.

^^ On 15 September 2016, GPSSB had disposed of its entire equity interests in GRNSB to the Company and subsequently, GRNSB became a direct wholly-owned subsidiary company of the Company.

12. ACCOUNTANTS' REPORT (cont'd)**2.4 Dividends**

The dividends paid by Kim Hin Joo (Malaysia) Berhad were as follows:

	Amount of dividend RM
Ordinary shares	
<u>In respect of financial year ended 31 December 2015</u>	
A first interim dividend of RM5 per share, amounting to RM5,000,000 was declared and paid out in respect of the financial year ended 31 December 2015	5,000,000
<u>In respect of financial year ended 31 December 2017</u>	
A first interim dividend of RM8 per share, amounting to RM8,000,000 was declared and paid out in respect of the financial year ended 31 December 2017	8,000,000
<u>In respect of financial year ended 31 December 2018</u>	
A first interim dividend of RM0.11 per share, amounting to RM34,484,289 was declared in respect of the financial year ended 31 December 2018*	<u>34,484,289</u>
	<u>47,484,289</u>

* The dividend obligation was satisfied in the following manner:

	KHI ^ RM	Pang Kim Hin RM	Dato' Pang Leong Hoon RM	Total RM
Dividend declared and payable to	(31,035,860)	-	(3,448,429)	(34,484,289)
Dividend paid	10,800,000	-	1,200,000	12,000,000
Dividend assigned by KHI to Pang Kim Hin	20,235,860	(20,235,860)	-	-
Set off against amount owing by the new shareholders ^^	-	18,540,000	2,060,000	20,600,000
Set off against total consideration and related disposal expenses incurred for the disposal of CYPSSB#	-	1,695,860	188,429	1,884,289
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

[^] In 2018, a holding company, KHI declared a dividend of RM20,235,860 to its shareholders, in which, Mr Pang Kim Hin, a major shareholders, has paid the said dividend on behalf of KHI to the remaining shareholders.

On 27 June 2018, the Company declared a first interim dividend of RM31,035,860 to its holding company, KHI. The said interim dividend has been settled through cash amounting to RM10,800,000 and the balance of RM20,235,860 has been assigned to Mr Pang Kim Hin, as part of the settlement on the amount owing by KHI to Mr Pang Kim Hin as mentioned above.

^{^^} Following the disposal of CYPSB as mentioned in item 2.3, the new shareholders of CYPSB assumed the amount owing to KHJ of RM20,600,000 and the amount owing to KHJ was fully offset against the dividend declared by the Company.

[#] The Company and the new shareholders have entered into an arrangement to offset the total consideration and the related disposal expenses incurred on the disposal of CYPSB against the dividend declared by the Company.

3.0 Audited Financial Statements and Auditors

The audited financial statements and auditors of the Company and its subsidiary companies for the relevant financial years are as follows:

Company	Financial years ended	Auditors
Kim Hin Joo (Malaysia) Berhad (formerly known as Kim Hin Joo (Malaysia) Sdn Bhd)	31 December 2018 and 31 December 2017 31 December 2016 and 31 December 2015	Deloitte PLT, Malaysia Deloitte PLT, Malaysia S.L. Tan & Co., Malaysia S.L. Tan & Co. Malaysia
Global Product Solutions Sdn Bhd	31 December 2018 and 31 December 2017 31 December 2016 and 31 December 2015	Deloitte PLT, Malaysia Deloitte PLT, Malaysia S.L. Tan & Co., Malaysia S.L. Tan & Co., Malaysia
Global Retail Network Sdn Bhd	31 December 2018 and 31 December 2017 31 December 2016 and 31 December 2015	Deloitte PLT, Malaysia Deloitte PLT, Malaysia S.L. Tan & Co., Malaysia S.L. Tan & Co., Malaysia

12. ACCOUNTANTS' REPORT (cont'd)

Company	Financial years ended	Auditors
Cheng Yean Properties Sdn Bhd	31 December 2017, 31 December 2016 and 31 December 2015	S.L. Tan & Co. Malaysia
Eldercare Solutions Sdn Bhd	31 December 2018, 31 December 2017, 31 December 2016 and 31 December 2015	S.L. Tan & Co. Malaysia

The auditors' reports on the financial statements of the above companies for the relevant financial years were not subject to any material modifications or disclaimer. For the financial years ended 31 December 2016 and 2015, the financial statements were prepared based on Malaysian Private Entities Reporting Standards ("MPERS"). The financial statements for the financial years ended 31 December 2016 and 2015 were re-prepared by Management to comply with Malaysian Financial Reporting Standards ("MFRSs") and were re-audited by Deloitte PLT for the purpose of inclusion in the prospectus to be issued by KHJ in connection with the Proposed Listing and should not be relied upon for any other purpose.

4.0 Basis of Preparation of Consolidated Financial Information in this Report

The financial information presented in this report have been compiled from the audited financial statements of the Group which comprise the consolidated statements of financial position as at 31 December 2018, 31 December 2017, 31 December 2016 and 31 December 2015 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the FYE 31 December 2018, FYE 31 December 2017, FYE 31 December 2016 and FYE 31 December 2015 and notes to the financial statements, including a summary of accounting policies and other explanatory information. They are set out in Section 5.0 in this report.

This historical financial information has been prepared for inclusion in the prospectus of Kim Hin Joo (Malaysia) Berhad in connection with the Proposed Listing. This report is given for the purpose of complying with the Prospectus Guidelines issued by the SC and for no other purpose.

12. ACCOUNTANTS' REPORT (cont'd)

SECTION 5.0

**HISTORICAL FINANCIAL INFORMATION
OF THE KHJ GROUP FOR THE RELEVANT PERIODS**

12. ACCOUNTANTS' REPORT (cont'd)

KIM HIN JOO (MALAYSIA) BERHAD
(Incorporated in Malaysia)**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	Note	← The Group Audited →			
		FYE 31.12.2018 RM	FYE 31.12.2017 RM	FYE 31.12.2016 RM	FYE 31.12.2015 RM
Continuing operations					
Revenue	5	97,687,076	93,310,437	84,857,929	77,030,607
Cost of sales	6	<u>(46,500,193)</u>	<u>(44,419,761)</u>	<u>(40,251,876)</u>	<u>(37,543,993)</u>
Gross profit		51,186,883	48,890,676	44,606,053	39,486,614
Other operating income		885,591	731,874	1,483,764	560,895
Selling and marketing costs		(1,953,024)	(1,719,466)	(1,508,107)	(1,505,420)
Administration and other operating expenses		(34,654,969)	(31,620,727)	(28,156,892)	(26,764,722)
Finance costs		<u>(13,193)</u>	<u>(21,547)</u>	<u>(28,865)</u>	<u>(28,333)</u>
Profit before tax	6	15,451,288	16,260,810	16,395,953	11,749,034
Tax expense	7	<u>(3,900,589)</u>	<u>(3,896,301)</u>	<u>(3,994,479)</u>	<u>(3,048,791)</u>
Profit from continuing operations		<u>11,550,699</u>	<u>12,364,509</u>	<u>12,401,474</u>	<u>8,700,243</u>

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

KIM HIN JOO (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONT'D)**

Note	← The Group Audited →				
	FYE 31.12.2018 RM	FYE 31.12.2017 RM	FYE 31.12.2016 RM	FYE 31.12.2015 RM	
Discontinued operations					
Loss from discontinued operations, net of tax	8	(438,354)	(803,923)	(167,168)	(496,071)
Profit and total comprehensive income for the year	<u>11,112,345</u>	<u>11,560,586</u>	<u>12,234,306</u>	<u>8,204,172</u>	
Basic earnings/ (loss) per ordinary share (sen)					
- from continuing operations	9	3.80	4.07	4.08	2.86
- from discontinued operations	9	(0.14)	(0.26)	(0.06)	(0.16)
Net basic earnings per share		<u>3.66</u>	<u>3.81</u>	<u>4.02</u>	<u>2.70</u>

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

12. ACCOUNTANTS' REPORT (cont'd)

KIM HIN JOO (MALAYSIA) BERHAD
(Incorporated in Malaysia)**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	The Group Audited			
		At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	4,074,021	27,320,345	13,574,763	14,992,892
Investment properties	11	-	-	12,179,246	12,179,246
Deferred tax assets	12	169,272	330,365	204,043	137,114
Total Non-Current Assets		<u>4,243,293</u>	<u>27,650,710</u>	<u>25,958,052</u>	<u>27,309,252</u>
Current Assets					
Inventories	13	33,694,812	27,489,903	27,068,684	21,431,558
Trade receivables	14	1,454,452	1,928,784	2,148,481	1,656,054
Other receivables, deposits and prepaid expenses	15	5,571,352	4,374,949	4,397,588	3,624,731
Amount due from other related companies	23	46,308	-	-	-
Tax recoverable		526,128	-	-	13,684
Fixed deposits with licensed banks	16	739,000	6,005,178	4,000,000	-
Cash and bank balances		6,851,329	9,690,483	11,866,731	6,767,006
Total Current Assets		<u>48,883,381</u>	<u>49,489,297</u>	<u>49,481,484</u>	<u>33,493,033</u>
Total Assets		<u>53,126,674</u>	<u>77,140,007</u>	<u>75,439,536</u>	<u>60,802,285</u>

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)**KIM HIN JOO (MALAYSIA) BERHAD**

(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	← The Group Audited →			
		At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
EQUITY					
Equity and Reserve					
Share capital	18	1,000,000	1,000,000	1,000,000	1,000,000
Retained earnings		37,746,748	61,118,692	57,558,106	45,323,800
Total Equity		<u>38,746,748</u>	<u>62,118,692</u>	<u>58,558,106</u>	<u>46,323,800</u>
LIABILITIES					
Non-current Liabilities					
Deferred tax liabilities	12	8,126	29,984	5,207	20,899
Borrowing	20	-	-	22,595	2,752,949
Total Non-current Liabilities		<u>8,126</u>	<u>29,984</u>	<u>27,802</u>	<u>2,773,848</u>
Current Liabilities					
Trade payables	21	8,427,019	7,260,786	8,767,112	4,726,913
Other payables, accrued expenses and provision	22	5,362,709	6,412,022	5,705,458	5,093,083
Borrowing	20	-	132,125	1,116,970	1,445,180
Amount due to holding company	23	-	76,638	-	-
Amount due to other related companies	23	582,072	573,698	-	544
Tax liabilities		-	536,062	1,264,088	438,917
Total Current Liabilities		<u>14,371,800</u>	<u>14,991,331</u>	<u>16,853,628</u>	<u>11,704,637</u>
Total Liabilities		<u>14,379,926</u>	<u>15,021,315</u>	<u>16,881,430</u>	<u>14,478,485</u>
Total Equity and Liabilities		<u>53,126,674</u>	<u>77,140,007</u>	<u>75,439,536</u>	<u>60,802,285</u>

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

12. ACCOUNTANTS' REPORT (cont'd)**KIM HIN JOO (MALAYSIA) BERHAD**
(Incorporated in Malaysia)**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

The Group	Note	<i>Attributable to the owners of the parent</i>		Total equity RM
		Share capital RM	Distributable reserve - Retained earnings RM	
At 1 January 2015		1,000,000	42,119,628	43,119,628
Total comprehensive income for the year		-	8,204,172	8,204,172
Dividend	19	-	(5,000,000)	(5,000,000)
At 31 December 2015/1 January 2016		1,000,000	45,323,800	46,323,800
Total comprehensive income for the year		-	12,234,306	12,234,306
As at 31 December 2016/1 January 2017		1,000,000	57,558,106	58,558,106
Total comprehensive income for the year		-	11,560,586	11,560,586
Dividend	19	-	(8,000,000)	(8,000,000)
At 31 December 2017/1 January 2018		1,000,000	61,118,692	62,118,692
Total comprehensive income for the year		-	11,112,345	11,112,345
Dividend	19	-	(34,484,289)	(34,484,289)
At 31 December 2018		<u>1,000,000</u>	<u>37,746,748</u>	<u>38,746,748</u>

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

12. ACCOUNTANTS' REPORT (cont'd)**KIM HIN JOO (MALAYSIA) BERHAD**
(Incorporated in Malaysia)**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	← The Group Audited →			
	FYE 31.12.2018 RM	FYE 31.12.2017 RM	FYE 31.12.2016 RM	FYE 31.12.2015 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax from continuing operations:	15,451,288	16,260,810	16,395,953	11,749,034
(Loss)/Profit before tax from discontinued operations:	(341,934)	(567,639)	99,598	(290,073)
Total profit before tax	15,109,354	15,693,171	16,495,551	11,458,961
Adjustments for:				
Interest income	(207,627)	(236,806)	(96,348)	(89,540)
Depreciation of property, plant and equipment	2,573,637	2,655,715	2,176,240	2,248,227
Unwinding of interest expense	13,193	21,547	28,865	28,333
Finance costs on borrowing	2,630	5,349	12,962	77,472
Allowance for doubtful debts	-	-	19,903	-
Allowance for doubtful debts no longer required	(3,509)	(16,394)	-	-
Gain on disposal of a subsidiary company	(214,464)	-	-	-

