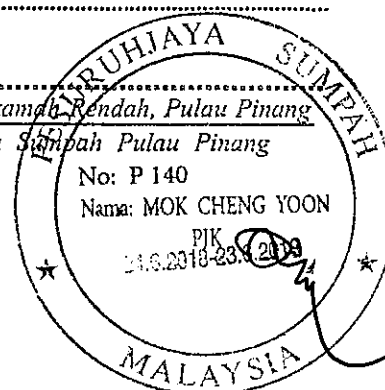


PERKARA
Inilah Benda bukti bertanda.....^{"A"}
yang disebutkan didalam surat ikrar.....*Sdn Boon Chin*
11 MAR 2019
Diikrar pada

.....
Pengadil, Mahkamah Rendah, Pulau Pinang
Pesuruhjaya Sumpah Pulau Pinang



27, Jalan Zainal Abidin
10400 Pulau Pinang

ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)
Company No: 383936-A

FINANCIAL REPORT *for the financial year ended 31 May 2018*

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ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)
Company No: 383936-A

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 May 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the design, sourcing and distribution of luggage, bags, briefcases, travel accessories and winter apparel.

RESULTS

| | |
|-----------------------------|--------------------|
| | RM |
| Loss for the financial year | <u>(7,790,336)</u> |

DIVIDENDS

No dividends were recommended, declared or paid by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES OR DEBENTURES

During the financial year, the Company issued 2,800,000 ordinary shares at RM1 per share for cash to provide for additional working capital.

The Company did not issue any debentures during the financial year.

SHARE OPTIONS

The Company did not grant any share options during the financial year.

BAD AND DOUBTFUL DEBTS

Before the financial statements were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)
Company No: 383936-A

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS (cont'd)

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company to meet its obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)
Company No: 383936-A

DIRECTORS' REPORT

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS

The directors in office since the beginning of the financial year are:-

Soo Boon Chin
Wong Yeng Fong
Soo Wei Yin
Soo Yi Yun

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests in shares in the Company of the directors in office at the end of the financial year are as follows:-

| Name of Director | Number of Ordinary Shares | | | Balance at 31.5.2018 |
|------------------|---------------------------|-----------|--------|-------------------------|
| | Balance at 1.6.2017 | Allotted | (Sold) | |
| Soo Boon Chin | 250,000 | 1,400,000 | 0 | 1,650,000 |
| Wong Yeng Fong | 100,000 | 560,000 | 0 | 660,000 |
| Soo Wei Yin | 100,000 | 560,000 | 0 | 660,000 |
| Soo Yi Yun | 50,000 | 280,000 | 0 | 330,000 |

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 12 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of certain related party transactions as disclosed in Note 16 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)
Company No: 383936-A

DIRECTORS' REPORT

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There was no indemnity given to or liability insurance effected for any director or officer of the Company during the financial year.

AUDITORS

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 11 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 11 MAR 2019



Soo Boon Chin



Wong Yeng Fong

ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)
Company No: 383936-A

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 10 to 36 give a true and fair view of the financial position of the Company as at 31 May 2018 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

DATED 11 MAR 2019



Soo Boon Chin

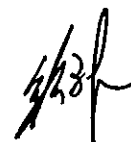


Wong Yeng Fong

STATUTORY DECLARATION

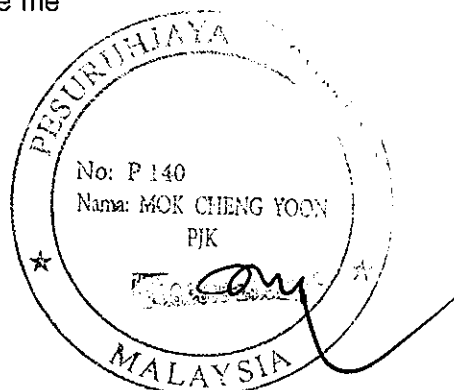
I, Soo Boon Chin, being the director primarily responsible for the financial management of Rofina Marketing (M) Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 10 to 36 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed Soo Boon Chin at
George Town in the State of Penang
on this 11 MAR 2019



Soo Boon Chin

Before me



27, Jalan Zainal Abidin
10400 Pulau Pinang

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)
Company No: 383936-A

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rofina Marketing (M) Sdn. Bhd., which comprise the statement of financial position as at 31 May 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 36.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 May 2018, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 to the financial statements, which indicates that the Company incurred a loss of RM7,790,336 for the financial year ended 31 May 2018 and as at that date, its net current liabilities and net liabilities amounted to RM14,557,014 and RM7,706,561 respectively. As stated in Note 2.2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Crowe Malaysia PLT (LLP0018817-LCA & AF 1018) was registered on 2 January 2019 and with effect from that date, Crowe Malaysia (AF 1018) which was formerly known as Crowe Horwath (AF 1018), a conventional partnership was converted to a limited liability partnership.

Crowe Malaysia PLT is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Crowe Malaysia PLT and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Crowe Malaysia PLT.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROFINA MARKETING (M) SDN. BHD. (cont'd)

(Incorporated in Malaysia)
Company No: 383936-A

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the directors' report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the directors' report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the directors' report and, in doing so, consider whether the directors' report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the directors' report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROFINA MARKETING (M) SDN. BHD. (cont'd)

(Incorporated in Malaysia)

Company No: 383936-A

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

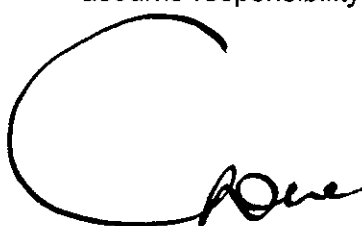
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ROFINA MARKETING (M) SDN. BHD. (cont'd)**

