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



ANNUAL REPORT 2019

KIM HIN JOO (MALAYSIA) BERHAD

197801000642 (37655-U)

CONTENTS





ABOUT US

02 Who We Are
05 Our Milestones
06 Corporate Information
07 Group Structure

OUR LEADERSHIP

08 Board of Directors
09 Profile of Directors
17 Key Senior Management
18 Profile of Key Senior Management

2019 PERFORMANCE

22 Financial Highlights
24 Chairman's Statement
29 Management Discussion & Analysis
39 Sustainability Statement

GOVERNANCE

44 Corporate Governance Overview Statement
58 Additional Compliance Information
60 Audit Commitee Report
64 Statement On Risk Management And Internal Control
67 Statement Of Directors' Responsibilities

FINANCIAL STATEMENTS

STAKEHOLDER INFORMATION

144 Analysis of Shareholdings
146 Notice of 39th Annual General Meeting
Proxy Form

WHO WE ARE



VISION

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

MISSION

"A Family that grows together"

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

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

Overview

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

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

From 1987 to 2007

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

From 2008 to 2013

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

From 2014 onwards

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

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

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

Who We Are (cont'd)

Our Retail Business

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

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

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

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

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

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

Our Distribution Business

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

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

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

Who We Are (cont'd)

Our Products

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

Our Competitive Strengths

Exclusive Rights
to sell Mothercare and ELC products in Malaysia, leveraging on the Mothercare and ELC's globally recognised brand names

Established Track Record
and experience in the retail and distribution of baby, children and maternity products

Large Portfolio
of baby and children products built on strong established relationships with our franchisors and other branded product suppliers

Experienced Management Team
with expertise in retail, distribution, marketing and finance

OUR MILESTONES

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Pang Kim Hin
Non-Independent
Non-Executive Chairman

Pang Shu Ming
Managing Director

Goh Poh Teng
Executive Director

Pang Fu Wei
Non-Independent
Non-Executive Director

Chew Soo Lin
Senior Independent
Non-Executive Director

Yen Se-Hua Stewart
Independent Non-Executive Director

Kor Yann Ning
Independent Non-Executive Director

Hew Moh Yung
Independent Non-Executive Director

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

COMPANY SECRETARIES

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

REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

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

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

AUDITORS

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

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

PRINCIPAL BANKERS

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

SPONSOR

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

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

SHARE REGISTRAR

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

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

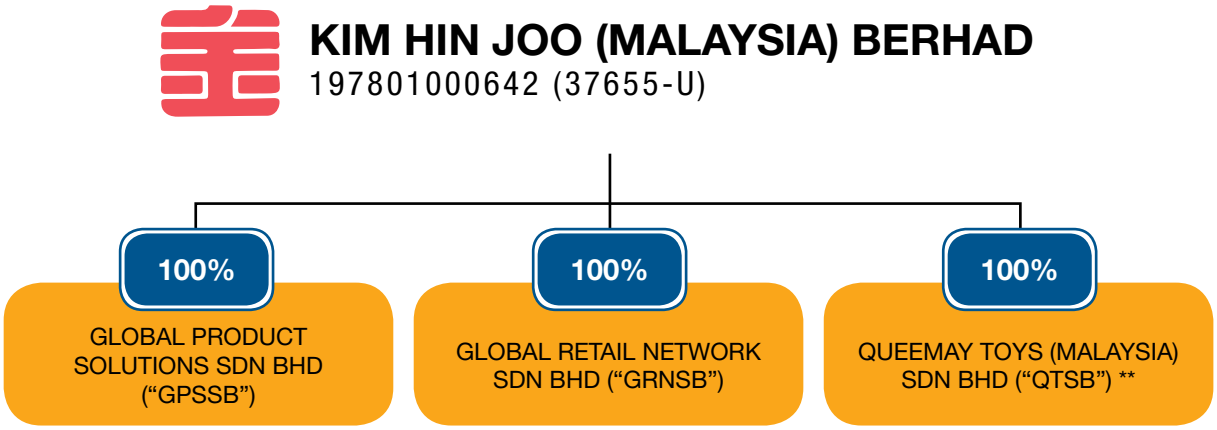
STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

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

GROUP STRUCTURE

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



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



BOARD OF **DIRECTORS**



Board of Directors (from left to right) :