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)**KIM HIN JOO (MALAYSIA) BERHAD**

(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	← The Group → Audited			
	FYE	FYE	FYE	FYE
	31.12.2018	31.12.2017	31.12.2016	31.12.2015
	RM	RM	RM	RM
Gain on disposal of property, plant and equipment	-	-	(1,540)	-
Allowance for slow moving inventories no longer required	(219,442)	-	-	-
Allowance for slow moving inventories	-	63,539	113,872	87,168
Inventories written off	396,274	553,179	391,507	489,849
Property, plant and equipment written off	1,400	-	-	32,777
Unrealised loss/(gain) on foreign exchange	(33,432)	(14,451)	39,630	46,230
Operating Profit Before Working Capital Changes	17,418,014	18,724,849	19,180,642	14,379,477
(Increase)/Decrease in:				
Inventories	(6,381,741)	(1,037,937)	(6,142,505)	(1,580,259)
Trade receivables	477,450	236,091	(512,330)	227,040
Other receivables, deposits and prepaid expenses	(697,400)	22,641	(772,857)	(751,994)
(Decrease)/Increase in:				
Trade payables	1,230,289	(1,491,339)	4,004,432	165,437
Other payables, accrued expenses and provision	(882,445)	661,422	528,451	1,246,502
(Forward)				

12. ACCOUNTANTS' REPORT (cont'd)**KIM HIN JOO (MALAYSIA) BERHAD**
(Incorporated in Malaysia)**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)**

	Note	The Group			
		← Audited →			
		FYE 31.12.2018 RM	FYE 31.12.2017 RM	FYE 31.12.2016 RM	FYE 31.12.2015 RM
Cash Generated From Operations		11,164,167	17,115,727	16,285,833	13,686,203
Income tax paid		(4,904,501)	(4,962,156)	(3,518,695)	(3,479,105)
Income tax refunded		-	-	13,684	-
Net Cash From Operating Activities		<u>6,259,666</u>	<u>12,153,571</u>	<u>12,780,822</u>	<u>10,207,098</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	10	(1,844,715)	(4,198,456)	(703,512)	(2,269,228)
Net cash outflow on disposal of a subsidiary company	24	(574,965)	-	-	-
Acquisition of investment property		-	-	-	(12,179,246)
Proceeds from disposal of property, plant and equipment		-	-	2,000	-
Increase in amount due from other related companies		(46,666)	-	-	-
Interest income received		207,627	236,806	96,348	89,540
Net Cash Used In Investing Activities		<u>(2,258,719)</u>	<u>(3,961,650)</u>	<u>(605,164)</u>	<u>(14,358,934)</u>

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)**KIM HIN JOO (MALAYSIA) BERHAD**
(Incorporated in Malaysia)**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)**

		The Group			
		Audited			
		FYE	FYE	FYE	FYE
		31.12.2018	31.12.2017	31.12.2016	31.12.2015
Note		RM	RM	RM	RM
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Drawdown of borrowing	20	126,000	504,000	419,000	2,200,000
Repayment of borrowing	20	(133,239)	(1,511,440)	(3,477,564)	(1,180,300)
Interest paid		(2,630)	(5,349)	(12,962)	(77,472)
(Decrease)/Increase in amount due to holding company	20	(77,146)	76,342	-	-
Increase/(Decrease) in amount due to other related companies	20	2,583	583,266	(536)	544
Fixed deposits pledged	16	(739,000)	-	-	-
Dividends paid	19	(12,000,000)	(8,000,000)	-	(5,000,000)
Net Cash Used In Financing Activities		(12,823,432)	(8,353,181)	(3,072,062)	(4,057,228)

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)**KIM HIN JOO (MALAYSIA) BERHAD**
(Incorporated in Malaysia)**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)**

	← The Group → Audited			
	FYE	FYE	FYE	FYE
	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Note	RM	RM	RM	RM
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(8,822,485)	(161,260)	9,103,596	(8,209,064)
Effects of exchange rate differences on the balance of cash held in foreign currencies	(21,847)	(9,810)	(3,871)	(207,251)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>15,695,661</u>	<u>15,866,731</u>	<u>6,767,006</u>	<u>15,183,321</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	17 <u>6,851,329</u>	<u>15,695,661</u>	<u>15,866,731</u>	<u>6,767,006</u>

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

12. ACCOUNTANTS' REPORT (cont'd)**KIM HIN JOO (MALAYSIA) BERHAD**
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

The Company was a private limited liability company, incorporated and domiciled in Malaysia.

On 31 October 2018, the Company has converted to a public company. Accordingly, its name changed from Kim Hin Joo (Malaysia) Sdn Bhd to Kim Hin Joo (Malaysia) 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" and individually referred to as "Group entities").

The principal activity of the Company is retailing of maternity, baby and children's wear and product. The information on the name, principal activities and proportion of ownership interest held by the Company in each subsidiary company is as disclosed below:

Name of entities	Principal place of business/ Country of incorporation	Principal activities	Proportion of ownership interest and voting power held by the Group			
			FYE 2018	FYE 2017	FYE 2016	FYE 2015
			%	%	%	%
Held by the Company:						
Global Product Solutions Sdn Bhd ("GPSSB") **	Malaysia	Distribution of maternity and children's products.	100	100	100	100
Global Retail Network Sdn Bhd ("GRNSB") **	Malaysia	Distribution of children's and maternity apparels.	100	100	100	-

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

Name of entities	Principal place of business/ Country of incorporation	Principal activities	Proportion of ownership interest and voting power held by the Group			
			FYE 2018 %	FYE 2017 %	FYE 2016 %	FYE 2015 %
Held by the Company:						
Cheng Yean Properties Sdn Bhd ("CYPSB") ^{#**^}	Malaysia	Letting out property with maintenance supports.	-	100	100	100
Eldercare Solutions Sdn Bhd [*]	Malaysia	Dormant	100	100	100	100
Held through a subsidiary company (GPSSB):						
Global Retail Network Sdn Bhd ("GRNSB") ^{**}	Malaysia	Distribution of children's and maternity apparels.	-	-	-	100 ^{^^}

[#] The shares of CYPSB were registered in the names of two directors of the Company who were holding the shares in trust for the Company.

^{*} Audited by firms other than Deloitte PLT.

^{**} Audited by firms other than Deloitte PLT for FYE 31 December 2016 and FYE 31 December 2015.

[^] On 4 June 2018, the Company entered into share sale agreements to dispose of its entire equity interests in CYPSB in which the transactions were completed on 28 June 2018 and CYPSB ceased to be a subsidiary company of the Company.

^{^^} On 15 September 2016, GPSSB disposed of its entire equity interests in GRNSB to the Company and subsequently, GRNSB became a direct wholly-owned subsidiary company of the Company.

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.

12. ACCOUNTANTS' REPORT (cont'd)

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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards, solely in connection with the Proposed Listing and should not be relied upon for any other purpose.

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

Adoption of New MFRSs, Amendments to MFRSs and Issues Committee Interpretation ("IC Interpretation")

In the current financial year, the Group adopted all the new MFRSs, Amendments to MFRSs and IC Interpretation issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to its operations and effective for financial periods commencing on or after 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications)
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

The adoption of these new MFRSs, Amendments to MFRSs and IC Interpretation did not result in significant changes in the accounting policies of the Group and had no significant effect on the financial performance or position of the Group except for the adoption of MFRS 9 and MFRS 15 as disclosed in Note 27.

12. ACCOUNTANTS' REPORT (cont'd)**New Standards, Amendments and IC Interpretation in issue but not yet effective**

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

MFRS 16	Leases ¹
Amendments to MFRS 3	Definition of a Business ²
Amendments to MFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to MFRS 101 and MFRS 108	Definition of Material ²
Amendments to MFRS 10 and MFRS 128	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle ¹
IC Interpretation 23	Uncertainty over Income Tax Payments ¹
Amendments to References on the Conceptual Framework in MFRS Standards ²	

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective date deferred to a date to be determined and announced by MASB, with earlier application permitted.

The Directors anticipate that abovementioned Standards, Amendments and IC Interpretations will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standard, Amendments and IC Interpretations will have no material impact on the financial statements of the Group in the period of initial application except as discussed below:

MFRS 16 'Leases' supersedes MFRS 117 'Leases'

MFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The Standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss and other comprehensive income will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest expense and depreciation, so key metrics like earnings before interest, tax, depreciation and amortisation ("EBITDA") will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest expense can continue to be presented as operating cash flows.

12. ACCOUNTANTS' REPORT (cont'd)

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under MFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has assessed the estimated financial impact on its financial statements as at 1 January 2019 upon initial application of MFRS 16. As allowed by the transitional provision of MFRS 16, the Group has elected the modified retrospective approach with no restatement of comparative and the cumulative adjustments resulting from the initial application of MFRS 16 to be recognised in retained earnings as at 1 January 2019.

A preliminary assessment indicates that the Group will recognise a right-of-use assets of RM14,844,512. Correspondingly, lease liabilities and deferred tax assets of RM15,988,547 and RM177,712 will be recognised by the Group in respect of all leases. The potential impact on retained earnings is to decrease by RM966,323 for the Group.

3. SIGNIFICANT ACCOUNTING POLICIES**Basis of Accounting**

The financial statements of the Group 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 takes 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 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

12. ACCOUNTANTS' REPORT (cont'd)

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.

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

12. ACCOUNTANTS' REPORT (cont'd)

- 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 year are included in the consolidated 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 their 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 profit 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 interest 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.

12. ACCOUNTANTS' REPORT (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 liability are accounted for in accordance with relevant MFRS. Changes in the fair value of contingent consideration classified as equity are not recognised.

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

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

- deferred tax assets or 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.

12. ACCOUNTANTS' REPORT (cont'd)

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.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary company, all of the assets and liabilities of that subsidiary company are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary company after the sale.

When the Group is committed for sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with MFRS 9 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue

Prior to the adoption of MFRS 15, the Group's revenue is recognised at fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. With the adoption of MFRS 15 "Revenue from Contracts with Customers" in FYE 2018, the Group's revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer.

12. ACCOUNTANTS' REPORT (cont'd)

A contract with their customer exists when the contract has commercial substance, the Group and its customers have approved the contract and intend to perform their respective obligations, the Group'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 will collect the consideration to which it will be entitled to in exchange of those goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects 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 estimates 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, are as follows:

Sale of goods

The Group sells their maternity, baby 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). 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. A receivable is recognised by the Group 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.

Rental income

Rental income is recognised on straight-line basis in accordance with the substance of the relevant agreements entered into.

12. ACCOUNTANTS' REPORT (cont'd)

Interest income

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

From 1 January 2018, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Prior to 1 January 2018 and until 31 December 2017, when a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

Dividend income

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

Foreign currencies**Functional and presentation currency**

The individual financial statements of each entity in the Group is measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

Foreign currency transactions

The individual financial statements of each individual entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements of the Group, 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.

12. ACCOUNTANTS' REPORT (cont'd)

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 year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year 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 year, 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 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 year when the asset is realised or the liability 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 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.

12. ACCOUNTANTS' REPORT (cont'd)

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 intends to settle its current tax assets and liabilities on a net basis.

Employee BenefitsShort-term benefits

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

Defined contribution plan

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

Impairment of Assets

At the end of each reporting period, the Group reviews the carrying amounts of its 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 estimates 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.

12. ACCOUNTANTS' REPORT (cont'd)

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.

Leasing

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

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss. The cost of an item of property, plant and equipment includes the costs of its dismantlement, removal or restoration, the obligation for which the Group incurs 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 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.

12. ACCOUNTANTS' REPORT (cont'd)

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

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

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

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

Investment Properties

Investment properties, comprising certain freehold land and buildings, are properties held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the period the investment property is derecognised.

12. ACCOUNTANTS' REPORT (cont'd)

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 cost and includes all costs in bringing the inventories to their present location and condition.

Provisions

Provisions are made when the Group has 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 will be required to settle the obligation.

Adoption of MFRS 9 Financial Instruments

On 1 January 2018, the Group adopted MFRS 9 with date of initial application of 1 January 2018 and has elected not to restate the comparative information. The new accounting policies are set out as below:

Classification and measurement of financial assetClassification

Effective from 1 January 2018, the Group classifies its financial assets to 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.

12. ACCOUNTANTS' REPORT (cont'd)

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 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 reclassifies debt investments when and only when its 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 commits 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 has transferred substantially all the risks and rewards of ownership.

Measurement

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

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

Debt instruments

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

Amortised cost

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

12. ACCOUNTANTS' REPORT (cont'd)**FVTOCI**

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

FVTPL

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

Equity instruments

The Group subsequently measures 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 right to receive payments is established.