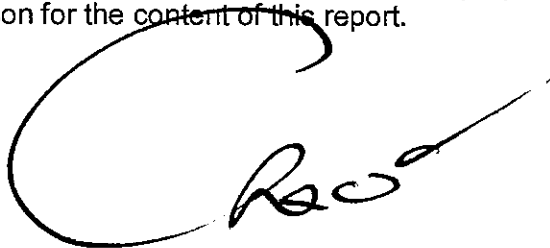
(Incorporated in Malaysia)
Company No: 383936-A

Other Matters

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



Crowe Malaysia PLT
LLP0018817-LCA & AF 1018
Chartered Accountants



Eddy Chan Wai Hun
02182/10/2019 J
Chartered Accountant

Date: 11 MAR 2019

Penang

ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)
Company No: 383936-A

**STATEMENT OF FINANCIAL POSITION
As At 31 MAY 2018**

| | Note | 2018 RM | 2017 RM |
|--------------------------------|------|--------------------|--------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 4 | 11,048,940 | 10,207,077 |
| Investment properties | 5 | 2,370,180 | 1,244,086 |
| | | <u>13,419,120</u> | <u>11,451,163</u> |
| CURRENT ASSETS | | | |
| Inventories | | 6,242,136 | 6,212,910 |
| Trade and other receivables | 6 | 3,737,769 | 4,331,302 |
| Prepayments | | 0 | 14,400 |
| Current tax assets | | 404,996 | 146,663 |
| Cash and bank balances | | 174,432 | 95,867 |
| | | <u>10,559,333</u> | <u>10,801,142</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 7 | 18,540,582 | 11,635,917 |
| Loans and borrowings | 8 | 6,575,765 | 6,587,789 |
| | | <u>25,116,347</u> | <u>18,223,706</u> |
| NET CURRENT LIABILITIES | | (14,557,014) | (7,422,564) |
| NON-CURRENT LIABILITIES | | | |
| Loans and borrowings | 9 | 6,568,667 | 6,744,824 |
| NET LIABILITIES | | <u>(7,706,561)</u> | <u>(2,716,225)</u> |
| EQUITY | | | |
| Share capital | 9 | 3,300,000 | 500,000 |
| Accumulated losses | | (11,006,561) | (3,216,225) |
| TOTAL EQUITY | | <u>(7,706,561)</u> | <u>(2,716,225)</u> |

ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)

Company No: 383936-A

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2018**

| | Note | 2018 RM | 2017 RM |
|---------------------------------------------------|------|--------------------|--------------------|
| Revenue | 10 | 34,520,142 | 27,271,305 |
| Cost of sales | | (16,726,310) | (17,943,685) |
| Gross profit | | <u>17,793,832</u> | <u>9,327,620</u> |
| Other income | | 773,978 | 2,492 |
| Administrative and general expenses | | (25,521,827) | (18,073,288) |
| Finance costs | | (836,319) | (678,991) |
| Loss before tax | 11 | <u>(7,790,336)</u> | <u>(9,422,167)</u> |
| Tax expense | 13 | 0 | 169,990 |
| Loss for the financial year | | <u>(7,790,336)</u> | <u>(9,252,177)</u> |
| Other comprehensive income for the financial year | | 0 | 0 |
| Total comprehensive income for the financial year | | <u>(7,790,336)</u> | <u>(9,252,177)</u> |

ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)
Company No: 383936-A

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2018**

| | Share capital RM | Retained profits/ (Accumulated losses) RM | Total equity RM |
|--------------------------------------------------------------------------|---------------------|-------------------------------------------------------|-----------------------|
| Balance at 1 June 2016 | 500,000 | 6,035,952 | 6,535,952 |
| Loss (representing total comprehensive income) for the financial year | 0 | (9,252,177) | (9,252,177) |
| Balance at 31 May 2017 | <u>500,000</u> | <u>(3,216,225)</u> | <u>(2,716,225)</u> |
| Issue of shares (representing total transactions with owners) | 2,800,000 | 0 | 2,800,000 |
| Loss (representing total comprehensive income) for the financial year | 0 | (7,790,336) | (7,790,336) |
| Balance at 31 May 2018 | <u>3,300,000</u> | <u>(11,006,561)</u> | <u>(7,706,561)</u> |

ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)

Company No: 383936-A

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2018**

| | Note | 2018 RM | 2017 RM |
|---------------------------------------------------------|------|-------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax | | (7,790,336) | (9,422,167) |
| Adjustments for:- | | | |
| Bad debts written off | | 82,359 | 177,579 |
| Depreciation of investment properties | | 57,275 | 27,957 |
| Depreciation of property, plant and equipment | | 1,081,887 | 605,741 |
| Gain on disposal of property, plant and equipment | | (14,421) | 0 |
| Impairment loss on receivables | | 3,064,458 | 0 |
| Intangible assets written off | | 0 | 338,583 |
| Interest expense | | 836,319 | 678,991 |
| Interest income | | (192) | (105) |
| Property, plant and equipment written off | | 0 | 93,683 |
| Operating loss before working capital changes | | (2,682,651) | (7,499,738) |
| Changes in:- | | | |
| Inventories | | (29,226) | 3,773,505 |
| Receivables and prepayments | | (2,538,884) | (413,042) |
| Payables | | 6,904,665 | 4,848,046 |
| Cash generated from operations | | 1,653,904 | 708,771 |
| Tax paid | | (258,333) | (635,673) |
| Net cash from operating activities | | 1,395,571 | 73,098 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | 192 | 105 |
| Proceeds from disposal of property, plant and equipment | | 17,848 | 0 |
| Purchase of property, plant and equipment | 14 | (2,860,546) | (3,202,774) |
| Net cash used in investing activities | | (2,842,506) | (3,202,669) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| (Decrease)/Increase in short-term bank borrowings | 14 | (63,886) | 1,294,095 |
| Interest paid | | (836,319) | (678,991) |
| Issue of shares | | 2,800,000 | 0 |
| Repayment of hire purchase obligations | 14 | (168,371) | (99,497) |
| Repayment of term loan | 14 | (924,404) | (752,010) |
| Term loan raised | 14 | 500,000 | 2,666,500 |
| Net cash from financing activities | | 1,307,020 | 2,430,097 |
| Net decrease in cash and cash equivalents | | (139,915) | (699,474) |
| Cash and cash equivalents brought forward | | (2,016,090) | (1,316,616) |
| Cash and cash equivalents carried forward | 14 | (2,156,005) | (2,016,090) |

ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)
Company No: 383936-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

1. GENERAL INFORMATION

The Company is a private company limited by shares, incorporated and domiciled in Malaysia.

The Company is principally engaged in the design, sourcing and distribution of luggage, bags, briefcases, travel accessories and winter apparel.

The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia and its principal place of business is located at Pine Valley Business Centre, 22 & 22A, Lebuhr Rambai 11, 11060 Paya Terubong, Penang, Malaysia.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated **11 MAR 2019**

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

The financial statements of the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following MFRSs became effective for the financial year under review:-

| MFRS | Effective for annual periods beginning on or after |
|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| Amendments to MFRS 12 <i>Disclosure of Interests in Other Entities</i> (Annual Improvements to MFRS Standards 2014 - 2016 Cycle) | 1 January 2017 |
| Amendments to MFRS 107 <i>Disclosure Initiative</i> | 1 January 2017 |
| Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> | 1 January 2017 |

The adoption of the above MFRSs did not result in any significant changes in the accounting policies of the Company.

ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)
Company No: 383936-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of Preparation of Financial Statements (cont'd)

The Company has not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

| MFRS (Issued as at the end of the reporting period) | Effective for annual periods beginning on or after |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| MFRS 9 <i>Financial Instruments</i> | 1 January 2018 |
| MFRS 15 <i>Revenue from Contracts with Customers</i> | 1 January 2018 |
| MFRS 16 <i>Leases</i> | 1 January 2019 |
| MFRS 17 <i>Insurance Contracts</i> | 1 January 2021 |
| IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i> | 1 January 2018 |
| IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i> | 1 January 2019 |
| Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i> (Annual Improvements to MFRS Standards 2014 - 2016 Cycle) | 1 January 2018 |
| Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i> | 1 January 2018 |
| Amendments to MFRS 3 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle) | 1 January 2019 |
| Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i> | 1 January 2018 |
| Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i> | 1 January 2019 |
| Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Deferred |
| Amendments to MFRS 11 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle) | 1 January 2019 |
| Amendments to MFRS 15 <i>Clarifications to MFRS 15 Revenue from Contracts with Customers</i> | 1 January 2018 |
| Amendments to MFRS 112 <i>Income Tax Consequences of Payments on Financial Instruments Classified as Equity</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle) | 1 January 2019 |
| Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i> | 1 January 2019 |
| Amendments to MFRS 123 <i>Borrowing Costs Eligible for Capitalisation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle) | 1 January 2019 |
| Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures</i> (Annual Improvements to MFRS Standards 2014 - 2016 Cycle) | 1 January 2018 |
| Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i> | 1 January 2019 |
| Amendments to MFRS 140 <i>Transfers of Investment Property</i> | 1 January 2018 |
| Amendments to References to the Conceptual Framework in MFRS Standards | 1 January 2020 |

ROFINA MARKETING (M) SDN. BHD.

(Incorporated in Malaysia)
Company No: 383936-A

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of Preparation of Financial Statements (cont'd)

Management foresees that the initial application of the above MFRSs will not result in any significant changes in the accounting policies of the Company except as follows:-

MFRS 9 *Financial Instruments*

MFRS 9, which replaces MFRS 139 *Financial Instruments: Recognition and Measurement*, sets out the requirements for recognising and measuring financial instruments. The major changes introduced by MFRS 9 (that are relevant to the Company) relate to the classification and measurement of financial assets. Under MFRS 9:-

- (i) Financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the business model within which they are held and their contractual cash flow characteristics. Based on management's assessment, the adoption of the new guidance will not significantly affect the existing classification and measurement of financial assets of the Company.
- (ii) Impairment loss on financial assets is recognised using a new "expected credit loss" model as opposed to the "incurred credit loss" model currently used in MFRS 139. Under the new model, expected credit losses are recognised for financial assets using reasonable and supportable historical and forward-looking information even before a loss event occurs. Based on management's assessment, any additional impairment losses to be recognised using the new impairment model are not expected to be material to the Company.

The Company will apply the new requirements of MFRS 9 from 1 June 2018 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 139.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15, which replaces MFRS 111 *Construction Contracts*, MFRS 118 *Revenue* and other related interpretations, establishes a single comprehensive model for revenue recognition. Under MFRS 15, revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognised either over time or at a point in time depending on the timing of transfer of control. Based on management's assessment, the adoption of the new revenue recognition model will not significantly affect the current practice of recognising revenue from the sale of goods based on the transfer of risks and rewards which generally coincides with the transfer of control at a point in time.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of Preparation of Financial Statements (cont'd)

MFRS 15 Revenue from Contracts with Customers (cont'd)

The Company will apply the new requirements of MFRS 15 from 1 June 2018 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 118.

MFRS 16 Leases

MFRS 16, which replaces MFRS 117 *Leases* and other related interpretations, eliminates the distinction between finance and operating leases for lessees. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Company will apply the new requirements of MFRS 16 from 1 June 2019 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 117.