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

PROFILE OF **DIRECTORS**

PANG KIM HIN

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

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

Length of Service as Director since Appointment: 33 years

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

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

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

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

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

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

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

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

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

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

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

Profile of Directors (cont'd)

PANG SHU MING

Managing Director
Singaporean, aged 39, Female

Date of Appointment as Director: 22 April 2015

Length of Service as Director since Appointment: 5 years

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

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

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

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

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

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

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

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

Profile of Directors (cont'd)

GOH POH TENG
Executive Director
Malaysian, aged 59, Female

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

Length of Service as Director since Appointment: 6 years

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

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

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

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

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

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

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

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

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

Profile of Directors (cont'd)

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

Date of Appointment as Director: 3 October 2018

Length of Service as Director since Appointment: 1 year

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

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

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

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

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

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

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

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

Profile of Directors (cont'd)

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

Date of Appointment as Director: 3 October 2018

Length of Service as Director since Appointment: 1 year

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

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

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

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

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

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

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

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

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

Profile of Directors (cont'd)

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

Date of Appointment as Director: 3 October 2018

Length of Service as Director since Appointment: 1 year

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

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

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

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

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

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

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

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

Profile of Directors (cont'd)

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

Date of Appointment as Director: 26 August 2019

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

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

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

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

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

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

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

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

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

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

Profile of Directors (cont'd)

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

Date of Appointment as Director: 27 February 2020

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

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

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

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

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

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

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

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

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

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

ADDITIONAL INFORMATION ON THE DIRECTORS

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

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

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

KEY
SENIOR MANAGEMENT



Key Senior Management (from left to right) :

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

PROFILE OF
KEY SENIOR MANAGEMENT

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

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

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

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

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

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

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

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

Profile of Key Senior Management (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

Profile of Key Senior Management (cont'd)

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

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

CHANG YEEN
Head of Distribution
Malaysian, aged 40, Female

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

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

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

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

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

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

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

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

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

Profile of Key Senior Management (cont'd)

HOH KAM HOONG
Warehouse Manager
Malaysian, aged 50, Male

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

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

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

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

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

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

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

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

ADDITIONAL INFORMATION ON THE KEY SENIOR MANAGEMENT

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

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

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

List of Convictions for Offences within the past 5 years and Particulars of any Public Sanctions or Penalty imposed by the Relevant Regulatory Bodies during the financial year, if any

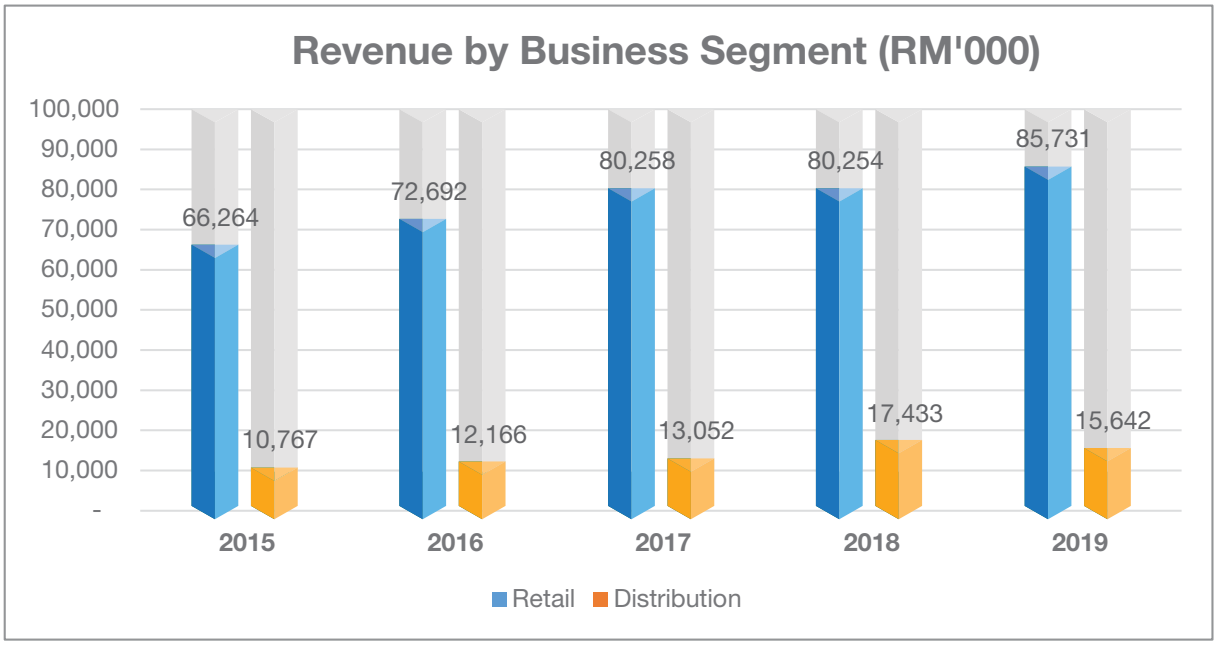
- None of the Key Senior Management have any convictions for offences other than traffic offences (if any) within the past 5 years.
- None of the Key Senior Management were penalised or sanctioned by any regulatory bodies during the financial year.

