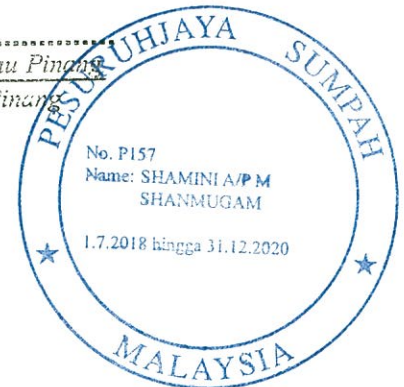


PERKARA
Inilah Benda bukti bertanda.....^{"A"}
yang disebutkan didalam surat ikrar.....*Soo Boon Chin*
Diikrar pada 02 OCT 2019

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



Rofina Marketing (M) Sdn. Bhd.
(383936-A)
(Incorporated in Malaysia)

NO. 67 BISHOP STREET
10200 PULAU PINANG

**Reports and financial statements
for the financial year ended 31 May 2019**

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Directors' report

The directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 May 2019.

Principal activities

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

Results

	RM
Profit for the financial year	<u>109,383</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 8,200,000 ordinary shares at RM1.00 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.

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.

Directors' report

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.

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' report

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 31.5.2019
	Balance at 1.6.2018	Allotted	(Sold)	
Soo Boon Chin	1,650,000	4,100,000	0	5,750,000
Wong Yeng Fong	660,000	1,640,000	0	2,300,000
Soo Wei Yin	660,000	1,640,000	0	2,300,000
Soo Yi Yun	330,000	820,000	0	1,150,000

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 13 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.

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.

Rofina Marketing (M) Sdn. Bhd.
(383936-A)
(Incorporated in Malaysia)

Directors' report

Auditors

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia), have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 12 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 02 OCT 2019



Soo Boon Chin



Wong Yeng Fong

Statement by directors

In the opinion of the directors, the financial statements set out on pages 9 to 33 give a true and fair view of the financial position of the Company as at 31 May 2019 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 02 OCT 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 9 to 33 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 02 OCT 2019



Soo Boon Chin

Before me



NO. 67 BISHOP STREET
10200 PULAU PINANG

**Independent auditors' report to the members of
Rofina Marketing (M) Sdn. Bhd.
(383936-A)
(Incorporated in Malaysia)**

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 2019, 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 9 to 33.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 May 2019, 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 as at 31 May 2019, the Company's net current liabilities amounted to RM5,690,456. 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.

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.

**Independent auditors' report to the members of
Rofina Marketing (M) Sdn. Bhd. (cont'd)
(383936-A)
(Incorporated in Malaysia)**

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.

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.

**Independent auditors' report to the members of
Rofina Marketing (M) Sdn. Bhd. (cont'd)
(383936-A)
(Incorporated in Malaysia)**

- 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.

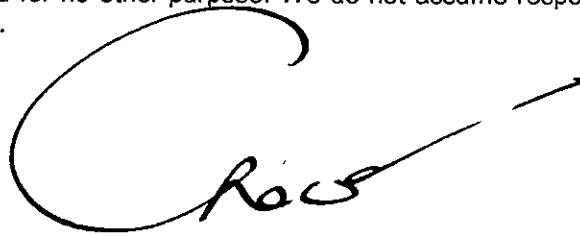
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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: **02 OCT 2019**

Penang

Statement of financial position as at 31 May 2019

	Note	2019 RM	2018 RM
Non-current assets			
Property, plant and equipment	4	9,969,354	11,048,940
Investment properties	5	<u>2,310,241</u>	<u>2,370,180</u>
		12,279,595	13,419,120
Current assets			
Inventories		7,855,854	6,242,136
Receivables	6	4,439,906	3,737,769
Prepayments		94,670	0
Current tax assets		491,766	404,996
Cash and bank balances		112,563	174,432
		<u>12,994,759</u>	<u>10,559,333</u>
Current liabilities			
Payables	7	11,958,027	18,540,582
Loans and borrowings	8	<u>6,727,188</u>	<u>6,575,765</u>
		18,685,215	25,116,347
Net current liabilities		(5,690,456)	(14,557,014)
Non-current liabilities			
Loans and borrowings	8	5,986,317	6,568,667
Net assets/(liabilities)		<u>602,822</u>	<u>(7,706,561)</u>
Equity			
Share capital	9	11,500,000	3,300,000
Accumulated losses		<u>(10,897,178)</u>	<u>(11,006,561)</u>
Total equity		<u>602,822</u>	<u>(7,706,561)</u>