2.2 Going Concern

The Company incurred a loss of RM7,790,336 for the financial year ended 31 May 2018 and as at that date, its net current liabilities and net liabilities amounted to RM14,557,014 and RM7,706,561 respectively. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

2.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.5.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

| | |
|------------------------------------------|----------|
| Commercial shophots | 2% |
| Cargo lift | 10% |
| Computer and software | 10 - 33% |
| Electrical installation and renovation | 10 - 33% |
| Furniture, fittings and office equipment | 10 - 33% |
| Motor vehicles | 20% |

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Investment Properties

Investment property, being a property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.5.

Residential unit and commercial shoplot are depreciated on a straight-line basis over their estimated useful lives of 50 years.

2.5 Impairment of Non-financial Assets

At the end of each reporting period, the Company assesses whether there is any indication that a non-financial asset, other than inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss.

2.6 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.7 Financial Assets

Financial assets of the Company consist of receivables and cash and cash equivalents.

Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is initially recognised at fair value plus directly attributable transaction costs. After initial recognition, the financial asset is measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Financial Assets (cont'd)

Recognition and Measurement (cont'd)

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

Impairment

At the end of each reporting period, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

Fair value measurement

The carrying amounts of receivables and cash and cash equivalents which are short-term in nature or repayable on demand are reasonable approximations of fair values.

2.8 Financial Liabilities

Financial liabilities of the Company consist of payables and loans and borrowings.

Recognition and Measurement

A financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less directly attributable transaction costs. After initial recognition, the financial liability is measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial Liabilities (cont'd)

Recognition and Measurement (cont'd)

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

Fair value measurement

The carrying amounts of payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities.

2.9 Leases

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

Operating Lease

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

2.10 Foreign Currency Transactions and Translation

The financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements are measured using the functional currency.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Foreign Currency Transactions and Translation (cont'd)

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date, whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

2.11 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

2.12 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income is recognised using the effective interest method.

2.13 Employee Benefits

Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss in the period in which the associated services are rendered by the employee.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.15 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.16 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories carried at RM6,242,136 at 31 May 2018.

Impairment of receivables

The Company makes allowance for impairment based on an assessment of the recoverability of receivables. Allowance is applied to receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of receivables as disclosed in Note 6.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

4. PROPERTY, PLANT AND EQUIPMENT

| | Commercial shoplots RM | Cargo lift RM | Computer and software RM | Electrical installation and renovation RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Total RM |
|-----------------------------------|------------------------------|---------------------|--------------------------------|----------------------------------------------------|------------------------------------------------------|-------------------------|-------------|
| <u>Cost</u> | | | | | | | |
| Balance at 1 June 2016 | 4,950,000 | 172,066 | 559,648 | 777,495 | 3,009,445 | 816,875 | 10,285,529 |
| Additions | 2,043,000 | 0 | 150,508 | 528,134 | 469,583 | 112,549 | 3,303,774 |
| Write-offs | 0 | 0 | (276,463) | (168,464) | (621,538) | 0 | (1,066,465) |
| Balance at 31 May 2017 | 6,993,000 | 172,066 | 433,693 | 1,137,165 | 2,857,490 | 929,424 | 12,522,838 |
| Transfer to investment properties | (1,250,000) | 0 | 0 | 0 | 0 | 0 | (1,250,000) |
| Additions | 0 | 0 | 137,223 | 1,168,557 | 1,398,110 | 406,656 | 3,110,546 |
| Disposals | 0 | 0 | 0 | 0 | 0 | (102,800) | (102,800) |
| Balance at 31 May 2018 | 5,743,000 | 172,066 | 570,916 | 2,305,722 | 4,255,600 | 1,233,280 | 14,280,584 |
| <u>Accumulated Depreciation</u> | | | | | | | |
| Balance at 1 June 2016 | 109,809 | 51,620 | 377,401 | 255,007 | 1,439,424 | 449,541 | 2,682,802 |
| Depreciation | 140,454 | 17,207 | 54,008 | 82,766 | 139,821 | 171,485 | 605,741 |
| Write-offs | 0 | 0 | (276,463) | (74,781) | (621,538) | 0 | (972,782) |
| Balance at 31 May 2017 | 250,263 | 68,827 | 154,946 | 262,992 | 957,707 | 621,026 | 2,315,761 |
| Transfer to investment properties | (66,631) | 0 | 0 | 0 | 0 | 0 | (66,631) |
| Depreciation | 121,352 | 17,207 | 56,745 | 199,819 | 437,376 | 249,388 | 1,081,887 |
| Disposals | 0 | 0 | 0 | 0 | 0 | (99,373) | (99,373) |
| Balance at 31 May 2018 | 304,984 | 86,034 | 211,691 | 462,811 | 1,395,083 | 771,041 | 3,231,644 |
| <u>Carrying Amount</u> | | | | | | | |
| Balance at 1 June 2016 | 4,840,191 | 120,446 | 182,247 | 522,488 | 1,570,021 | 367,334 | 7,602,727 |
| Balance at 31 May 2017 | 6,742,737 | 103,239 | 278,747 | 874,173 | 1,899,783 | 308,398 | 10,207,077 |
| Balance at 31 May 2018 | 5,438,016 | 86,032 | 359,225 | 1,842,911 | 2,860,517 | 462,239 | 11,048,940 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The commercial shoplots have been pledged as security for credit facilities granted to the Company.

The motor vehicles were acquired under hire purchase financing which remained outstanding as at the end of the reporting period.