FINANCIAL HIGHLIGHTS

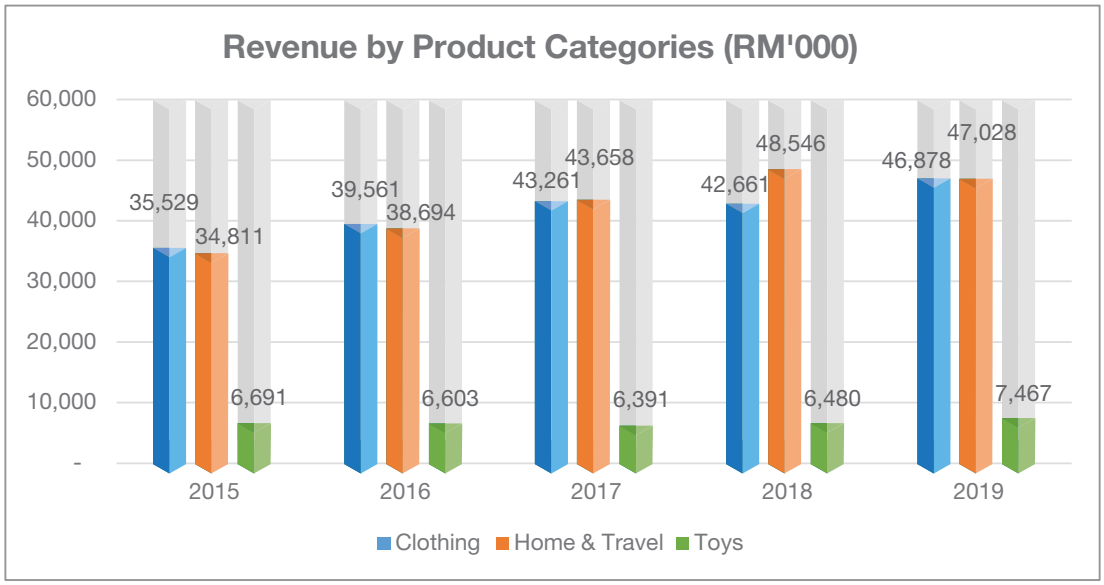
5 Years Financial Performance

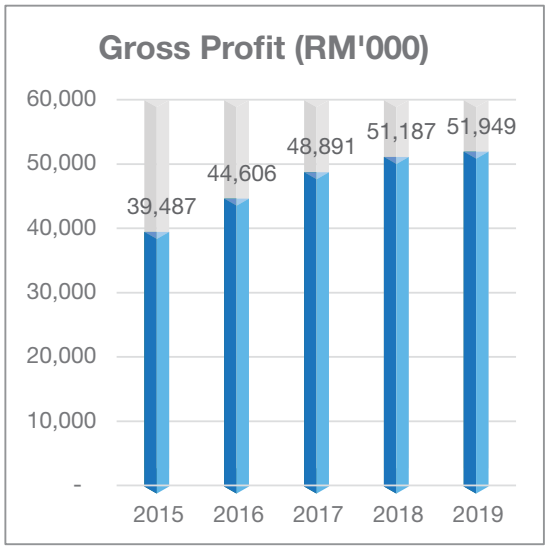
	Financial Year Ended 31 December ("FYE")				
	2015	2016	2017	2018	2019
STATEMENT OF PROFIT OR LOSS					
Revenue	77,031	84,858	93,310	97,687	101,373
Gross Profit	39,487	44,606	48,891	51,187	51,949
Listing Expenses	-	-	-	868	700
Profit before taxation ("PBT")	11,749	16,396	16,261	15,451	13,449
Profit attributable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