Statement of comprehensive income for the financial year ended 31 May 2019

	Note	2019 RM	2018 RM
Revenue	10	39,960,148	34,520,142
Cost of goods sold		(17,501,743)	(16,726,310)
Gross profit		<u>22,458,405</u>	<u>17,793,832</u>
Interest income		28	192
Other income		727,074	773,786
Administrative and general expenses		(22,244,557)	(22,375,010)
Finance costs		(831,467)	(836,319)
Impairment losses on financial assets	11	0	(3,064,458)
Loss on derecognition of financial assets measured at amortised cost		(100)	(82,359)
Profit/(Loss) before tax	12	<u>109,383</u>	<u>(7,790,336)</u>
Tax expense	14	0	0
Profit/(Loss) for the financial year		<u>109,383</u>	<u>(7,790,336)</u>
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		<u>109,383</u>	<u>(7,790,336)</u>

Statement of changes in equity for the financial year ended 31 May 2019

	Share capital RM	Accumulated losses RM	Total equity RM
Balance at 1 June 2017	500,000	(3,216,225)	(2,716,225)
Issue of shares (representing total transactions with owners)	2,800,000	0	2,800,000
Loss (representing 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>
Issue of shares (representing total transactions with owners)	8,200,000	0	8,200,000
Profit (representing comprehensive income) for the financial year	0	109,383	109,383
Balance at 31 May 2019	<u>11,500,000</u>	<u>(10,897,178)</u>	<u>602,822</u>

Statement of cash flows for the financial year ended 31 May 2019

	Note	2019 RM	2018 RM
Cash flows from operating activities			
Profit/(Loss) before tax		109,383	(7,790,336)
Adjustments for:-			
Depreciation of investment properties		59,939	57,275
Depreciation of property, plant and equipment		986,604	1,081,887
Gain on disposal of property, plant and equipment		(180,204)	(14,421)
Impairment losses on financial assets		0	3,064,458
Interest expense		831,467	836,319
Interest income		(28)	(192)
Loss on derecognition of financial assets measured at amortised cost		100	82,359
Operating profit/(loss) before working capital changes		1,807,261	(2,682,651)
Changes in:-			
Inventories		(1,613,718)	(29,226)
Receivables		(702,237)	(2,553,284)
Prepayments		(94,670)	14,400
Payables		(6,582,555)	6,904,665
Cash (absorbed by)/generated from operations		(7,185,919)	1,653,904
Tax paid		(86,770)	(258,333)
Net cash (used in)/from operating activities		(7,272,689)	1,395,571
Cash flows from investing activities			
Interest received		28	192
Proceeds from disposal of property, plant and equipment		501,000	17,848
Purchase of property, plant and equipment	15	(227,814)	(2,860,546)
Net cash from/(used in) investing activities		273,214	(2,842,506)
Cash flows from financing activities			
Increase/(Decrease) in short-term bank borrowings	15	213,521	(63,886)
Interest paid		(831,467)	(836,319)
Issue of shares		8,200,000	2,800,000
Repayment of hire purchase obligations	15	(419,847)	(168,371)
Repayment of term loans	15	(794,655)	(924,404)
Term loans raised	15	722,000	500,000
Net cash from financing activities		7,089,552	1,307,020
Net increase/(decrease) in cash and cash equivalents		90,077	(139,915)
Cash and cash equivalents brought forward		(2,156,005)	(2,016,090)
Cash and cash equivalents carried forward	15	(2,065,928)	(2,156,005)

Notes to the financial statements - 31 May 2019

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 **02 OCT 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
MFRS 9 <i>Financial Instruments</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
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 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 15 <i>Clarifications to MFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
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 140 <i>Transfers of Investment Property</i>	1 January 2018

The initial application of the above MFRSs did not have any significant impacts on the financial statements.

Notes to the financial statements - 31 May 2019

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 16 <i>Leases</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
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 3 <i>Definition of a Business</i>	1 January 2020
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 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
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>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements except as follows:-

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.

Notes to the financial statements - 31 May 2019

2. Significant accounting policies (cont'd)

2.2 Going Concern

As at 31 May 2019, the Company's net current liabilities amounted to RM5,690,456. 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 shoplots	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.

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 shaplot 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.