5. INVESTMENT PROPERTIES

| | Residential unit RM | Commercial shoplot RM | Total RM |
|---------------------------------------------|---------------------------|-----------------------------|------------------|
| <u>Cost</u> | | | |
| Balance at 1 June 2016 / 31 May 2017 | 1,300,000 | 0 | 1,300,000 |
| Transfer from property, plant and equipment | 0 | 1,250,000 | 1,250,000 |
| Balance at 31 May 2018 | <u>1,300,000</u> | <u>1,250,000</u> | <u>2,550,000</u> |
| <u>Accumulated Depreciation</u> | | | |
| Balance at 1 June 2016 | 27,957 | 0 | 27,957 |
| Depreciation | 27,957 | 0 | 27,957 |
| Balance at 31 May 2017 | <u>55,914</u> | <u>0</u> | <u>55,914</u> |
| Transfer from property, plant and equipment | 0 | 66,631 | 66,631 |
| Depreciation | 27,957 | 29,318 | 57,275 |
| Balance at 31 May 2018 | <u>83,871</u> | <u>95,949</u> | <u>179,820</u> |
| <u>Carrying Amount</u> | | | |
| Balance at 1 June 2016 | <u>1,272,043</u> | <u>0</u> | <u>1,272,043</u> |
| Balance at 31 May 2017 | <u>1,244,086</u> | <u>0</u> | <u>1,244,086</u> |
| Balance at 31 May 2018 | <u>1,216,129</u> | <u>1,154,051</u> | <u>2,370,180</u> |

Management estimates that the carrying amounts of investment properties approximate to their fair values.

The investment properties have been pledged as security for credit facilities granted to the Company.

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**NOTES TO THE FINANCIAL STATEMENTS
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6. TRADE AND OTHER RECEIVABLES

| | 2018 RM | 2017 RM |
|-----------------------------------|------------------|------------------|
| Trade receivables | 621,540 | 765,988 |
| Other receivables | 5,829,515 | 2,434,882 |
| Allowance for impairment | (3,064,458) | 0 |
| | 2,765,057 | 2,434,882 |
| Amounts due from related parties* | 351,172 | 1,130,432 |
| | <u>3,737,769</u> | <u>4,331,302</u> |

* *Being companies in which certain directors have substantial financial interests*

Trade Receivables

The Company determines credit risk concentration in terms of counterparties. As at 31 May 2018, there was 1 (2017 : 2) major customer that accounted for 10% or more of the Company's trade receivables and the total outstanding balances due from this major customer amounted to RM535,945 (2017 : RM643,909).

The credit terms of trade receivables range from 30 to 90 days.

The Company uses past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:-

| | 2018 RM | 2017 RM |
|-------------------------|----------------|----------------|
| Not past due | 491,733 | 750,613 |
| Past due 1 to 30 days | 124,443 | 15,115 |
| Past due 31 to 120 days | 5,364 | 260 |
| | <u>621,540</u> | <u>765,988</u> |

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Company.

Other Receivables

The movements in allowance for impairment are as follows:-

| | 2018 RM | 2017 RM |
|----------------------------|------------------|------------|
| Balance at 1 June | 0 | 0 |
| Impairment loss recognised | 3,064,458 | 0 |
| Balance 31 May | <u>3,064,458</u> | <u>0</u> |

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed repayments.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2018****6. TRADE AND OTHER RECEIVABLES (cont'd)****Amounts Due From Related Parties**

The amounts due from related parties are unsecured, interest free and repayable on demand.

7. TRADE AND OTHER PAYABLES

| | 2018 RM | 2017 RM |
|---------------------------------------|-------------------|-------------------|
| Trade payables | 2,271,954 | 2,144,325 |
| Other payables | 15,465,099 | 6,691,592 |
| Amounts due to directors | 464,128 | 2,800,000 |
| Amounts due to other related parties* | 339,401 | 0 |
| | <u>18,540,582</u> | <u>11,635,917</u> |

* *Being companies in which a director has substantial financial interests*

The currency profile of trade and other payables is as follows:-

| | 2018 RM | 2017 RM |
|-------------------|-------------------|-------------------|
| Ringgit Malaysia | 17,485,949 | 11,115,887 |
| Australian Dollar | 580,954 | 0 |
| US Dollar | 391,999 | 326,686 |
| Others | 81,680 | 193,344 |
| | <u>18,540,582</u> | <u>11,635,917</u> |

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Trade Payables

The credit terms of trade payables range from 30 to 90 days.

Amounts Due To Related Parties

The amounts due to related parties are unsecured, interest free and repayable on demand.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2018****8. LOANS AND BORROWINGS**

| | 2018 RM | 2017 RM |
|-------------------------------------|-------------------|-------------------|
| Bank overdrafts (floating rate) | 2,330,437 | 2,111,957 |
| Banker acceptances (fixed rate) | 3,367,431 | 3,226,031 |
| Hire purchase payables (fixed rate) | 474,598 | 392,969 |
| Term loans (fixed rate) | 74,590 | 354,392 |
| Term loans (floating rate) | 6,897,376 | 7,041,978 |
| Trust receipts (floating rate) | 0 | 205,286 |
| | <u>13,144,432</u> | <u>13,332,613</u> |
| Disclosed as:- | | |
| - Current liabilities | 6,575,765 | 6,587,789 |
| - Non-current liabilities | 6,568,667 | 6,744,824 |
| | <u>13,144,432</u> | <u>13,332,613</u> |

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Other loans and borrowings are secured against certain property, plant and equipment (Note 4) and investment properties (Note 5).

The effective interest rates of loans and borrowings as at 31 May 2018 ranged from 4.02% to 16.99% (2017 : 3.83% to 16.99%) per annum.