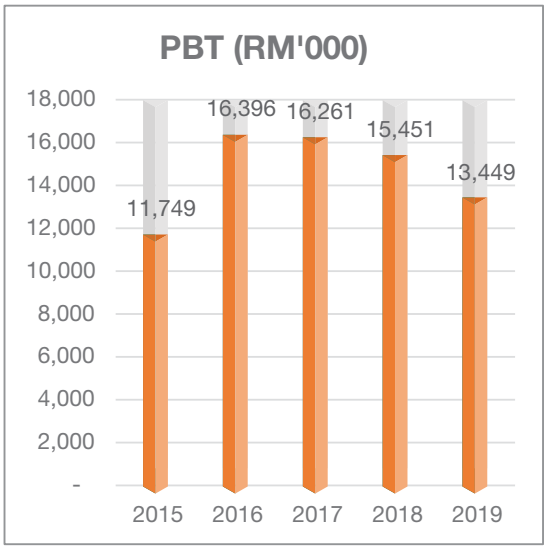
Note: * computed based on 380,000,000 shares in KHJ Group

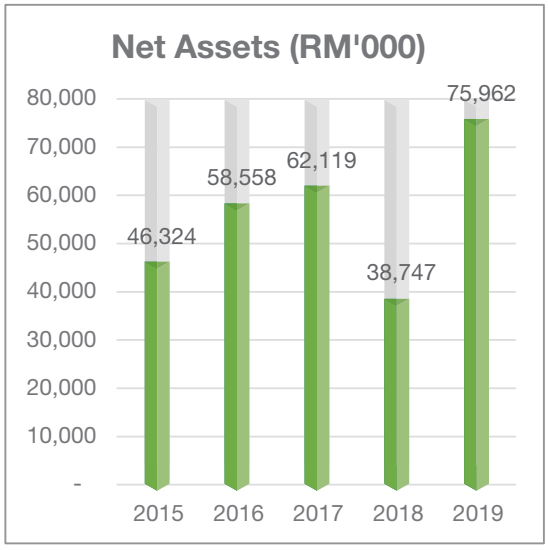


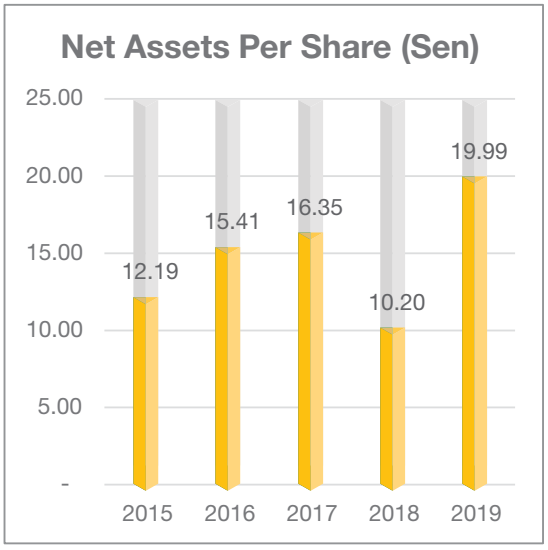
Financial Highlights (cont'd)











CHAIRMAN'S STATEMENT



" Dear Shareholders,

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

SIGNIFICANT CORPORATE MILESTONE OF OUR GROUP

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

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

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

Chairman's Statement (cont'd)

REVIEW OF FINANCIAL PERFORMANCE

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

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

Revenue
RM101.4 mil

Profit After Tax
RM9.4 mil

Cash
RM40.2 mil

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

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

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

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

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



Chairman's Statement (cont'd)

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

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

Forecasts:

-3.0 %
Global GDP

Expanding
Online Sales Channels

x2
Customers
by entering into the
Toy Sector

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

CORPORATE GOVERNANCE

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

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

MARKET OUTLOOK AND PROSPECTS

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

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

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

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

Chairman's Statement (cont'd)



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

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

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

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

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

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

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

Chairman's Statement (cont'd)

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

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

APPRECIATION

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

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

Thank you.