Notes to the financial statements - 31 May 2019

2. Significant accounting policies (cont'd)

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.

Initial 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. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.12). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

Impairment

At each reporting date, the Company recognises a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

Notes to the financial statements - 31 May 2019

2. Significant accounting policies (cont'd)

2.7 Financial assets (cont'd)

Impairment (cont'd)

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

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.

Initial 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 minus transaction costs.

Subsequent measurement

All payables and loans and borrowings are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Derecognition

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. Significant accounting policies (cont'd)

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.

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.

Notes to the financial statements - 31 May 2019

2. Significant accounting policies (cont'd)

2.12 Revenue from contracts with customers

The Company recognises revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.
- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

The Company determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

2.13 Other income

Interest income is recognised in profit or loss using the effective interest method.

Rental income is recognised in profit or loss on a straight-line basis over the lease term.

2.14 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 or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

Notes to the financial statements - 31 May 2019

2. Significant accounting policies (cont'd)

2.14 Employee benefits (cont'd)

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 or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

2.15 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.

2.16 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.

2.17 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, if any.

Notes to the financial statements - 31 May 2019

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 involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories carried at RM7,855,854 at 31 May 2019.

Impairment of receivables

The Company recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 6).

Notes to the financial statements - 31 May 2019

4. Property, plant and equipment

Cost	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
Balance at 1 June 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
Additions	0	0	40,813	70,150	116,851	0	227,814
Disposals	0	0	0	0	0	(985,298)	(985,298)
Balance at 31 May 2019	5,743,000	172,066	611,729	2,375,872	4,372,451	247,982	13,523,100
Accumulated depreciation							
Balance at 1 June 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
Depreciation	118,687	17,207	39,507	249,025	470,957	91,221	986,604
Disposals	0	0	0	0	0	(664,502)	(664,502)
Balance at 31 May 2019	423,671	103,241	251,198	711,836	1,866,040	197,760	3,553,746
Carrying amount							
Balance at 1 June 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
Balance at 31 May 2019	5,319,329	68,825	360,531	1,664,036	2,506,411	50,222	9,969,354

Notes to the financial statements - 31 May 2019

4. Property, plant and equipment (cont'd)

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

Certain motor vehicles with carrying amount of RM45,020 (2018 : RM462,239) 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
Cost			
Balance at 1 June 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 / 31 May 2019	<u>1,300,000</u>	<u>1,250,000</u>	<u>2,550,000</u>
Accumulated depreciation			
Balance at 1 June 2017	55,914	0	55,914
Transfer from property, plant and equipment	0	66,631	66,631
Depreciation	<u>27,957</u>	<u>29,318</u>	<u>57,275</u>
Balance at 31 May 2018	83,871	95,949	179,820
Depreciation	<u>27,957</u>	<u>31,982</u>	<u>59,939</u>
Balance at 31 May 2019	<u>111,828</u>	<u>127,931</u>	<u>239,759</u>
Carrying amount			
Balance at 1 June 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>
Balance at 31 May 2019	<u>1,188,172</u>	<u>1,122,069</u>	<u>2,310,241</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.

6. Receivables

	2019 RM	2018 RM
Trade receivables	882,447	621,540
Other receivables	49,362	3,078,680
Loss allowance	0	(3,064,458)
	<u>49,362</u>	<u>14,222</u>
Sundry deposits	2,711,147	2,750,835
Amounts due from related parties*	<u>796,950</u>	<u>351,172</u>
	<u>4,439,906</u>	<u>3,737,769</u>

Notes to the financial statements - 31 May 2019

6. Receivables (cont'd)

* 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 2019, there were 3 (2018 : 1) major customers that accounted for 10% or more of the Company's trade receivables and the total outstanding balances due from these major customers amounted to RM603,430 (2018 : RM535,945).

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:-

	2019 RM	2018 RM
Not past due	704,019	491,733
1 to 30 days past due	154,105	124,443
31 to 60 days past due	0	5,364
More than 90 days past due	24,323	0
	<u>882,447</u>	<u>621,540</u>

The Company determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Company generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Based on the low historical observed default rates (adjusted for forward-looking estimates), the expected credit losses on trade receivables are not considered to be material and hence, have not been recognised.