Except for hire purchase payables and term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Hire Purchase Payables

Hire purchase payables are repayable over 3 to 7 years. The repayment analysis is as follows:-

| | 2018 RM | 2017 RM |
|-------------------------------------------------|----------------|----------------|
| Minimum hire purchase payments:- | | |
| - Within 1 year | 168,552 | 150,888 |
| - Later than 1 year and not later than 2 years | 136,307 | 133,695 |
| - Later than 2 years and not later than 5 years | 174,599 | 143,626 |
| - Later than 5 years | 45,265 | 0 |
| Total contractual undiscounted cash flows | 524,723 | 428,209 |
| Future finance charges | (50,125) | (35,240) |
| Present value of hire purchase payables:- | | |
| - Within 1 year | 148,477 | 133,125 |
| - Later than 1 year and not later than 2 years | 123,331 | 123,012 |
| - Later than 2 years and not later than 5 years | 158,711 | 136,832 |
| - Later than 5 years | 44,079 | 0 |
| | <u>474,598</u> | <u>392,969</u> |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

8. LOANS AND BORROWINGS (cont'd)

Hire Purchase Payables (cont'd)

The fair values of hire purchase payables are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities. The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of hire purchase payables.

Term Loans

Term loans are repayable over 1 to 25 years. The repayment analysis is as follows:-

| | 2018 RM | 2017 RM |
|-------------------------------------------------|------------------|------------------|
| Gross loan instalments:- | | |
| - Within 1 year | 1,200,920 | 1,402,876 |
| - Later than 1 year and not later than 2 years | 1,115,222 | 1,106,516 |
| - Later than 2 years and not later than 5 years | 2,825,773 | 2,862,192 |
| - Later than 5 years | 3,855,236 | 4,136,633 |
| Total contractual undiscounted cash flows | 8,997,151 | 9,508,217 |
| Future finance charges | (2,025,185) | (2,111,847) |
| Present value of term loans:- | | |
| - Within 1 year | 729,420 | 911,390 |
| - Later than 1 year and not later than 2 years | 682,027 | 668,303 |
| - Later than 2 years and not later than 5 years | 1,906,524 | 1,894,163 |
| - Later than 5 years | 3,653,995 | 3,922,514 |
| | <u>6,971,966</u> | <u>7,396,370</u> |

The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities. The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of term loans.

9. SHARE CAPITAL

| | No. of ordinary shares | RM |
|-----------------------------------------|---------------------------|------------------|
| Issued and fully paid | | |
| Balance at 1 June 2016* / 31 May 2017** | 500,000 | 500,000 |
| Issue of shares | 2,800,000 | 2,800,000 |
| Balance at 31 May 2018** | <u>3,300,000</u> | <u>3,300,000</u> |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

9. SHARE CAPITAL (cont'd)

* Ordinary shares of RM1 each

** Ordinary shares with no par value

Pursuant to Section 74 of the Companies Act 2016, all shares issued before or upon the commencement of the Act on 31 January 2017 shall have no par value.

10. REVENUE

Revenue represents income from the sale of goods.

11. LOSS BEFORE TAX

| | 2018 RM | 2017 RM |
|-------------------------------------------------------------------------------------|------------|------------|
| Loss before tax is arrived at after charging:- | | |
| Auditors' remuneration | 40,000 | 40,000 |
| Bad debts written off | 82,359 | 177,579 |
| Depreciation of investment properties | 57,275 | 27,957 |
| Depreciation of property, plant and equipment | 1,081,887 | 605,741 |
| Employee benefits expense (Note 12) | 7,028,791 | 5,937,981 |
| Fee expense for financial instruments not at fair value through profit or loss | 299,890 | 233,510 |
| Impairment loss on receivables | 3,064,458 | 0 |
| Intangible assets written off | 0 | 338,583 |
| Interest expense for financial liabilities not at fair value through profit or loss | 836,319 | 678,991 |
| Property, plant and equipment written off | 0 | 93,683 |
| Realised loss on foreign exchange | 0 | 158,247 |
| Rental expense | 9,976,262 | 7,544,762 |
| and crediting:- | | |
| Gain on disposal of property, plant and equipment | 14,421 | 0 |
| Interest income for financial assets not at fair value through profit or loss | 192 | 105 |
| Realised gain on foreign exchange | 152,561 | 0 |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2018****12. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' REMUNERATION)**

| | 2018 RM | 2017 RM |
|--------------------------------|------------------|------------------|
| Directors:- | | |
| - Short-term employee benefits | 584,105 | 509,284 |
| - Defined contribution plans | 69,780 | 56,366 |
| | 653,885 | 565,650 |
| Other employees:- | | |
| - Short-term employee benefits | 5,942,518 | 5,036,840 |
| - Defined contribution plans | 432,388 | 335,491 |
| | 6,374,906 | 5,372,331 |
| | <u>7,028,791</u> | <u>5,937,981</u> |

13. TAX INCOME

| | 2018 RM | 2017 RM |
|-------------------------------------|------------|------------------|
| Tax based on results for the year:- | | |
| Deferred tax | 0 | (533,000) |
| Tax underprovided in prior year:- | | |
| Current tax | 0 | 159,010 |
| Deferred tax | 0 | 204,000 |
| | <u>0</u> | <u>(169,990)</u> |

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate is as follows:-

| | 2018 % | 2017 % |
|----------------------------------------------|-------------|---------------|
| Applicable tax rate | (24.00) | (24.00) |
| Non-deductible expenses | 13.85 | 2.85 |
| Increase in unrecognised deferred tax assets | 10.15 | 15.49 |
| Average effective tax rate | <u>0.00</u> | <u>(5.66)</u> |