Pang Kim Hin
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW OF THE KHJ GROUP

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

(i) Retail

19 Mothercare Outlets

12 ELC SIS

230 Brands of Products

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

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

Mothercare Outlets & ELC SIS

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

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

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

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

Mothercare Online Store and Online Sales Channels

We also sell our products through the following:

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

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

Baby Expos

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

Management Discussion And Analysis (cont'd)

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

(ii) Distribution

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

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

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

2. OPERATIONAL REVIEW

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

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

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

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

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

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

3. FINANCIAL PERFORMANCE REVIEW

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

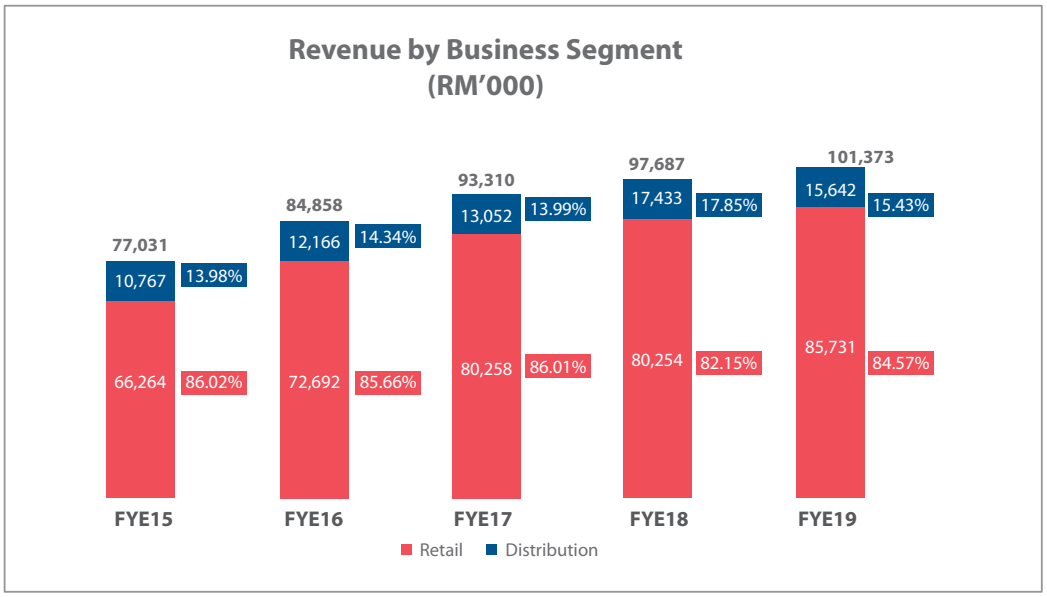
Profit After Tax RM9.4 mil

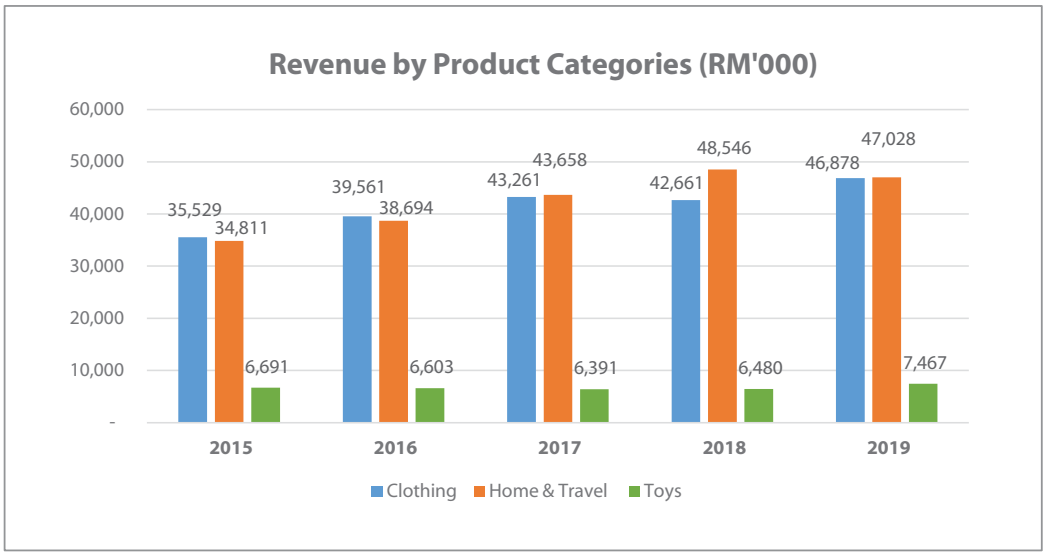
Revenue Analysis

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

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

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





3. FINANCIAL PERFORMANCE REVIEW (cont'd)

Gross Profit Analysis

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

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

Financial Position

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

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

Zero Borrowings

4.8x Current Ratio

Net Assets RM76.0 mil

Net Assets Per Share 19.99 sen

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

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

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

Cash Flow

Our cash flow position is summarised in the table below:

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

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

3. FINANCIAL PERFORMANCE REVIEW (CONT'D)

Cash Flow (Cont'd)

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

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

Capital Expenditure

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

FYE2019 Capex RM3.1 mil

Capital Structure and Capital Resources

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

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

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

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

4. DIVIDENDS

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

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

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

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

5. BUSINESS RISKS

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

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

5. BUSINESS RISKS (cont'd)

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

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

5. BUSINESS RISKS (cont'd)

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

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

6. FUTURE PLANS OF THE GROUP

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

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

(i) Expansion of our Retail Network

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

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

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

(ii) Expansion of our Toys Range

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

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

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

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

(iii) Drive Sales through E-commerce

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

(iv) Increase Product Portfolio for Distribution

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

7. PROSPECTS AND OUTLOOK

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

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

7. PROSPECTS AND OUTLOOK (cont'd)

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

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

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

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

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

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

On behalf of the Management,

Pang Shu Ming
Managing Director

3 June 2020

SUSTAINABILITY STATEMENT

OUR COMMITMENT TO BUSINESS SUSTAINABILITY

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

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

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

Sustainability Governance

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



Material Sustainability Matters and Stakeholder Engagement

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

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

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

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

Sustainability Statement (cont'd)

OUR COMMITMENT TO BUSINESS SUSTAINABILITY (cont'd)

Material Sustainability Matters and Stakeholder Engagement (Cont'd)

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

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

ECONOMIC

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

Local Hiring

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

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

Sustainability Statement (cont'd)

ECONOMIC (cont'd)

Code of Conduct and Ethics

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

A summary of the Code is as follows:

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

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

ENVIRONMENTAL

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

Compliance with Laws and Regulations

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

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

Carbon Footprint

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

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

SOCIAL

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

Sustainability Statement (cont'd)

SOCIAL (CONT'D)

Diversity and Equal Opportunity

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

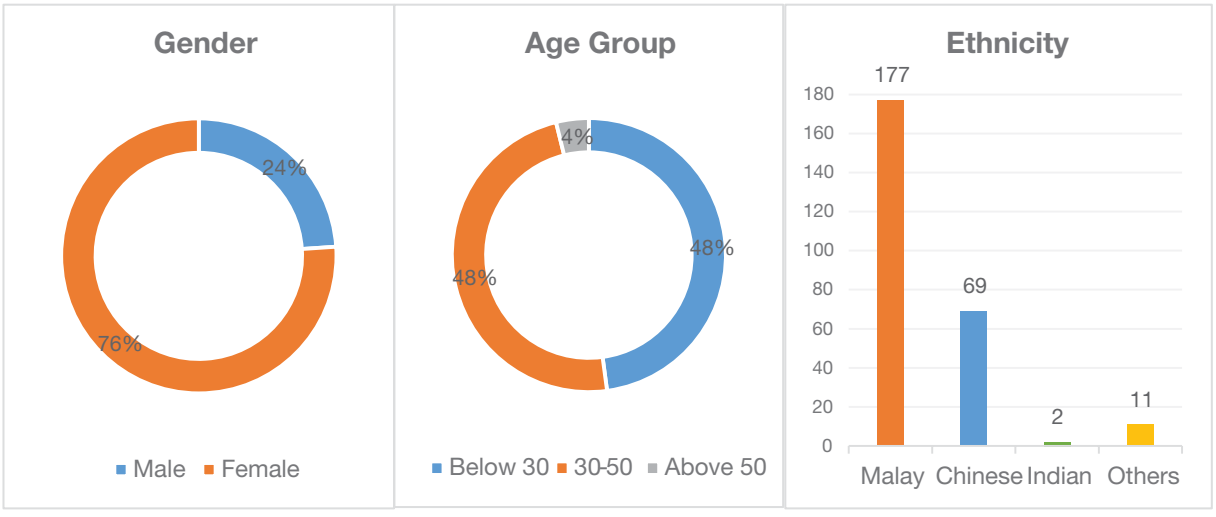
To that end, we have developed a Diversity Policy to address these issues. The Diversity Policy has been approved and adopted by the Board on 31 December 2019.