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

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

12. ACCOUNTANTS' REPORT (cont'd)

The Group has three types of financial instruments that are subject to the expected credit loss ("ECL") model:

- Trade receivables
- Other receivables
- Amount owing from other related companies

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

ECL represents 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 expects 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 and amount owing from other related companies

At the end of each reporting period, the Group measures 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. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Note 25 sets out the measurement details of the ECL model.

- (b) Simplified approach for trade receivables

The Group applies an ECL model based on simplified approach which applies lifetime ECL for all trade receivables.

Note 25 sets out the measurement details of ECL.

12. ACCOUNTANTS' REPORT (cont'd)

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group defines a financial instrument as in default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

12. ACCOUNTANTS' REPORT (cont'd)

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

Groupings of instruments for ECL measured on collective basis

(a) Collective assessment

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics, geographical location and the days past due.

(b) Individual assessment

Trade and other receivables which are in default or credit-impaired are assessed individually. Amount owing from subsidiary companies and other related companies in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each amount owing from subsidiary companies and other related companies.

Write off

(a) Trade receivables

Trade receivables 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 a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables are presented as net impairment losses within profit before taxes. Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) Other receivables and amount owing from subsidiary companies and other related companies

12. ACCOUNTANTS' REPORT (cont'd)

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

Classification and measurement of financial liabilities

The changes in the fair value of the financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

The Group has adopted MFRS 9 based on modified retrospective approach with date of initial application of 1 January 2018 and has elected not to restate comparative information.

As a result, the comparative information disclosed prior to date of initial application continues to be accounted for in accordance with the Group's policy as disclosed below:

MFRS 139 Financial Instruments

Financial instruments are recognised in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

12. ACCOUNTANTS' REPORT (cont'd)**Financial assets**

Financial assets are classified into the following specified categories: financial asset 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The financial assets of the Group are classified as "loans and receivables".

Effective interest method ("EIR")

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

At the end of each reporting period, financial assets that are measured at cost or at amortised cost are assessed as to whether there is objective evidence of impairment. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For a financial asset measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For a financial asset measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the end of the reporting period.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in profit or loss.

12. ACCOUNTANTS' REPORT (cont'd)

Derecognition of financial assets

Financial assets are derecognised when the contractual right to receive cash flows from the asset has expired or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may had to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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 also on the definition 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. Ordinary shares are classified as equity. 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 'other financial liabilities'. The financial liabilities of the Group are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including trade payables, other payables and accrued expenses, borrowing, amount due to holding company and amount due to other related companies, are initially measured at fair value, net of transaction costs.

12. ACCOUNTANTS' REPORT (cont'd)

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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 net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group'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.

Statements of Cash Flows

The Group adopts the indirect method in the preparation of the consolidated statements of cash flows.

Cash and cash equivalents comprise fixed deposits with licensed banks and cash and bank balances 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 JUDGEMENTS AND ESTIMATION UNCERTAINTY**(i) Critical judgements in applying the Group's accounting policies**

In the process of applying the Group'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 year except for the following:

12. ACCOUNTANTS' REPORT (cont'd)

(a) Depreciation of Property, Plant and Equipment

The cost of property, plant and equipment except for freehold land, is depreciated on a straight-line basis over the assets' useful lives. The Group reviews the remaining useful lives of property, plant and equipment at the end of each reporting period and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in useful lives of property, plant and equipment may result in revision of future depreciation charges.

Details of the depreciation charged and the carrying amount of the property, plant and equipment are disclosed in Note 10.

(b) Allowance for slow moving inventories

The Group reviews the inventory aged listing on a periodic basis. The purpose is to ascertain whether an allowance is required in the financial statements for any slow moving items. In addition, the Group conducts physical counts on its inventories on a periodic basis in order to determine whether any allowance is required to be made. The Directors had satisfied themselves that no allowance for slow moving inventories is required at the end of the reporting period in the financial statements.

(c) Provision for restoration costs

The Group uses best estimates as the basis for measuring a provision. Management evaluates the estimates based on the Group'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.

12. ACCOUNTANTS' REPORT (cont'd)**5. REVENUE**

	The Group			
	Audited			
	FYE 31.12.2018 RM	FYE 31.12.2017 RM	FYE 31.12.2016 RM	FYE 31.12.2015 RM
Trading of baby, children's apparels and maternity products:				
Retail	78,097,335	77,380,714	70,518,610	64,774,224
Distribution	19,589,741	15,929,723	14,339,319	12,256,383
	<u>97,687,076</u>	<u>93,310,437</u>	<u>84,857,929</u>	<u>77,030,607</u>

Included in the Distribution segment of the Group, are revenue derived from the sale of baby, children's apparels and maternity products at Baby Expos and online sales channels amounting to RM2,156,315 (FYE 2017: RM2,877,702; FYE 2016: RM2,173,458; FYE 2015: RM1,488,959).

6. OPERATING COSTS APPLICABLE TO REVENUE

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

	The Group			
	Audited			
	FYE 31.12.2018 RM	FYE 31.12.2017 RM	FYE 31.12.2016 RM	FYE 31.12.2015 RM
Continuing operations				
Purchase of trading goods	52,528,270	44,224,262	45,383,623	37,970,218
Net change in inventories of trading goods and goods-in-transit	(6,204,909)	(421,219)	(5,637,126)	(1,003,242)
Employee benefits expense	12,120,669	11,754,544	10,548,469	9,574,670
Rental of premises	10,794,559	9,688,433	9,232,387	8,567,973

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

	← The Group Audited →			
	FYE	FYE	FYE	FYE
	31.12.2018	31.12.2017	31.12.2016	31.12.2015
	RM	RM	RM	RM
Depreciation of property, plant and equipment (Note 10)	2,324,245	2,139,591	1,881,335	1,954,155
Management service fees	4,166,522	4,372,497	4,168,899	3,790,016
Other operating expenses	7,378,830	6,001,846	4,339,288	4,960,345
	<u>83,108,186</u>	<u>77,759,954</u>	<u>69,916,875</u>	<u>65,814,135</u>
Discontinued operations (Note 8)				
Depreciation of property, plant and equipment (Note 10)	249,392	516,124	294,905	294,072
Other operating expenses	89,912	189,891	132,535	107,239
	<u>339,304</u>	<u>706,015</u>	<u>427,440</u>	<u>401,311</u>

12. ACCOUNTANTS' REPORT (cont'd)

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

	The Group			
	Audited			
	FYE 31.12.2018 RM	FYE 31.12.2017 RM	FYE 31.12.2016 RM	FYE 31.12.2015 RM
Continuing operations				
Inventories written off (Note 13)	396,274	553,179	391,507	489,849
Allowance for slow moving inventories no longer required (Note 13)	(219,442)	-	-	-
Allowance for slow moving inventories (Note 13)	-	63,539	113,872	87,168
Audit fees				
Current	138,886	100,970	56,200	70,640
Under-provision in prior year	-	48,729	4,208	5,290
Gain on disposal of property, plant and equipment	-	-	(1,540)	-
Gain on disposal of a subsidiary company (Note 24)	(214,464)	-	-	-
Property, plant and equipment written off	1,400	-	-	(32,777)
(Gain)/Loss on foreign exchange:				
Realised	(106,688)	(21,688)	(81,555)	331,641
Unrealised	(33,432)	(14,451)	39,630	46,230

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

	← The Group Audited →			
	FYE 31.12.2018 RM	FYE 31.12.2017 RM	FYE 31.12.2016 RM	FYE 31.12.2015 RM
	Continuing operations			
Compensation of key management personnel who are the Directors of the Group are as follows:				
Executive Directors:				
Salaries and bonus	150,460	252,160	250,170	225,470
Contributions to EPF	17,964	30,276	30,037	28,604
Director's fees	7,500	3,000	3,000	3,000
Non-executive Directors:				
Director's fees	26,250	5,000	5,000	5,000
Allowance for doubtful debt (Note 14)	-	-	19,903	-
Allowance for doubtful debt no longer required (Note 14)	(3,509)	(16,394)	-	-
Interest income	(207,627)	(236,806)	(96,348)	(89,540)
Incentive income	(171,193)	(211,386)	(332,888)	(322,730)
Sales tax refund	-	-	(611,734)	-
Marketing income	(21,694)	(77,419)	(81,993)	(82,167)
Finance costs on unwinding of interest expense of provision for restoration cost (Note 22)	13,193	21,547	28,865	28,333
Discontinued operations				
Audit fees	1,167	3,000	2,800	2,620
Finance costs on borrowings	2,630	5,349	12,962	77,472

Employee benefits expense includes salaries, bonuses, contributions to EPF and all other staff related expenses. Contributions to EPF by the Group during the current financial year amounted to RM1,189,463 (FYE 2017: RM1,061,087; FYE 2016: RM1,036,410; FYE 2015: RM976,057).

12. ACCOUNTANTS' REPORT (cont'd)**7. TAX EXPENSE**

	The Group			
	Audited			
	FYE 31.12.2018 RM	FYE 31.12.2017 RM	FYE 31.12.2016 RM	FYE 31.12.2015 RM
Continuing operations				
Estimated tax payable:				
Current year	3,736,822	3,979,211	4,082,641	2,985,244
Real Property Gain (RPGT)	76,414			
Under/(Over) provision in prior years	(51,868)	18,635	(5,541)	32,902
	3,761,368	3,997,846	4,077,100	3,018,146
Deferred tax (Note 12):				
Origination of temporary differences	88,523	(54,407)	(82,433)	12,642
(Over)/Under provision in prior years	50,698	(47,138)	(188)	18,003
	139,221	(101,545)	(82,621)	30,645
Tax expense	3,900,589	3,896,301	3,994,479	3,048,791
Discontinued operations				
Estimated tax payable:				
Current year	96,420	236,284	266,946	180,998
(Over)/Under provision in prior years	-	-	(180)	25,000
Tax expense	96,420	236,284	266,766	205,998
Total tax expense	3,997,009	4,132,585	4,261,245	3,254,789

12. ACCOUNTANTS' REPORT (cont'd)

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

	← The Group Audited →			
	FYE 31.12.2018 RM	FYE 31.12.2017 RM	FYE 31.12.2016 RM	FYE 31.12.2015 RM
Profit/(Loss) before tax:				
From continuing operations	15,451,553	16,260,810	16,395,953	11,749,034
From discontinued operations	(341,934)	(567,639)	99,598	(290,073)
	<u>15,109,619</u>	<u>15,693,171</u>	<u>16,495,551</u>	<u>11,458,961</u>
Tax expense at the applicable tax rate of 24% (FYE 2017: 24%; FYE 2016: 24%; FYE 2015: 25%)	3,626,309	3,766,361	3,958,932	2,864,740
Tax effects of:				
Non-deductible expenses	346,927	418,990	339,401	318,172
Non-taxable income	(51,471)	(24,263)	(31,179)	(4,028)
RPGT	76,414	-	-	-
Under/(Over) provision of current tax in prior years	(51,868)	18,635	(5,721)	57,902
(Over)/Under provision of deferred tax in prior years	50,698	(47,138)	(188)	18,003
Tax expense	<u>3,997,009</u>	<u>4,132,585</u>	<u>4,261,245</u>	<u>3,254,789</u>

12. ACCOUNTANTS' REPORT (cont'd)**8. DISCONTINUED OPERATIONS**

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

- (a) Disposal of 315,000 ordinary shares, representing 90% equity interest in CYPSB to Pang Kim Hin at a consideration of RM1,690,460; and
- (b) Disposal of 35,000 ordinary shares, representing 10% equity interest in CYPSB to Dato' Pang Leong Hoon at a consideration of RM187,829.

The transactions were completed on 28 June 2018 and resulted in a gain on disposal of subsidiary company of RM214,464 recognised in profit or loss (Note 6 and 24). Upon completion of the disposal, the Company no longer has control over CYPSB and CYPSB ceased to be a subsidiary company of the Group and became a related party of the Group.