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As at 31 May 2018, deferred tax liabilities and deferred tax assets have effectively been recognised and offset against each other by the Company to the extent of approximately RM647,000 (2017 : RM578,000). No further deferred tax assets have been recognised for the excess of the unused capital allowances, unused tax losses and deductible temporary differences over the taxable temporary differences as follows:-

| | 2018 RM | 2017 RM |
|------------------------------------|------------------|------------------|
| Unused capital allowances | 1,349,000 | 471,000 |
| Unused tax losses | 10,726,000 | 8,018,000 |
| Taxable temporary differences of:- | | |
| - Property, plant and equipment | (2,083,000) | (2,318,000) |
| - Investment properties | (614,000) | (89,000) |
| | <u>9,378,000</u> | <u>6,082,000</u> |

14. NOTE TO STATEMENT OF CASH FLOWS**Purchase of Property, Plant and Equipment**

| | 2018 RM | 2017 RM |
|-------------------------------------------------|------------------|------------------|
| Cost of property, plant and equipment purchased | 3,110,546 | 3,303,774 |
| Amount financed through hire purchase | (250,000) | (101,000) |
| Net cash disbursed | <u>2,860,546</u> | <u>3,202,774</u> |

Short-term Loans and Borrowings

| | 2018 RM | 2017 RM |
|-------------------------------|------------------|------------------|
| Balance at 1 June | 3,431,317 | 2,137,222 |
| Net cash flow changes | (63,886) | 1,294,095 |
| Balance at 31 May | <u>3,367,431</u> | <u>3,431,317</u> |
| Represented by:- | | |
| - Banker acceptances (Note 8) | 3,367,431 | 3,226,031 |
| - Trust receipts (Note 8) | 0 | 205,286 |
| | <u>3,367,431</u> | <u>3,431,317</u> |

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| | 2018 RM | 2017 RM |
|----------------------------|----------------|----------------|
| Balance at 1 June | 392,969 | 391,466 |
| Drawdowns | 250,000 | 101,000 |
| Repayments | (168,371) | (99,497) |
| Balance at 31 May (Note 8) | <u>474,598</u> | <u>392,969</u> |

Term Loans

| | 2018 RM | 2017 RM |
|----------------------------|------------------|------------------|
| Balance at 1 June | 7,396,370 | 5,481,880 |
| Drawdowns | 500,000 | 2,666,500 |
| Repayments | (924,404) | (752,010) |
| Balance at 31 May (Note 8) | <u>6,971,966</u> | <u>7,396,370</u> |

Cash and Cash Equivalents

| | 2018 RM | 2017 RM |
|------------------------|--------------------|--------------------|
| Cash and bank balances | 174,432 | 95,867 |
| Bank overdrafts | (2,330,437) | (2,111,957) |
| | <u>(2,156,005)</u> | <u>(2,016,090)</u> |

15. CONTRACTUAL COMMITMENTS

| | 2018 RM | 2017 RM |
|-------------------------------------------|------------|----------------|
| Purchase of property, plant and equipment | <u>0</u> | <u>237,000</u> |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

16. RELATED PARTY DISCLOSURES

Transactions with related parties during the financial year are as follows:-

| | 2018 RM | 2017 RM |
|----------------------------------------------------------------------|------------|------------|
| Key management personnel compensation:- | | |
| - Short-term employee benefits | 584,105 | 509,284 |
| - Defined contribution plans | 69,780 | 56,366 |
| | 653,885 | 565,650 |
| Purchase of goods from other related party* | 95,170 | 106,003 |
| Purchase of property, plant and equipment from other related party** | 315,624 | 0 |
| Receiving of services from other related party* | 35,739 | 31,718 |
| Rental charged by director | 19,800 | 0 |
| Rental charged by other related party** | 35,094 | 5,094 |
| Sale of goods to other related party* | 17,775 | 0 |
| Sale of goods to other related parties** | 666,721 | 0 |
| Sales commission charged by other related party** | 341,401 | 0 |

* Being a firm of which a close family member of the directors is a member

** Being companies in which certain directors have substantial financial interests

17. FINANCIAL RISK MANAGEMENT

The activities of the Company expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Company is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit Risk

The Company's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position.

As the Company only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. The Company manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

17. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity Risk

The Company's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Company practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

Currency Risk

The Company's exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currencies transacted are US Dollar ("USD") and Australian Dollar ("AUD").

The Company observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

| | (Increase)/ Decrease in Loss 2018 RM | (Increase)/ Decrease in Loss 2017 RM |
|---------------------------------------|--------------------------------------------------|--------------------------------------------------|
| Appreciation of USD against RM by 10% | (39,200) | (32,669) |
| Depreciation of USD against RM by 10% | 39,200 | 32,699 |
| Appreciation of AUD against RM by 10% | (58,095) | 0 |
| Depreciation of AUD against RM by 10% | 58,095 | 0 |

Interest Rate Risk

The Company's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely loans and borrowings.

The Company observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Company's policy to maintain a mix of fixed and floating rate financial instruments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

17. FINANCIAL RISK MANAGEMENT (cont'd)

Interest Rate Risk (cont'd)

As the Company does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

| | (Increase)/ Decrease in Loss 2018 RM | (Increase)/ Decrease in Loss 2017 RM |
|-----------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| Increase in interest rates by 50 basis points | (46,139) | (46,796) |
| Decrease in interest rates by 50 basis points | <u>46,139</u> | <u>46,796</u> |

18. CAPITAL MANAGEMENT

The overall capital management objective of the Company is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Company always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Company considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. Management has not formulated any formal policies and processes for monitoring the Company's capital in view of its simple structure. Nevertheless, management will always strive to improve those policies and processes whenever the need arises.