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

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

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

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



42

SOCIAL (CONT'D)

Employee Turnover and Hires

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

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

Training and Development

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

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

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

Maternity Leave

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

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

Occupational Health and Safety

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

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

Engaging the Communities

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

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

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

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

(i) Roles and Responsibilities of the Board

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

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

(ii) Overseeing the Conduct of the Business

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

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

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

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

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

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

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

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

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

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

1. Board Responsibilities (cont'd)

(iv) Company Secretaries

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

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

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

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

(v) Supply of and Access to Information

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

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

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

(vi) Board Charter

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

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

1. Board Responsibilities (cont'd)

(vi) Board Charter (cont'd)

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

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

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

(vii) Code of Conduct and Ethics

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

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

(viii) Whistleblowing Policy and Procedures

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

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

(ix) Related Party Transactions Policy and Procedures

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

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

2. Board Composition

(i) Board Composition

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

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

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

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

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

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

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

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

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

2. Board Composition (cont'd)

(ii) Tenure of IDs

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

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

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

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

(iii) Appointment of the Board and Senior Management

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

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

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

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

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

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

2. Board Composition (cont'd)

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

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

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

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

(iv) Board Diversity

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

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

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

(v) NC

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

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

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

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

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

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

2. Board Composition (cont'd)

(v) NC (cont'd)

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

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

(vi) Time Commitment

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

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

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

**Appointed on 26 August 2019*

Protocol for Acceptance of New Directorships

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

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

2. Board Composition (cont'd)

(vi) Time Commitment (cont'd)

Directors' Training

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

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

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

3. Remuneration

(i) RC

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

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

3. Remuneration (cont'd)

(i) RC (cont'd)

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

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

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

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

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

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

Company

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

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

3. Remuneration (cont'd)

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

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

Group

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

Note: Salary includes bonus and EPF

* *Appointed on 26 August 2019*

\# *Bonus entitlement of RM60,000 (net-off tax) will be channelled to a special fund to assist the employees affected by the Covid-19 pandemic.*

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

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

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

* *Comprising 2 senior management personnel who were appointed in November 2019*

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AC

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

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

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

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

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

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

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

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

Internal Audit Function

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

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

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

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

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

1. AC (cont'd)

Internal Audit Function (cont'd)

The profile of Sterling is set out as follows:

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

2. RMC

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

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

Effective Risk Management and Internal Control Framework

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

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

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

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

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

1. Communication with Stakeholders

(i) Corporate Disclosures / Investor Relations

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

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

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

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

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

(ii) Corporate Website

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

2. Conduct of General Meetings

(i) General Meetings

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

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

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

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

2. Conduct of General Meetings (cont'd)

(iii) Shareholders' Enquiries

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

(iv) Annual Report

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

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

STATEMENT ON COMPLIANCE WITH BEST PRACTICES OF CODE

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

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

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

ADDITIONAL
COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

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

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

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

2. AUDIT FEES AND NON-AUDIT FEES

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

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

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

3. MATERIAL CONTRACTS

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

4 RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE

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

AUDIT COMMITTEE **REPORT**

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

COMPOSITION

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

The composition of the AC is as follows:

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

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

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

Assessment on the Term of Office and Performance of the AC

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

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

Formal Assessment on the External Auditors

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

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

COMPOSITION (CONT'D)

Provision of Non-Audit Services

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

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

MEETINGS AND ATTENDANCES

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

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

*Appointed on 26 August 2019

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

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

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

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

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

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

TOR

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

SUMMARY OF WORK OF THE AUDIT COMMITTEE

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

1. Financial Reporting

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

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

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

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

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

2. External Auditors

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

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

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

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

3. Related Party Transactions

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

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

4. Internal Audit

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

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

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

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

5. Other Activities

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

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

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

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

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

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

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

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

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

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

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

BOARD RESPONSIBILITIES

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

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

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

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

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

RISK MANAGEMENT FRAMEWORK

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

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



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

RISK MANAGEMENT FRAMEWORK (CONT'D)

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

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

INTERNAL AUDIT

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

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

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

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

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

KEY FEATURES OF INTERNAL CONTROL

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

1. Organisational Structure

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

2. Regular Review of the Financial Performance of the Group

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

3. Internal Policies and Procedures

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

4. Internal Audit Function

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

5. Whistleblowing Policy

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

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

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

CONCLUSION

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

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

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

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

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

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

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

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

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