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

	The Group			
	Audited			
	FYE 31.12.2018 RM	FYE 31.12.2017 RM	FYE 31.12.2016 RM	FYE 31.12.2015 RM
<i>Loss for the year from discontinued operations</i>				
Revenue	-	142,500	540,000	188,710
Cost of sales	(339,304)	(705,831)	(427,440)	(401,311)
	(339,304)	(563,331)	112,560	(212,601)
Other operating income	-	1,225	-	-
Selling and marketing costs	-	(184)	-	-
Finance costs (Note 6)	(2,630)	(5,349)	(12,962)	(77,472)

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

	← The Group Audited →			
	FYE 31.12.2018	FYE 31.12.2017	FYE 31.12.2016	FYE 31.12.2015
	RM	RM	RM	RM
(Loss)/Profit before tax	(341,934)	(567,639)	99,598	(290,073)
Tax expense	(96,420)	(236,284)	(266,766)	(205,998)
Loss for the year from discontinued operations	<u>(438,354)</u>	<u>(803,923)</u>	<u>(167,168)</u>	<u>(496,071)</u>
<i>Cash flows from/(used in) discontinued operations</i>				
Net cash (used in)/from operating activities	(32,449)	(322,251)	792,969	(631,889)
Net cash used in investing activities	(42,866)	(8,250)	(6,000)	(12,179,246)
Net cash (used in)/from financing activities	<u>(9,869)</u>	<u>(1,012,789)</u>	<u>(3,071,526)</u>	<u>942,228</u>
Net cash outflows	<u>(85,184)</u>	<u>(1,343,290)</u>	<u>(2,284,557)</u>	<u>(11,868,907)</u>

12. ACCOUNTANTS' REPORT (cont'd)**9. EARNINGS PER SHARE**

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 Audited →			
	FYE 31.12.2018	FYE 31.12.2017	FYE 31.12.2016	FYE 31.12.2015
	RM	RM	RM	RM
Profit from continuing operations	11,550,699	12,364,509	12,401,474	8,700,243
Loss from discontinued operations (Note 8)	(438,354)	(803,923)	(167,168)	(496,071)
Profit for the year	11,112,345	11,560,586	12,234,306	8,204,172
Weighted average number of ordinary shares for the purpose of basic earnings per share	304,000,000	304,000,000	304,000,000	304,000,000
	← Audited →			
	FYE 31.12.2018	FYE 31.12.2017	FYE 31.12.2016	FYE 31.12.2015
	Sen	Sen	Sen	Sen
Basic earnings/ (loss) per share:				
From continuing operations	3.80	4.07	4.08	2.86
From discontinued operations	(0.14)	(0.26)	(0.06)	(0.16)
Total basic earnings per share	3.66	3.81	4.02	2.70

12. ACCOUNTANTS' REPORT (cont'd)**10. PROPERTY, PLANT AND EQUIPMENT**

The Group	Freehold land RM	Buildings RM	Motor vehicles RM	Computer equipment RM	Renovation, furniture and fittings and electrical fittings RM	Operating, display and office equipment RM	Restoration costs RM	Total RM
Cost								
At 1 January 2015	2,437,847	9,751,387	649,505	1,380,324	10,154,612	1,494,412	249,393	26,117,480
Additions	-	-	97,799	402,660	1,599,570	169,199	132,071	2,401,299
Written off	-	-	-	-	(76,990)	(1,304)	-	(78,294)
At 31 December 2015/								
1 January 2016	2,437,847	9,751,387	747,304	1,782,984	11,677,192	1,662,307	381,464	28,440,485
Additions	-	-	5,640	182,899	405,685	109,288	55,059	758,571
Disposals	-	-	(4,590)	-	(354,492)	(1,534)	-	(360,616)
At 31 December 2016/								
1 January 2017	2,437,847	9,751,387	748,354	1,965,883	11,728,385	1,770,061	436,523	28,838,440
Transferred from investment property (Note 11)	2,435,849	9,743,397	-	-	-	-	-	12,179,246
Additions	-	-	-	273,494	3,108,380	816,582	23,595	4,222,051
Written off	-	-	-	(5,528)	(334,651)	(23,600)	-	(363,779)
At 31 December 2017/								
1 January 2018	4,873,696	19,494,784	748,354	2,233,849	14,502,114	2,563,043	460,118	44,875,958
(Forward)								

12. ACCOUNTANTS' REPORT (cont'd)

The Group	Freehold land RM	Buildings RM	Motor vehicles RM	Computer equipment RM	Renovation, furniture and fittings and electrical fittings RM	Operating, display and office equipment RM	Restoration costs RM	Total RM
Cost								
At 1 January 2018	4,873,696	19,494,784	748,354	2,233,849	14,502,114	2,563,043	460,118	44,875,958
Additions	-	-	-	432,976	1,119,215	292,524	48,765	1,893,480
Disposal of a subsidiary company (Note 24)	(4,873,696)	(19,494,784)	-	-	(64,766)	-	-	(24,433,246)
Written off	-	-	-	(39,942)	(367,526)	(11,249)	-	(418,717)
Reclassification	-	-	-	-	95,440	(95,440)	-	-
At 31 December 2018	-	-	748,354	2,626,883	15,284,477	2,748,878	508,883	21,917,475
Accumulated Depreciation								
At 1 January 2015	-	511,947	460,934	1,052,984	8,125,401	1,011,259	82,358	11,244,883
Charge for the year	-	292,542	108,331	241,567	1,307,598	187,664	110,525	2,248,227
Written off	-	-	-	-	(44,651)	(866)	-	(45,517)
At 31 December 2015/ 1 January 2016	-	804,489	569,265	1,294,551	9,388,348	1,198,057	192,883	13,447,593
Charge for the year	-	292,542	74,016	289,022	1,214,136	193,285	113,239	2,176,240
Disposals	-	-	(4,130)	-	(354,492)	(1,534)	-	(360,156)
At 31 December 2016/ 1 January 2017	-	1,097,031	639,151	1,583,573	10,247,992	1,389,808	306,122	15,263,677

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

The Group	Freehold land RM	Buildings RM	Motor vehicles RM	Computer equipment RM	Renovation, furniture and fittings and electrical fittings RM	Operating, display and office equipment RM	Restoration costs RM	Total RM
Accumulated Depreciation								
At 1 January 2017	-	1,097,031	639,151	1,583,573	10,247,992	1,389,808	306,122	15,263,677
Charge for the year	-	511,768	59,994	263,911	1,509,495	230,725	79,822	2,655,715
Written off	-	-	-	(5,528)	(334,651)	(23,600)	-	(363,779)
At 31 December 2017/								
1 January 2018	-	1,608,799	699,145	1,841,956	11,422,836	1,596,933	385,944	17,555,613
Charge for the year	-	243,685	22,314	324,864	1,650,262	282,689	49,823	2,573,637
Disposal of a subsidiary company (Note 24)	-	(1,852,484)	-	-	(15,995)	-	-	(1,868,479)
Written off	-	-	-	(38,543)	(367,526)	(11,248)	-	(417,317)
Reclassification	-	-	-	-	(1,917)	1,917	-	-
At 31 December 2018	-	-	721,459	2,128,277	12,687,660	1,870,291	435,767	17,843,454
Net Book Value								
At 31 December 2015	2,437,847	8,946,898	178,039	488,433	2,288,844	464,250	188,581	14,992,892
At 31 December 2016	2,437,847	8,654,356	109,203	382,310	1,480,393	380,253	130,401	13,574,763
At 31 December 2017	4,873,696	17,885,985	49,209	391,893	3,079,278	966,110	74,174	27,320,345
At 31 December 2018	-	-	26,895	498,606	2,596,817	878,587	73,116	4,074,021
			48					

12. ACCOUNTANTS' REPORT (cont'd)

- (a) The Group's freehold land and building with carrying amount of RMNil (31.12.2017: RM10,799,661; 31.12.2016: RM11,092,203; 31.12.2015: RM11,384,745) is charged to a bank for loan facilities as disclosed in Note 20.
- (b) Included in property, plant and equipment of the Group are fully depreciated assets which are still in use with total cost of RM14,424,956 (31.12.2017: RM12,150,058; 31.12.2016: RM10,893,802; 31.12.2015: RM9,100,080).
- (c) During the financial year ended 31 December 2017, the Group transferred freehold land and building from investment properties as disclosed in Note 11.

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

	The Group			
	Audited			
	At 31.12.2018	At 31.12.2017	At 31.12.2016	At 31.12.2015
	RM	RM	RM	RM
Additions of property, plant and equipment	1,893,480	4,222,051	758,571	2,401,299
Less: Provision for restoration costs (Note 22)	<u>(48,765)</u>	<u>(23,595)</u>	<u>(55,059)</u>	<u>(132,071)</u>
Payments by cash	<u>1,844,715</u>	<u>4,198,456</u>	<u>703,512</u>	<u>2,269,228</u>

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

	The Group			
	FYE 31.12.2018	FYE 31.12.2017	FYE 31.12.2016	FYE 31.12.2015
	RM	RM	RM	RM
From continuing operations (Note 6)	2,324,245	2,139,591	1,881,335	1,954,155
From discontinued operations (Note 6)	<u>249,392</u>	<u>516,124</u>	<u>294,905</u>	<u>294,072</u>
Charge for the year	<u>2,573,637</u>	<u>2,655,715</u>	<u>2,176,240</u>	<u>2,248,227</u>

12. ACCOUNTANTS' REPORT (cont'd)**11. INVESTMENT PROPERTIES**

	← The Group Audited →			
	At 31.12.2018	At 31.12.2017	At 31.12.2016	At 31.12.2015
	RM	RM	RM	RM
<u>At fair value</u>				
Freehold land and building:				
At beginning of year	-	12,179,246	12,179,246	-
Addition	-	-	-	12,179,246
Transferred to property, plant and equipment (Note 10)	-	(12,179,246)	-	-
At end of year	-	-	12,179,246	12,179,246

The fair value of the investment properties is estimated by reference to market evidence of transaction prices for similar properties.

In the end of the previous reporting period, the fair value of the Group's investment properties is measured using Level 3 valuation technique as disclosed in Note 3.

In 2017, the Group determined that freehold land and building amounting to RM12,179,246 will be owner-occupied. Therefore, they no longer meet the criteria based on MFRS 140 *Investment property* to qualify as investment properties and had transferred to property, plant and equipment.

The rental income earned by the Group from its investment properties amounted to RMNil (FYE 2017: RM142,500; FYE 2016: RM540,000; FYE 2015: RM188,710). Direct operating expenses pertaining to the investment properties of the Group that generated rental income during the financial year amounted to RMNil (FYE 2017: RM84,100; FYE 2016: RM180,504; FYE 2015: RM82,187).

12. ACCOUNTANTS' REPORT (cont'd)**12. DEFERRED TAX ASSETS/(LIABILITIES)**

	← The Group Audited →			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
At beginning of year	300,381	198,836	116,215	146,860
Transfer from/(to) profit or loss (Note 7):				
Property, plant and equipment	(75,981)	96,010	15,143	(96,910)
Inventories	(52,666)	15,250	27,329	20,920
Trade receivables	(842)	(3,935)	4,777	-
Trade payables	(9,754)	(13,710)	(2,697)	12,210
Other payables and accrued expenses	2,700	(2,904)	17,928	-
Provision for restoration costs	(2,678)	10,834	20,141	33,135
	(139,221)	101,545	82,621	(30,645)
Disposals of a subsidiary company (Note 24):				
Property, plant and equipment	(14)	-	-	-
At end of year	<u>161,146</u>	<u>300,381</u>	<u>198,836</u>	<u>116,215</u>

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

	← The Group Audited →			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
Deferred tax assets	169,272	330,365	204,043	137,114
Deferred tax liabilities	(8,126)	(29,984)	(5,207)	(20,899)
	<u>161,146</u>	<u>300,381</u>	<u>198,836</u>	<u>116,215</u>

12. ACCOUNTANTS' REPORT (cont'd)

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

	← The Group Audited →			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
Deferred tax liabilities (before offsetting)				
Temporary differences arising from:				
Property, plant and equipment	(8,853)	(34,718)	(9,931)	(20,899)
Trade payables	(13,888)	(4,134)	-	-
	(22,741)	(38,852)	(9,931)	(20,899)
Offsetting	14,615	8,868	4,724	-
Deferred tax liabilities (after offsetting)	(8,126)	(29,984)	(5,207)	(20,899)
Deferred tax assets (before offsetting)				
Temporary differences arising from:				
Property, plant and equipment	23,720	125,580	4,846	671
Inventories	10,833	63,499	48,249	20,920
Trade receivables	-	842	4,777	-
Trade payables	-	-	9,513	12,210
Other payables and accrued expenses	17,724	15,024	17,928	-
Provision for restoration costs	131,610	134,288	123,454	103,313
	183,887	339,233	208,767	137,114
Offsetting	(14,615)	(8,868)	(4,724)	-
Deferred tax assets (after offsetting)	169,272	330,365	204,043	137,114

12. ACCOUNTANTS' REPORT (cont'd)**13. INVENTORIES**

	The Group Audited			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
At cost:				
- Trading goods	30,796,940	23,031,384	24,182,046	19,392,025
- Goods-in-transit	2,943,009	4,723,098	3,087,678	2,126,701
	<u>33,739,949</u>	<u>27,754,482</u>	<u>27,269,724</u>	<u>21,518,726</u>
Less: Allowance for slow moving inventories	<u>(45,137)</u>	<u>(264,579)</u>	<u>(201,040)</u>	<u>(87,168)</u>
	<u>33,694,812</u>	<u>27,489,903</u>	<u>27,068,684</u>	<u>21,431,558</u>

The cost of inventories recognised as an expense by the Group during the financial year was RM46,500,193 (FYE 2017: RM44,419,761; FYE 2016: RM40,251,876; FYE 2015: RM37,543,992). Inventories written off of the Group amounted to RM396,274 (FYE 2017: RM553,179; FYE 2016: RM391,507; FYE 2015: RM489,849).