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**DETAILED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2018**

| | 2018 RM | 2017 RM |
|---------------------------------------------------|--------------|--------------|
| REVENUE | 34,520,142 | 27,271,305 |
| COST OF SALES | | |
| Opening inventories | 6,212,910 | 9,986,415 |
| Duty, port and container charges | 63,910 | 34,400 |
| Insurance | 12,718 | 12,549 |
| Labour charges | 55,577 | 25,766 |
| Ocean freight charges | 143,157 | 79,820 |
| Purchases | 14,011,899 | 12,058,887 |
| Repairs of bags | 35,739 | 34,824 |
| Sales commission | 1,893,416 | 1,440,346 |
| Transport, handling and permit charges | 539,120 | 483,588 |
| Closing inventories | (6,242,136) | (6,212,910) |
| | (16,726,310) | (17,943,685) |
| GROSS PROFIT | 17,793,832 | 9,327,620 |
| OTHER INCOME | | |
| Gain on disposal of property, plant and equipment | 14,421 | 0 |
| Insurance claim | 540,427 | 0 |
| Interest income | 192 | 105 |
| Realised gain on foreign exchange | 152,561 | 0 |
| Sundry income | 66,377 | 2,387 |
| | 773,978 | 2,492 |
| EXPENSES | | |
| Administrative and general expenses | 25,521,827 | 18,073,288 |
| Finance costs | 836,319 | 678,991 |
| | (26,358,146) | (18,752,279) |
| LOSS BEFORE TAX | (7,790,336) | (9,422,167) |

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**DETAILED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2018**

| | 2018 RM | 2017 RM |
|-----------------------------------------------|------------|------------|
| ADMINISTRATIVE AND GENERAL EXPENSES | | |
| Employee benefits expense | | |
| Annual dinner | 34,327 | 4,490 |
| Bonus | 26,485 | 88,028 |
| Director's remuneration | | |
| Bonus | 0 | 41,000 |
| Commission | 0 | 84 |
| EIS | 119 | 0 |
| EPF | 69,780 | 56,366 |
| Salary | 581,500 | 468,200 |
| SOCSO | 2,486 | 0 |
| EIS | 2,553 | 0 |
| EPF | 432,388 | 335,491 |
| Salaries, bonus, allowances and overtime | 5,796,340 | 4,887,550 |
| SOCSO | 55,658 | 43,465 |
| Staff welfare | 27,155 | 13,307 |
| | 7,028,791 | 5,937,981 |
| Accounting fee | 24,040 | 22,729 |
| Administrative fee | 18,722 | 13,459 |
| Advertisement | 232,378 | 54,644 |
| Assessment and quit rent | 18,691 | 16,995 |
| Auditors' remuneration | 40,000 | 40,000 |
| Bad debts written off | 82,359 | 177,579 |
| Bank charges | 299,890 | 233,510 |
| Credit card terminal rental | 1,080 | 0 |
| Deposits written off | 8,200 | 264,566 |
| Depreciation of investment properties | 57,275 | 27,957 |
| Depreciation of property, plant and equipment | 1,081,887 | 605,741 |
| Electricity, water and sewerage charges | 294,846 | 220,060 |
| Filing fees | 0 | 250 |
| Fit out fees | 1,530 | 9,260 |
| Greeting and condolences | 3,076 | 124 |
| GST expenses | 2,559 | 970 |
| Hotel and accommodation | 278,691 | 117,618 |
| Impairment loss on receivables | 3,064,458 | 0 |
| Insurance | 54,087 | 64,695 |
| Late payment charges | 41,397 | 11,432 |
| Legal and professional fee | 711,262 | 432,823 |
| License fee | 18,159 | 14,149 |
| Maintenance fee | 18,826 | 31,320 |
| Marketing expenses | 538,028 | 475,100 |
| Newspaper and magazines | 443 | 466 |
| Packing material | 31,839 | 49,667 |
| Parking fee | 10,097 | 10,712 |
| Penalty and compound | 36,320 | 50,063 |
| Petrol | 52,922 | 47,771 |
| Postages and stamps | 32,002 | 58,729 |
| Printing and stationery | 49,707 | 91,367 |
| Property, plant and equipment written off | 0 | 93,683 |
| Realised loss on foreign exchange | 0 | 158,247 |
| Rental of mailbox | 870 | 0 |
| Rental of premises | 9,975,392 | 7,544,762 |
| Restoration fees | 14,390 | 2,073 |
| Road tax | 3,211 | 3,589 |
| Secretarial fee | 1,200 | 1,440 |
| Balance carried forward | 24,128,625 | 16,885,531 |

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DETAILED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

| | 2018 RM | 2017 RM |
|----------------------------------------------|-------------------|-------------------|
| ADMINISTRATIVE AND GENERAL EXPENSES (cont'd) | | |
| Balance brought forward | 24,128,625 | 16,885,531 |
| Service charges | 551 | 115 |
| Sponsorship | 1,566 | 0 |
| Subscription fee | 8,594 | 5,064 |
| Sundry expenses | 7,364 | 5,076 |
| Telephone charges | 129,753 | 87,041 |
| Toll charges | 22,081 | 23,779 |
| Trademark written off | 8,982 | 342,364 |
| Transport charges | 645,956 | 337,440 |
| Travelling expenses | 293,097 | 229,029 |
| Upkeep of motor vehicle | 20,834 | 15,624 |
| Upkeep of office equipment | 176,286 | 108,746 |
| Upkeep of premises | 10,400 | 7,382 |
| Vouchers | 60,951 | 23,908 |
| Website hosting | 6,787 | 2,189 |
| | <u>25,521,827</u> | <u>18,073,288</u> |
| FINANCE COSTS | | |
| Banker acceptance interest | 139,044 | 108,052 |
| Hire purchase interest | 27,815 | 41,446 |
| Overdraft interest | 118,562 | 83,886 |
| Term loan interest | 550,898 | 445,607 |
| | <u>836,319</u> | <u>678,991</u> |

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