Movement of allowance for slow moving inventories is as follows:

	The Group Audited			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
At beginning of year/period	264,579	201,040	87,168	-
Allowance no longer required (Note 6)	(219,442)	-	-	-
Allowance for the year/period (Note 6)	<u>-</u>	<u>63,539</u>	<u>113,872</u>	<u>87,168</u>
At end of year	<u>45,137</u>	<u>264,579</u>	<u>201,040</u>	<u>87,168</u>

12. ACCOUNTANTS' REPORT (cont'd)**14. TRADE RECEIVABLES**

	The Group Audited			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
Trade receivables	1,454,452	1,932,293	2,168,384	1,656,054
Less: Allowance for doubtful debts	-	(3,509)	(19,903)	-
Trade receivables - net	1,454,452	1,928,784	2,148,481	1,656,054

The currency exposure profile for trade receivables is as follows:

	The Group Audited			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
Ringgit Malaysia	1,403,850	1,928,784	2,148,481	1,656,054
United States Dollar	50,602	-	-	-
Trade receivables - net	1,454,452	1,928,784	2,148,481	1,656,054

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

The credit period granted to the customers for sale of goods ranges from 15 days to 90 days (31.12.2017: 15 days to 90 days; 31.12.2016: 15 days to 90 days; 31.12.2015: 15 days to 90 days). The Group's historical experience in collection of trade receivables falls within the recorded allowances and management believes that there is no additional credit risk beyond the allowances made.

Included in the Group's trade receivables balance are debtors with a carrying amount of RM256,168 (31.12.2017: RM293,570; 31.12.2016: RM191,078; 31.12.2015: RM886,320) which are past due at the end of the reporting period for which the Group has not provided for doubtful debts as there has not been a significant change in credit quality and the Group believes that the amounts are considered fully recoverable. The Group does not hold any collateral over these balances. The aging of these past due receivables ranges from 15 to over 90 days (31.12.2017: 15 to over 90 days; 31.12.2016: 15 to over 90 days; 31.12.2015: 15 to over 90 days).

12. ACCOUNTANTS' REPORT (cont'd)

An analysis of trade receivables is as follows:

	The Group Audited			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
Not impaired				
- not past due	1,198,284	1,635,214	1,957,403	769,734
- past due by:				
1 to 30 days	207,120	230,175	185,743	386,200
31 to 60 days	43,108	50,024	1,039	462,425
More than 60 days	5,958	13,371	4,296	37,695
Past due and impaired	-	3,509	19,903	-
	<u>1,454,452</u>	<u>1,932,293</u>	<u>2,168,384</u>	<u>1,656,054</u>

Movement in the allowance for doubtful debts is as follows:

	The Group Audited			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
At beginning of year	3,509	19,903	-	-
Allowance for the year (Note 6)	-	-	19,903	-
Allowance no longer required (Note 6)	<u>(3,509)</u>	<u>(16,394)</u>	<u>-</u>	<u>-</u>
At end of year	<u>-</u>	<u>3,509</u>	<u>19,903</u>	<u>-</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was granted up to the end of the reporting period.

12. ACCOUNTANTS' REPORT (cont'd)**15. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES**

	The Group Audited			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
Other receivables	1,290,238	1,071,207	1,149,250	881,041
Refundable deposits	3,685,391	3,131,632	2,929,345	2,473,965
Prepaid expenses	595,723	172,110	318,993	269,725
	<u>5,571,352</u>	<u>4,374,949</u>	<u>4,397,588</u>	<u>3,624,731</u>

Refundable deposits comprise of tenancy deposits paid in respect of retail shop units and warehouses whereas prepaid expenses comprise of prepaid insurance and rental.

The Group had secured bank guarantee from a financial institution amounting to RM739,000 for tenancy agreements entered into. The bank guarantee is secured by certain fixed deposits as disclosed in Note 16.

The currency exposure profile of other receivables, deposits and prepayments are as follows:

	The Group Audited			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
Ringgit Malaysia	4,802,482	4,043,765	3,983,092	3,516,902
United States Dollar	747,365	285,100	414,181	101,540
Australian Dollar	21,201	45,780	-	-
Singapore Dollar	304	304	315	309
British Pound	-	-	-	5,980
	<u>5,571,352</u>	<u>4,374,949</u>	<u>4,397,588</u>	<u>3,624,731</u>

12. ACCOUNTANTS' REPORT (cont'd)**16. FIXED DEPOSITS WITH LICENSED BANKS**

The fixed deposits as at 31.12.2018 earned interest at rate of 3.15% (31.12.2017: 3.10% to 3.60%; 31.12.2016: 3.10% to 3.60%; 31.12.2015: Nil) per annum with maturity period of 12 months (31.12.2017: 4 to 35 days; 31.12.2016: 4 to 35 days; 31.12.2015: Nil).

Included in fixed deposits with licensed banks are deposits pledged for bank guarantees granted to the Group amounting to RM739,000 (FYE 2017: RMNil; FYE 2016: RMNil; FYE 2015: RMNil) as disclosed in Note 15.

17. CASH AND CASH EQUIVALENTS

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

	The Group			
	Audited			
	At	At	At	At
	31.12.2018	31.12.2017	31.12.2016	31.12.2015
	RM	RM	RM	RM
Fixed deposits with licensed banks	739,000	6,005,178	4,000,000	-
Cash and bank balances	6,851,329	9,690,483	11,866,731	6,767,006
	7,590,329	15,695,661	15,866,731	6,767,006
Less: Fixed deposits Pledged (Note 16)	(739,000)	-	-	-
	<u>6,851,329</u>	<u>15,695,661</u>	<u>15,866,731</u>	<u>6,767,006</u>

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

	The Group			
	Audited			
	At	At	At	At
	31.12.2018	31.12.2017	31.12.2016	31.12.2015
	RM	RM	RM	RM
Ringgit Malaysia	5,743,884	7,546,612	10,304,252	5,775,046
British Pound	1,099,786	1,168,657	1,233,770	791,573
United States Dollar	4,068	610,270	29,120	200,387
Singapore Dollar	3,591	364,944	299,589	-
	<u>6,851,329</u>	<u>9,690,483</u>	<u>11,866,731</u>	<u>6,767,006</u>

12. ACCOUNTANTS' REPORT (cont'd)

18. SHARE CAPITAL

	The Group Audited							
	At 31.12.2018		At 31.12.2017		At 31.12.2016		At 31.12.2015	
	No. of shares	RM	No. of shares	RM	No. of shares	RM	No. of shares	RM
Authorised								
Ordinary shares	-	-	-	-	1,000,000	1,000,000	1,000,000	1,000,000
Issued								
Ordinary shares								
At beginning of year	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Issuance of ordinary share under bonus issue	303,000,000	-	-	-	-	-	-	-
At end of year	304,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

The Company's issued and fully paid-up share capital comprised ordinary shares with a par value of RM1 each. The new Companies Act 2016, which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

On 26 June 2018, the Company increased its issued ordinary share capital from 1,000,000 to 304,000,000 by way of issuance of 303,000,000 new ordinary shares ("bonus shares") pursuant to a bonus issue exercise undertaken by the Company on the basis of 303 bonus shares for every 1 existing ordinary share held by the shareholders of the Company.

12. ACCOUNTANTS' REPORT (cont'd)**19. DIVIDENDS**

	← The Group Audited →			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
Interim single-tier dividend of RM5.00 per ordinary share in respect of the financial year ended 31 December 2015	-	-	-	5,000,000
Interim single-tier dividend of RM8.00 per ordinary share in respect of the financial year ended 31 December 2017	-	8,000,000	-	-
Interim single-tier dividend of RM0.11 per ordinary share in respect of the financial year ended 31 December 2018*	34,484,289	-	-	-
	<u>34,484,289</u>	<u>8,000,000</u>	<u>-</u>	<u>5,000,000</u>

* The interim single-tier dividend in respect of the financial year ended 31 December 2018 was satisfied in the following manner:

	KHI [^] RM	Pang Kim Hin RM	Dato' Pang Leong Hoon RM	Total RM
Dividend declared and payable to	(31,035,860)	-	(3,448,429)	(34,484,289)
Dividend paid	10,800,000	-	1,200,000	12,000,000
Dividend assigned by KHI to Pang Kim Hin	20,235,860	(20,235,860)	-	-
Set off against amount owing by the new shareholders (Note 24) ^{^^}	-	18,540,000	2,060,000	20,600,000
Set off against total consideration and related disposal expenses for the disposal of CYPSPB (Note 24) [#]	-	1,695,860	188,429	1,884,289
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

12. ACCOUNTANTS' REPORT (cont'd)

[^] In 2018, a holding company, KHI declared a dividend of RM20,235,860 to its shareholders, in which, Mr Pang Kim Hin, a major shareholder has paid the said dividend on behalf of KHI to the remaining shareholders.

On 27 June 2018, the Company declared a first interim dividend of RM31,035,860 to its holding company, KHI. The said interim dividend was settled through cash amounting to RM10,800,000 and the balance of RM20,235,860 assigned to Mr Pang Kim Hin, as part of the settlement on the amount owing by KHI to Mr Pang Kim Hin as mentioned above.

^{^^} Following the disposal of CYPSB as mentioned in Note 24, the new shareholders of CYPSB assumed the amount owing to KHJ of RM20,600,000 and the amount owing to KHJ was fully offset against the dividend declared by the Company.

[#] The Company and the new shareholders have entered into an arrangement to offset the total consideration and the related disposal expenses incurred on the disposal of CYPSB against the dividend declared by the Company.

20. BORROWING

	The Group			
	Audited			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
Current	-	132,125	1,116,970	1,445,180
Non-current	-	-	22,595	2,752,949
	-	132,125	1,139,565	4,198,129
Borrowing is repayable as follows:				
Within 1 year	-	132,125	1,116,970	1,445,180
More than 1 year and within 2 years	-	-	22,595	2,730,354
More than 2 years and within 5 years	-	-	-	22,595
	-	132,125	1,139,565	4,198,129

The bank borrowing was obtained to finance the acquisition of a property by a subsidiary company and was secured by the freehold land and building as disclosed in Note 10(a), together with joint and several guarantees by a Director and corporate guarantee by the Company. The bank borrowing in the previous financial year bore an interest at 4.62% (31.12.2016: 4.62%; 31.12.2015: 4.75%) per annum. The Group had discharged its obligation for the bank borrowing following the disposal of the subsidiary company as disclosed in Note 24.

12. ACCOUNTANTS' REPORT (cont'd)**Reconciliation of liabilities arising from financing activities**

The table below details the reconciliation of the opening and closing amounts in the consolidated statements of financial position for each liability for which cash flows have been, or would be, classified as financing activities in the consolidated statements of cash flows:

	← The Group → Audited	
	FYE 31.12.2018 RM	FYE 31.12.2017 RM
Borrowing		
At beginning of year	132,125	1,139,565
Financing cash flows - net	(9,869)	(1,012,789)
Non-cash changes:		
Disposal of a subsidiary company (Note 24)	(124,886)	-
Finance costs (Note 8)	2,630	5,349
	<u>-</u>	<u>132,125</u>
At end of year	<u>-</u>	<u>132,125</u>
Amount due to holding company		
At beginning of year	76,638	-
Financing cash flows - net	(77,146)	76,342
Non-cash changes:		
Unrealised foreign exchange loss	508	296
	<u>-</u>	<u>76,638</u>
At end of year	<u>-</u>	<u>76,638</u>
Amount due to other related companies		
At beginning of year	573,698	-
Financing cash flows - net	2,583	583,266
Non-cash changes:		
Unrealised foreign exchange (gain)/loss	5,791	(9,568)
	<u>582,072</u>	<u>573,698</u>
At end of year	<u>582,072</u>	<u>573,698</u>

Consistent with the transition provisions of the amendments to MFRS 107 - *Statements of Cash Flows*, the Group has not disclosed comparative information for the previous years.

12. ACCOUNTANTS' REPORT (cont'd)**21. TRADE PAYABLES**

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The credit period granted to the Group for trade purchases ranges from 30 to 75 days (31.12.2017: 30 to 75 days; 31.12.2016: 30 to 75 days; 31.12.2015: 30 to 75 days).

The currency profile of trade payables is as follows:

	The Group			
	Audited			
	At	At	At	At
	31.12.2018	31.12.2017	31.12.2016	31.12.2015
	RM	RM	RM	RM
Ringgit Malaysia	427,580	460,274	419,732	327,044
Euro	-	92,795	163,648	-
British Pound	7,881,303	6,234,407	6,646,703	3,634,653
United States Dollar	118,136	473,310	1,524,344	760,320
Singapore Dollar	-	-	12,685	-
Australian Dollar	-	-	-	4,896
	<u>8,427,019</u>	<u>7,260,786</u>	<u>8,767,112</u>	<u>4,726,913</u>

22. OTHER PAYABLES, ACCRUED EXPENSES AND PROVISION

	The Group			
	Audited			
	At	At	At	At
	31.12.2018	31.12.2017	31.12.2016	31.12.2015
	RM	RM	RM	RM
Other payables	605,904	1,142,651	1,146,563	821,814
Accrued expenses	4,135,313	4,709,837	4,044,503	3,840,801
Provision for restoration costs	621,492	559,534	514,392	430,468
	<u>5,362,709</u>	<u>6,412,022</u>	<u>5,705,458</u>	<u>5,093,083</u>

12. ACCOUNTANTS' REPORT (cont'd)

Movement of provision for restoration costs is as follows:

	The Group			
	Audited			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
At beginning of year	559,534	514,392	430,468	270,064
Provision for the year (Note 10)	48,765	23,595	55,059	132,071
Unwinding of interest expense (Note 6)	13,193	21,547	28,865	28,333
At end of year	<u>621,492</u>	<u>559,534</u>	<u>514,392</u>	<u>430,468</u>

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

23. 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:

<u>Related party</u>	<u>Relationship</u>
Mothercare (Singapore) Pte Ltd	Common director and major shareholder
Global Outsource Solutions Pte Ltd	Common director and major shareholder
Trade Solutions Limited	Common director and major shareholder
Mother and Child Limited	Common director and major shareholder
Cheng Yean Properties Sdn Bhd	Common director and major shareholder*
Kim Hin International Pte Ltd	Holding company
Global Product Solutions Sdn Bhd	Subsidiary company
Global Retail Network Sdn Bhd	Subsidiary company
Eldercare Solutions Sdn Bhd	Subsidiary company

* On 4 June 2018, the Company entered into share sale agreements to dispose of its entire equity interests in CYPSB in which the transactions were completed on 28 June 2018 and subsequently, CYPSB became a related party.

12. ACCOUNTANTS' REPORT (cont'd)

In 2017, amount due to holding company, which arose from non-trade transactions, was unsecured, interest-free, repayable on demand and denominated in Singapore Dollar.

Amount due from/(to) other related companies in previous years, which arose from both trade and non-trade transactions, was unsecured, interest-free and repayable on demand. The currency profile of amount due from/(to) other related companies is as follows:

	The Group			
	Audited			
	At 31.12.2018	At 31.12.2017	At 31.12.2016	At 31.12.2015
	RM	RM	RM	RM
Singapore Dollar	(582,072)	(509,633)	-	(544)
Hong Kong Dollar	46,308	(64,065)	-	-
	<u>(535,764)</u>	<u>(573,698)</u>	<u>-</u>	<u>(544)</u>

Significant related party transactions, which are determined on a basis as negotiated between the said parties, are as follows:

	The Group			
	Audited			
	FYE 31.12.2018	FYE 31.12.2017	FYE 31.12.2016	FYE 31.12.2015
	RM	RM	RM	RM
Purchase of goods from				
- Global Outsource Solutions Pte Ltd	2,333,033	1,471,338	618,346	429,797
- Mothercare (Singapore) Pte Ltd	1,047,106	-	133,614	153,448
- Trade Solutions Ltd	51,118	70,420	74,364	15,767
- Mother and Child Ltd	-	-	-	40,137

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

	← The Group Audited →			
	FYE	FYE	FYE	FYE
	31.12.2018	31.12.2017	31.12.2016	31.12.2015
	RM	RM	RM	RM
Sale of goods to				
- Global Outsource Solutions Pte Ltd	1,037,442	373,384	310,873	35,472
- Mothercare (Singapore) Pte Ltd	44,439	31,247	1,032	8,572
- Trade Solutions Ltd	416,209	-	9,698	27
- Mother and Child Ltd	-	34,311	-	-
Rental paid to				
-Cheng Yean Properties Sdn Bhd	600,000	-	-	-
E-commerce management fees payable to				
- Mothercare (Singapore) Pte Ltd	234,396	151,840	-	-
Corporate management fees paid/payable to				
- Kim Hin International Pte Ltd	571,694	78,477	-	-
- Mothercare (Singapore) Pte Ltd	-	248,739	261,989	191,551
- Global Outsource Solutions Pte Ltd	529,468	143,414	-	-

The Group also entered into share sale agreements with related parties as disclosed in Note 24. The disposal considerations were arrived at on a willing buyer-willing seller basis.

12. ACCOUNTANTS' REPORT (cont'd)**24. DISPOSAL OF A SUBSIDIARY COMPANY**

As disclosed in Note 8, the Company had disposed of its entire equity interest in CYP SB to Pang Kim Hin (a major shareholder of KHI) and Dato' Pang Leong Hoon (a shareholder of the Company) (collectively known as the 'the new shareholders'). The disposal consideration was settled by the new shareholders through offsetting the dividend payable as disclosed in Note 19.

(i) Consideration received

	The Group Audited FYE 31.12.2018 RM
Total consideration	1,878,289
Related disposal expenses incurred	6,000
Offsetting with dividend declared (Note 19)	<u>(1,884,289)</u>
Total consideration received	<u>-</u>

(ii) Effect of disposal on the financial position of the Group

	The Group Audited FYE 31.12.2018 RM
Non-current assets	
Property, plant and equipment (Note 10)	22,564,767
Deferred tax assets (Note 12)	14
Current assets	
Other receivables, deposits and prepayments	46,331
Cash and bank balances	574,965
Current liabilities	
Borrowing (Note 20)	(124,886)
Amount owing to holding company *	(21,144,234)
Other payables, accruals and provisions	(237,655)
Tax liabilities	<u>(15,477)</u>
Net assets disposed of	<u>1,663,825</u>

12. ACCOUNTANTS' REPORT (cont'd)

	The Group Audited FYE 31.12.2018 RM
* Amount owing to holding company	
Amount assumed by new shareholders (Note 19)	20,600,000
Fully paid by CYPSPB subsequent to disposal	<u>544,234</u>
	<u>21,144,234</u>
 (iii) Gain on disposal of a subsidiary company	
	The Group Audited FYE 31.12.2018 RM
Total consideration	1,878,289
Net assets disposed of	<u>(1,663,825)</u>
Gain on disposal (Note 6)	<u>214,464</u>
(iv) Net cash outflow on disposal of a subsidiary company	
	The Group Audited FYE 31.12.2018 RM
Consideration received in cash and cash equivalents	-
Less: Cash and cash equivalent balances disposed of	<u>(574,965)</u>
Net cash outflow on disposal of a subsidiary company	<u>(574,965)</u>

12. ACCOUNTANTS' REPORT (cont'd)

25. FINANCIAL INSTRUMENTS

Capital risk management

The objective of the Group's capital management is to safeguard the Group'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 overall strategy remain unchanged since 2014.

The Board of Directors reviews the capital structure of the Group 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 consists of net cash (borrowing offset by cash and cash equivalents) and equity of the Group (comprising share capital and retained earnings), thus debt and equity ratio is not applicable.

Categories of financial instruments

Prior to the adoption of MFRS 9 on 1 January 2018, the Group measures various categories of financial instruments under MFRS 139 *Financial Instruments: Recognition and Measurement*.

The adoption of MFRS 9 which is effective on 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as disclosed in Note 27.

12. ACCOUNTANTS' REPORT (cont'd)

The table below provides an analysis of the various categories of financial instruments:

- (a) Financial assets/(liabilities) at amortised cost;
 (b) Loans and receivables ("L&R"); and
 (c) Other financial liabilities measured at amortised cost ("FL")

	Carrying amount		Financial assets at amortised cost		Carrying amount		L&R		Audited		Carrying amount		L&R	
	At 31.12.2018		At 31.12.2018		At 31.12.2017		At 31.12.2017		At 31.12.2016		At 31.12.2015		At 31.12.2015	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Financial assets														
Trade receivables	1,454,452	1,454,452	1,928,784	1,928,784	1,928,784	1,928,784	2,148,481	2,148,481	2,148,481	1,656,054	1,656,054	1,656,054	1,656,054	1,656,054
Other receivables and deposits	4,975,629	4,975,629	4,202,839	4,202,839	4,202,839	4,202,839	4,078,595	4,078,595	4,078,595	3,355,006	3,355,006	3,355,006	3,355,006	3,355,006
Amount due from other related companies	46,308	46,308	-	-	-	-	-	-	-	-	-	-	-	-
Fixed deposits with licensed banks	739,000	739,000	6,005,178	6,005,178	6,005,178	6,005,178	4,000,000	4,000,000	4,000,000	-	-	-	-	-
Cash and bank balances	6,851,329	6,851,329	9,690,483	9,690,483	9,690,483	9,690,483	11,866,731	11,866,731	11,866,731	6,767,006	6,767,006	6,767,006	6,767,006	6,767,006

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

	Carrying amount		Financial liabilities at amortised cost		Carrying amount		Carrying amount		Carrying amount		Carrying amount	
	At 31.12.2018		At 31.12.2018		At 31.12.2017		At 31.12.2017		At 31.12.2016		At 31.12.2015	
	RM	FL	RM	FL	RM	FL	RM	FL	RM	FL	RM	FL
	← Audited →											
Financial liabilities												
Trade payables	(8,427,019)	(8,427,019)	(7,260,786)	(7,260,786)	(8,767,112)	(8,767,112)	(8,767,112)	(8,767,112)	(4,726,913)	(4,726,913)	(4,726,913)	(4,726,913)
Other payables and accrued expenses	(4,741,217)	(4,741,217)	(5,852,488)	(5,852,488)	(5,191,066)	(5,191,066)	(5,191,066)	(5,191,066)	(4,662,615)	(4,662,615)	(4,662,615)	(4,662,615)
Borrowing	-	-	(132,125)	(132,125)	(1,139,565)	(1,139,565)	(1,139,565)	(1,139,565)	(4,198,129)	(4,198,129)	(4,198,129)	(4,198,129)
Amount due to holding company	-	-	(76,638)	(76,638)	-	-	-	-	-	-	-	-
Amount due to other related companies	(582,072)	(582,072)	(573,698)	(573,698)	-	-	-	-	(544)	(544)	(544)	(544)

12. ACCOUNTANTS' REPORT (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, financial liabilities and equity instrument are disclosed in Note 3.

Financial risk management objectives

The operations of the Group is subject to a variety of financial risks, including foreign currency risk, credit risk and liquidity risk. The Group has taken measures to minimise its exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group	
	Assets	Liabilities
	Audited	
	RM	RM
At 31.12.2018		
British Pound	1,099,786	7,881,303
United States Dollar	802,035	118,136
Singapore Dollar	3,895	582,072
Australian Dollar	21,201	-
	<u>1,926,917</u>	<u>8,581,511</u>
At 31.12.2017		
British Pound	1,168,657	6,234,407
United States Dollar	895,370	473,310
Euro	-	92,795
Singapore Dollar	365,248	586,271
Australian Dollar	45,780	-
Hong Kong Dollar	-	64,065
	<u>2,475,055</u>	<u>7,450,848</u>

12. ACCOUNTANTS' REPORT (cont'd)

	The Group	
	Assets	Liabilities
	← Audited →	
	RM	RM
At 31.12.2016		
British Pound	1,233,770	6,646,703
United States Dollar	443,301	1,524,344
Euro	-	163,648
Singapore Dollar	299,904	12,685
	<u>1,976,975</u>	<u>8,347,380</u>
At 31.12.2015		
British Pound	797,553	3,634,653
United States Dollar	301,927	760,320
Singapore Dollar	309	544
Australian Dollar	-	4,896
	<u>1,099,789</u>	<u>4,400,413</u>

Foreign currency sensitivity analysis

The following table details the Group'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 compared impact on profit or loss before tax, the balances below would be negative.

12. ACCOUNTANTS' REPORT (cont'd)

	The Group			
	Audited			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
Strengthened 5%				
British Pound	339,076	253,288	270,647	141,855
United States Dollar	(34,195)	(21,103)	54,052	22,920
Euro	-	4,640	8,183	-
Singapore Dollar	28,909	11,051	(14,361)	12
Australian Dollar	(1,060)	(2,289)	-	245
Hong Kong Dollar	-	3,204	-	-
	<u>332,730</u>	<u>248,791</u>	<u>318,521</u>	<u>165,032</u>
Weakened 5%				
British Pound	(339,076)	(253,288)	(270,647)	(141,855)
United States Dollar	34,195	21,103	(54,052)	(22,920)
Euro	-	(4,640)	(8,183)	-
Singapore Dollar	(28,909)	(11,051)	14,361	(12)
Australian Dollar	1,060	2,289	-	(245)
Hong Kong Dollar	-	(3,204)	-	-
	<u>(332,730)</u>	<u>(248,791)</u>	<u>(318,521)</u>	<u>(165,032)</u>

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 other related companies as well as credit exposures primarily from outstanding trade and other receivables.

The Group extends credit to their customers based upon careful evaluation of the customers' financial condition and credit history.

The Group monitors on an on-going basis the results of its other related companies and repayments made by other related companies.

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

12. ACCOUNTANTS' REPORT (cont'd)

Exposure to credit risk

At the end of the reporting period, the Group'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 financial assets that are subject to the expected credit loss ("ECL") model include trade receivables, other receivables, amount due from other related companies. While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the impairment loss is expected to be immaterial.

Trade receivables using the simplified approach

The Group applies 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 expected loss rates are based on the payment profiles of sales over a period of 36 months before the end of the reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

Other receivables and amount due from subsidiary companies and other related companies using general 3-stage approach

The Group uses three categories for other receivables and amount due from other related companies which reflect their credit risk and how the loss allowance is determined for each of those categories. Other receivables and amount due from other related companies are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 30 days past due.

12. ACCOUNTANTS' REPORT (cont'd)

Category	Group's definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flow	12-month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL
Non-performing	Interest and/or principal repayments are 90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount	Asset is written off

Based on the above, the loss allowance is measured on either 12-month ECL or lifetime ECL incorporating the methodology below:

- Probability of default ("PD") - the likelihood that the debtor would not be able to repay during the contractual period;
- Loss given default ("LGD") - the percentage of contractual cash flows that will not be collected if default happens; and
- Exposure at default ("EAD") - the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group considers historical data by each debtor by category and adjust for forward-looking macroeconomic data. The Group has identified the industry and geographical area which the debtor operates in, to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period. Impairment losses on trade and other receivables are presented as net impairment losses within profit before tax. Subsequent recoveries of amounts previously written off are credited against the same line item.

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities.

12. ACCOUNTANTS' REPORT (cont'd)

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations. The table includes both interest and principal cash flows.

	Less than 1 year RM	1 - 2 years RM	More than 2 years RM	Total RM	Contractual interest rate %
The Group					
At 31.12.2018					
Non-interest bearing:					
Trade payables	8,427,019	-	-	8,427,019	
Other payables and accrued expenses	4,741,217	-	-	4,741,217	
Amount due to other related companies	582,072	-	-	582,072	
	<u>13,750,308</u>	<u>-</u>	<u>-</u>	<u>13,750,308</u>	
At 31.12.2017					
Non-interest bearing:					
Trade payables	7,260,786	-	-	7,260,786	
Other payables and accrued expenses	5,852,488	-	-	5,852,488	
Amount due to holding company	76,638	-	-	76,638	
Amount due to other related companies	573,698	-	-	573,698	
Interest bearing:					
Borrowing	138,229	-	-	138,229	4.62%
	<u>13,901,839</u>	<u>-</u>	<u>-</u>	<u>13,901,839</u>	

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

	Less than 1 year RM	1 - 2 years RM	More than 2 years RM	Total RM	Contractual interest rate %
The Group					
At 31.12.2016					
Non-interest bearing:					
Trade payables	8,767,112	-	-	8,767,112	
Other payables and accrued expenses	5,191,066	-	-	5,191,066	
Interest bearing:					
Borrowing	<u>1,012,789</u>	<u>138,229</u>	<u>-</u>	<u>1,151,018</u>	4.62%
	<u>14,970,967</u>	<u>138,229</u>	<u>-</u>	<u>15,109,196</u>	
At 31.12.2015					
Non-interest bearing:					
Trade payables	4,726,913	-	-	4,726,913	
Other payables and accrued expenses	4,662,615	-	-	4,662,615	
Amount due to other related companies	544	-	-	544	
Interest bearing:					
Borrowing	<u>3,490,526</u>	<u>1,151,018</u>	<u>-</u>	<u>4,641,544</u>	4.75%
	<u>12,880,598</u>	<u>1,151,018</u>	<u>-</u>	<u>14,031,616</u>	

All non-derivative financial assets of the Group are either on demand or mature within one year.

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.

12. ACCOUNTANTS' REPORT (cont'd)

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 amount of trade receivables, other receivables and deposits, fixed deposits with licensed banks, amount due from other related companies, cash and bank balances, trade payables, other payables and accrued expenses, amount due to holding company and other related companies approximates their fair values due to their relatively short maturity.
- The fair value of the borrowing is equivalent to its carrying amount as its effective interest rate is considered to be at market rate.

26. NON-CANCELLABLE OPERATING LEASE

The Group has commitment in respect of rental of retail shop units and warehouses as follows:

	← The Group Audited →			
	At 31.12.2018 RM	At 31.12.2017 RM	At 31.12.2016 RM	At 31.12.2015 RM
Minimum rental payable:				
Not later than one year	9,874,052	9,071,199	5,152,516	5,792,054
Later than one year and not later than five years	<u>12,987,480</u>	<u>16,157,512</u>	<u>8,502,932</u>	<u>6,947,268</u>
	<u>22,861,532</u>	<u>25,228,711</u>	<u>13,655,448</u>	<u>12,739,322</u>

27. ADOPTION OF MFRS 9 AND MFRS 15

This note explains the impact of the adoption of MFRS 9 *Financial Instruments* and MFRS 15 *Revenue from Contracts with Customers* on the Group's financial statements.

12. ACCOUNTANTS' REPORT (cont'd)**Impact on the financial statements**

The Group adopted MFRS 9 *Financial Instruments* and MFRS 15 *Revenue from Contracts with Customers* with date of initial application of 1 January 2018 and elected not to restate comparative information. The adoption of MFRS 9 and MFRS 15 have no material financial impact to the financial statements of the Group except as discussed below:

MFRS 9 - Financial Instruments

MFRS 9 replaces the provision of MFRS 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of MFRS 9 which is effective 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in Note 2. All financial assets and financial liabilities of the Group which were previously classified as loans and receivables and other financial liabilities, will continue to be measured at amortised cost, the same bases that currently adopted under MFRS 139.

Impairment

Until 31 December 2017, the Group assessed the impairment of loans and receivables based on the incurred loss model. Note 3 sets out the details of accounting policies for impairment of financial assets under MFRS 139.

From 1 January 2018, the Group applies the expected credit loss ("ECL") model to determine impairment on investment in debt instruments that are measured at amortised cost.

The new accounting policies for impairment under MFRS 9 are set out in Note 3.

(i) Trade receivables

For all trade receivables that do not contain significant financing components, the Group applies the MFRS 9 simplified approach which is to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life. No additional loss allowance is recognised on these trade receivables upon application of MFRS 9 after the Group had considered the days past due, historical default experience and the future prospects of the industries in which the trade receivables operate.

12. ACCOUNTANTS' REPORT (cont'd)

(ii) Other receivables

Other receivables are classified as amortised cost in the Group's financial statements because the Group's business model is to hold and collect the contractual cash flows and those cash flows represent SPPI. The Group applies the general 3-stage approach when determining ECL for the other receivables.

The Group concludes that no additional loss allowance is recognised on these other receivables upon application of MFRS 9 after considering the days past due, historical default experience and the future prospects of the industries in which the receivable operates.

(iii) Amount due from other related companies

Amount due from other related companies that is repayable on demand and non-profit bearing is classified as amortised cost in the financial statements because the Group's business model is to hold and collect the contractual cash flows and those cash flows represent SPPI. The Group applied the general 3-stage approach when determining ECL for the amount due from other related companies.

No additional loss allowance is recognised on the amount due from other related companies upon application of MFRS 9 as all strategies indicate that the Group could fully recover the outstanding balance of the amount due from other related companies.

12. ACCOUNTANTS' REPORT (cont'd)

The table below illustrates the classification and measurement of financial assets and financial liabilities under MFRS 139 and MFRS 9 at the date of initial application, 1 January 2018.

	Measurement category	Carrying amount										
		Under MFRS 139	Under MFRS 9	Gross RM	Original Allowance RM	Net RM	New Allowance RM	Net RMP	Gross RM	Difference Allowance RM	Net RM	
Financial assets												
Trade receivables	Loans and receivables		Financial assets at amortised cost	1,932,293	(3,509)	1,928,784	1,932,293	(3,509)	1,928,784	-	-	-
Other receivables and deposits	Loans and receivables		Financial assets at amortised cost	4,202,839	-	4,202,839	4,202,839	-	4,202,839	-	-	-
Fixed deposits with licensed banks	Loans and receivables		Financial assets at amortised cost	6,005,178	-	6,005,178	6,005,178	-	6,005,178	-	-	-
Cash and bank balances	Loans and receivables		Financial assets at amortised cost	9,690,483	-	9,690,483	9,690,483	-	9,690,483	-	-	-

(Forward)

12. ACCOUNTANTS' REPORT (cont'd)

	Measurement category		Carrying amount		
	Under MFRS 139	Under MFRS 9	Original RM	New RM	Difference RM
The Group					
Financial liabilities					
Trade payables	Other financial liabilities	Financial liabilities at amortised cost	7,260,786	7,260,786	-
Other payables and accrued expenses	Other financial liabilities	Financial liabilities at amortised cost	5,852,488	5,852,488	-
Borrowing	Other financial liabilities	Financial liabilities at amortised cost	132,125	132,125	-
Amount due to holding company	Other financial liabilities	Financial liabilities at amortised cost	76,638	76,638	-
Amount due to other related companies	Other financial liabilities	Financial liabilities at amortised cost	573,698	573,698	-

12. ACCOUNTANTS' REPORT (cont'd)

MFRS 15 - Revenue from Contracts with Customers

The Group sells its maternity, baby and children's wear and product both to the retail market and directly to customers through its 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). 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. A receivable is recognised by the Group 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.

There were no material financial impacts to the statements of financial position and the statements of profit or loss and other comprehensive income of the Group arising from the adoption of MFRS 15.

13. STATUTORY AND OTHER GENERAL INFORMATION

13.1 Share capital

- (i) The share capital of our Company and our subsidiaries as at the LPD and changes in their respective share capital for the past 3 years preceding the LPD are as set out in **Sections 5.1 and 5.3** of this Prospectus.
- (ii) No securities will be allotted, issued or offered on the basis of this Prospectus later than 12 months after the date of the issue of this Prospectus.
- (iii) There are no special rights attached to our Shares. As at the LPD, we have only 1 class of shares in our Company, namely ordinary shares, all of which rank equally with one another.
- (iv) Save as disclosed in this Prospectus, no shares, debentures, outstanding warrants, options, convertible securities or uncalled capital of our Group have been issued or proposed to be issued within the 2 years preceding the LPD.
- (v) As at the LPD, none of the share capital of our Company or any of our subsidiaries is under option, or agreed conditionally or unconditionally to be put under option.
- (vi) Save for our Directors, key management and employees respective entitlements under the pink form allocation as disclosed in this Prospectus, there is currently no other scheme involving our Directors or employees in the capital of our Company.
- (vii) Our Company does not have any outstanding convertible debt securities, options, warrants or uncalled capital as at the LPD.

13.2 Constitution

The following provisions are extracted from our Constitution and are qualified in their entirety by the remainder of the provisions of our Constitution and by applicable law. Terms defined in our Constitution shall have the same meaning when used herein unless they are otherwise defined herein or the context otherwise requires.

13.2.1 Remuneration, voting and borrowing powers of directors

The provisions in our Constitution in respect of the remuneration, voting and borrowing powers of Directors are as follows:-

Clause 106 - The Directors shall be paid by way of remuneration for their services, such fees and any other benefits payable to such directors (if any) subject to annual shareholder approval at general meeting and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine, PROVIDED ALWAYS that:-

- (a) save as provided in Clause 106(a) hereof, an Executive Director shall, subject to the terms and any agreement (if any) entered into any particular case, receive such remuneration as the Directors may determine. All remuneration, other than the fees provided for in Clause 106(a) hereof, payable to the Non-Executive Directors shall be determined by a resolution of the Company in general meeting;
- (b) fees payable to Non-Executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover;
- (c) salaries payable to Executive Directors may not include a commission or on percentage of turnover;

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

- (d) fees and any benefits payable to Directors shall be subject to annual shareholder approval at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (e) the fees and/or benefits payable to Non-Executive Directors who are also Director(s) of the subsidiaries include but are not limited to directors' fees, meeting allowances, travelling allowances and benefits, but does not include insurance premium or any issue of securities.

Clause 107 - The Directors shall be paid all their travelling and other expenses properly and necessary expended by them in and about the business of the Company including their travelling and other expenses incurred in attending Board of Directors' meeting or any committee meeting of the Directors or general meeting of the Company.

Clause 108 - If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board in general meeting and such remuneration may be either in addition to or in substitution for his or their Share in the remuneration from time to time provided for the Directors. Extra remuneration payable to Non-Executive Director(s) shall not include a commission or percentage of turnover or profits.

Clause 113 - The Director may exercise all the powers of the Company to borrow and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of any person or persons or of any company, whether or not having objects or engaged or intending to engage in business similar to those of the Company, including (without limitation) any company which is for the time being associated or allied with the Company in business or which is the holding company or a subsidiary (as defined in Section 4 of the Act) or an associated company.

Clause 114 - The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or uncalled capital, or issue debentures or other securities, whether outright or as security, for any debt, liability or obligation of an unrelated third-party.

Clause 134 - A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest. Without prejudice to the generality of the foregoing, a Director shall also not vote in regard to any contract or proposed contract or arrangement with any other company in which he is interested either as an officer of that other company or as a holder of shares or other securities in that other company.

Clause 135 – Subject to Clause 134, a Director may vote in respect of:-

- (a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; and
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by a deposit of security.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

By ordinary resolution of the Company, the provisions of this Clause may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction, and any particular contract, arrangement or transaction carried out in contravention of this Clause may be ratified.

Clause 136 - A Director of the Company may be or become a director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise or any corporation which is directly and indirectly interested in the Company as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefit received by him as a director or officer of, or from his interest in, such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation, in such manner and in all aspects as they may think fit (including the exercise thereof in any favour of any resolution appointing themselves or any of the Directors or other officers of such corporation), and any Director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be or is about to be appointed a director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in the manner aforesaid.

13.2.2 Changes to share capital and variation of class rights

The provisions in our Constitution in respect of the changes in share capital and variation of class rights are as follows:-

Clause 47 - The Company may from time to time by ordinary resolution increase the share capital by the creation and issue of new Shares, such new capital to be of such amount to be divided into Shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

Clause 48 - Except so far as otherwise provided by the conditions of issue, any capital raised by the creation of new Shares shall be considered as part of the original share capital of the Company. All new Shares shall be subject to the provisions herein contained with reference to allotments, the payment of calls and instalments, transfer, transaction, transmission, forfeiture, lien or otherwise and shall also be subject to the rules of Bursa Depository ("**Rules**").

Clause 49 - If at any time, the share capital by reason of the issue of preference shares or otherwise is divided into different classes the repayment of such preferred capital or all or any of the rights and privileges attached to each class may subject to the provisions of the Act be varied modified commuted affected abrogated or dealt with by a written consent representing not less than 75% of the total voting rights of the preference shareholders or by special resolution passed by the holders at least 75% of the total voting rights at a separate general meeting of the holders of that class and all the provisions hereinafter contained as to general meetings shall equally apply to every such meeting except that the quorum hereof shall be members holding or representing by proxy at least 1/3 of the issued shares of the class. Provided however that in the event of the necessary majority for such a special resolution not having been obtained in the manner aforesaid consent in writing may be secured from members holding at least 75% of the total voting rights and such consent if obtained within 2 months from the date of the separate general meeting shall have the force and validity of a resolution duly carried by a vote in person or by proxy.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

Clause 50 - The right conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided by the terms of issue of further Shares ranking as regards participation in the profits or assets of the Company in some or in all respect *pari passu* therewith.

Clause 51 - The Company may alter its share capital in any one or more of the following ways by passing a ordinary resolution:-

- (a) to consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided Share is derived;
- (b) to convert all or any of its paid-up Shares into stock and may reconvert that stock into paid-up Shares;
- (c) to subdivide its share capital or any part thereof, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided Share shall be the same as it was in the case of the Shares from which the subdivided Share is derived;
- (d) to increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe; or
- (e) to cancel any Shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its Share capital by the amount of the Shares so cancelled.

Clause 52 - Notwithstanding any other authorisation and consent that may be required by the provisions of the Act, the Company may reduce its share capital by:-

- (a) Special resolution and confirmation by the High Court in accordance with Section 116 of the Act; or
- (b) Special resolution supported by a solvency statement in accordance with Section 117 of the Act.

13.2.3 Transfer of securities

The provisions in our Constitution in respect of the arrangements for transfer of securities and restrictions on their free transferability are as follows:-

Clause 36 - The instrument of transfer of any listed securities shall be in writing and in the form approved in the Rules and shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the securities until the name of the transferee is entered in the record of depositors in respect thereof. The transfer of any listed securities or class of listed securities of the Company shall be by way of book entry by Bursa Depository in accordance with the Rules and notwithstanding Sections 105, 106 and 110 of the Act, but subject to Subsection 148(2) of the Act and any exemption may be made from compliance with Subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed securities.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

Clause 37 - Subject to the Rules and the Listing Requirements, the transfer of any securities may be suspended at such times and for such periods as the Directors may from time to time determine. 10 Market Days notice, or such other period as may from time to time be specified by the Bursa Securities governing the register concerned, of intention to close the register shall be given to Bursa Securities. At least 3 Market Days or such other period as may from time to time be specified by the governing authority, prior notice shall be given to the Bursa Depository to prepare the appropriate record of depositors.

Clause 38 - The Bursa Depository may refuse to register any transfer of deposited security that does not comply with the SICDA and the Rules. No securities shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Clause 39 - Subject to the provisions of the Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.

Clause 40 - Subject to any law in Malaysia for the time being in force, neither the Company nor the Directors nor any of its officers shall incur any liability for the act of the Bursa Depository in registering or acting upon a transfer of securities apparently made by a member or any person entitled to the securities by reason of death, bankruptcy or insanity of a member although the same may, by reason of any fraud or other causes not known to the Company or the Directors or Bursa Depository or other officers, be legally inoperative or insufficient to pass the property in the securities proposed or professed to be transferred, and although the transfer may as between the transferor member and the transferee, be liable to be set aside and notwithstanding that the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor member in the blank as to the name of the transferee, of the particulars of the securities transferred or otherwise in defective manner. And in every case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

13.3 Limitation on the rights to hold securities and/or exercise voting rights

There are no limitations on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares.

13.4 Deposited securities and rights of Depositors

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance, Malaysia and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository ("**Depositor**") by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

13.5 Material contracts

Save as disclosed below, our Group has not entered into any material contract which is not in the ordinary course of our Group's business within the financial periods under review up to the date of this Prospectus:-

- (i) share purchase agreement dated 4 June 2018 between our Company and Pang Kim Hin in relation to the disposal of 315,000 ordinary shares in Cheng Yean, representing 90.00% equity interest held by our Company, to Pang Kim Hin for a purchase consideration of RM1,690,460, as disclosed in **Section 5.4.1** of this Prospectus. The disposal was completed on 28 June 2018;
- (ii) share purchase agreement dated 4 June 2018 between our Company and Dato' Pang Leong Hoon in relation to the disposal of 35,000 ordinary shares in Cheng Yean, representing 10.00% equity interest, held by our Company to Dato' Pang Leong Hoon for a purchase consideration of RM187,829 as disclosed in **Section 5.4.1** of this Prospectus. The disposal was completed on 28 June 2018;
- (iii) placement agreement dated 31 May 2019 between our Company and the Placement Agent in relation to the placement arrangement of 47,000,000 Issue Shares to be offered to identified institutional and/or selected investors at a placement fee of 2.25% of the total value of the placement Shares based on the Issue Price; and
- (iv) Underwriting Agreement dated 31 May 2019 between our Company and the Underwriter in relation to the underwriting arrangement of (i) 19,000,000 Issue Shares available for application by the Malaysian Public through a balloting process; and (ii) 10,000,000 Issue Shares reserved for application by our Eligible Persons at an underwriting commission of 2.25% of the total value of the underwritten Shares based on the Issue Price. Further details of the Underwriting Agreement are set out in **Section 3.6** of this Prospectus.

13.6 Material litigation

As at the LPD, neither our Company nor our subsidiaries is involved in any material litigation or arbitration, either as plaintiff or defendant, which may have a material adverse effect on the business or financial position of our Group, and our Directors are not aware of any legal proceeding, pending or threatened, or of any fact likely to give rise to any legal proceeding which may have a material adverse effect on the business or financial position of our Group.

13.7 Repatriation of capital and remittance of profit

There are no governmental law, decree, regulation or other requirement in Malaysia which may affect the repatriation of capital and the remittance of profit by or to our Group.

All corporations in Malaysia are required to adopt a single-tier dividends. Hence, all dividends distributed to our shareholders under a single tier dividend are not taxable.

Further, the Malaysian government does not levy withholding tax on dividend payments. Therefore, the dividends to be paid to shareholders who are non-tax residents in Malaysia are not subject to withholding tax in Malaysia.

13.8 Public take-overs

From the beginning of the FYE 31 December 2018 up to the LPD, there were no:-

- (i) public take-over offers by third-parties in respect of our Shares; and
- (ii) public take-over offers by us in respect of other companies' shares.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)**13.9 Letters of consent**

The written consents of our Principal Adviser, Sponsor, Underwriter, Placement Agent, Legal Adviser, Company Secretaries, Share Registrar and Issuing House as set out in the Corporate Directory of this Prospectus to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of Deloitte PLT, the Auditors and Reporting Accountants, to the inclusion of its name, Accountants' Report, and Reporting Accountants' letter on our proforma consolidated statement of financial position together with the notes in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Smith Zander, the Independent Market Researcher, to the inclusion of its name and the Industry Overview in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

13.10 Documents available for inspection

Copies of the following documents may be inspected at our registered office at Wisma Pang Cheng Yean, Lot 5205C Jalan Perindustrian Balakong Jaya 1/3, Kawasan Perindustrian Balakong Jaya, 43300 Seri Kembangan, Selangor Darul Ehsan, during normal working hours for a period of 6 months from the date of this Prospectus:-

- (i) our Constitution;
- (ii) Reporting Accountants' letter on the proforma consolidated statements of financial position as included in **Section 11.2** of this Prospectus;
- (iii) Accountants' Report referred to in **Section 12** of this Prospectus;
- (iv) the letters of consent referred to in **Section 13.9** of this Prospectus;
- (v) material contracts referred to in **Section 13.5** of this Prospectus;
- (vi) audited consolidated financial statements of our Group for the past 4 FYEs 31 December 2015, 2016, 2017 and 2018;
- (vii) audited financial statements of Global Product for the past 4 FYEs 31 December 2015, 2016, 2017 and 2018;
- (viii) audited financial statements of Global Retail for the past 4 FYEs 31 December 2015, 2016, 2017 and 2018;
- (ix) audited financial statements of Eldercare for the past 4 FYEs 31 December 2015, 2016, 2017 and 2018;
- (x) Industry Overview as included in **Section 7** of this Prospectus; and
- (xi) the agreements which our Company is dependent on as referred to in **Section 6.19** of this Prospectus.

13. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)

13.11 Responsibility statements

Our Directors, Promoters and Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

UOBKH as our Principal Adviser, Sponsor, Underwriter and Placement Agent acknowledges that, based on all available information and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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14. PROCEDURES FOR APPLICATION AND ACCEPTANCE

THE SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

14.1 Opening and closing of Applications

Opening of the application period: 10.00 a.m., 19 June 2019

Closing of the application period: 5.00 p.m., 26 June 2019

Applications for our Issue Shares will open and close at the times and dates stated above. If there are any changes to this timetable, we will advertise a notice of the changes in a widely circulated English and Bahasa Malaysia newspaper within Malaysia.

Late Applications will not be accepted.

14.2 Methods of Application

14.2.1 Application for our IPO Shares by the Malaysian Public and Eligible Persons

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed. You agree to be bound by our Constitution.

Types of Application and category of investors	Application Method
Applications by Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:-	
(a) Individuals	- White Application Form; or - Electronic Share Application; or - Internet Share Application
(b) Non-individuals	White Application Form only

14.2.2 Placement portion

Applications for the Issue Shares may be made using any of the following:-

Types of Application and category of investors	Application Method
Applications by:-	
(a) institutional and/or selected identified investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions
(b) identified Bumiputera investors approved by the MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

Identified institutional and/or selected investors and Bumiputera investors approved by the MITI may still apply for our Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application, where applicable.

14.3 Eligibility

14.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in **Section 12** of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

14.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfill all of the following:-

- (i) You must be one of the following:-
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or
 - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit an Application by using only one of the following methods:-
 - (a) White Application Form;
 - (b) Electronic Share Application; or

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

(c) Internet Share Application.

14.3.3 Application by Eligible Persons

Our Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocations. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, the Issuing House, UOBKH, Participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

14.4 Procedures for Application by way of Application Forms

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.43 for each IPO Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NUMBER 598**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

- (i) despatched by **ORDINARY POST** in the official envelopes provided to the following address:-

Malaysian Issuing House Sdn Bhd (258345-X)

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 8269

Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of the Malaysian Issuing House, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan so as to arrive not later than 5.00 p.m. on 26 June 2019 or by such other time and date specified in any change to the date or time for closing. We will not accept late Applications.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Form or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

14.5 Application by way of Electronic Share Application

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

14.6 Application by way of Internet Share Application

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CIMB Investment Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

14.7 Authority of our Board and Issuing House

The Issuing House, on the authority of our Board reserves the right to:-

- (i) reject Applications which:-
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with **Section 14.9** below.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

14.8 Over/under-subscription

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website (www.mih.com.my) within 1 Market Day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangements and reallocation as set out in **Section 3.1.3** of this Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

14.9 Unsuccessful/partially successful applicants

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner:-

14.9.1 For applications by way of Application Form

- (i) The Application monies or the balance of it, as the case may be, will be refunded to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

14.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institution) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 10 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 10 Market Days after the receipt of confirmation from the Issuing House.

14.10 Successful applicants

If you are successful in your Application:-

- (i) Our Issue Shares allotted to you will be credited into your CDS Account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our Issue Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

14.11 Enquiries

Enquiries in respect of your Applications may be directed as follows:-

Mode of application	Parties to direct the enquiries
Application Form	MIH Enquiry Services Telephone at (03) 7841 8289
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA during office hours at the telephone number as listed in **Section 12** of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities.

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