Other receivables

The changes in the loss allowance are as follows:-

	2019 RM	2018 RM
Balance at 1 June	3,064,458	0
Impairment losses	0	3,064,458
Write-offs	(3,064,458)	0
Balance at 31 May	<u>0</u>	<u>3,064,458</u>

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

Notes to the financial statements - 31 May 2019

6. Receivables (cont'd)

Amounts due from related parties

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

7. Payables

	2019 RM	2018 RM
Trade payables	5,650,502	2,271,954
Other payables	6,193,104	15,465,099
Amounts due to directors	114,421	464,128
Amounts due to other related parties*	0	339,401
	<u>11,958,027</u>	<u>18,540,582</u>

* Being companies in which a director has substantial financial interests

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.

8. Loans and borrowings

	2019 RM	2018 RM
<u>Secured</u>		
Bank overdrafts (floating rate)	2,178,491	2,330,437
Banker acceptances (fixed rate)	3,580,952	3,367,431
Hire purchase payables (fixed rate)	54,751	474,598
Term loans (floating rate)	6,478,874	6,897,376
<u>Unsecured</u>		
Term loans (fixed rate)	420,437	74,590
	<u>12,713,505</u>	<u>13,144,432</u>
Disclosed as:-		
- Current liabilities	6,727,188	6,575,765
- Non-current liabilities	5,986,317	6,568,667
	<u>12,713,505</u>	<u>13,144,432</u>

Notes to the financial statements - 31 May 2019

8. Loans and borrowings (cont'd)

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 2019 ranged from 3.84% to 16.99% (2018 : 4.02% 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:-

	2019 RM	2018 RM
Minimum hire purchase payments:-		
- Within 1 year	25,674	168,552
- Later than 1 year and not later than 2 years	23,868	136,307
- Later than 2 years and not later than 5 years	9,886	174,599
- Later than 5 years	0	45,265
Total contractual undiscounted cash flows	59,428	524,723
Future finance charges	(4,677)	(50,125)
Present value of hire purchase payables:-		
- Within 1 year	22,645	148,477
- Later than 1 year and not later than 2 years	22,384	123,331
- Later than 2 years and not later than 5 years	9,722	158,711
- Later than 5 years	0	44,079
	54,751	474,598

The fair values of hire purchase payables were 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 were considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of hire purchase payables.

Notes to the financial statements - 31 May 2019

8. Loans and borrowings (cont'd)

Term loans

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

	2019 RM	2018 RM
Gross loan instalments:-		
- Within 1 year	1,393,950	1,200,920
- Later than 1 year and not later than 2 years	1,330,284	1,115,222
- Later than 2 years and not later than 5 years	2,726,336	2,825,773
- Later than 5 years	3,175,462	3,855,236
Total contractual undiscounted cash flows	8,626,032	8,997,151
Future finance charges	(1,726,721)	(2,025,185)
Present value of term loans:-		
- Within 1 year	945,100	729,420
- Later than 1 year and not later than 2 years	939,661	682,027
- Later than 2 years and not later than 5 years	1,981,654	1,906,524
- Later than 5 years	3,032,896	3,653,995
	<u>6,899,311</u>	<u>6,971,966</u>

The fair values of term loans were 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 were considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of term loans.

9. Share capital

	No. of ordinary shares with no par value	RM
<u>Issued and fully paid</u>		
Balance at 1 June 2017	500,000	500,000
Issue of shares	2,800,000	2,800,000
Balance at 31 May 2018	3,300,000	3,300,000
Issue of shares	8,200,000	8,200,000
Balance at 31 May 2019	<u>11,500,000</u>	<u>11,500,000</u>

Notes to the financial statements - 31 May 2019

10. Revenue

	2019 RM	2018 RM
Revenue from sale of goods	39,960,148	34,520,142
Disaggregated by major products:-		
- Luggage	25,874,691	22,605,742
- Winter apparel	6,936,940	6,477,493
- Backpack	3,398,170	2,406,416
- Bag	2,490,362	1,084,179
- Accessories	1,151,180	1,390,689
- Others	108,805	555,623
	<u>39,960,148</u>	<u>34,520,142</u>
Disaggregated by geographical areas:-		
- Malaysia	39,619,080	33,112,040
- Australia	303,696	805,913
- China	0	471,165
- Others	37,372	131,024
	<u>39,960,148</u>	<u>34,520,142</u>

11. Impairment losses on financial assets

	2019 RM	2018 RM
Other receivables	<u>0</u>	<u>3,064,458</u>

12. Profit/(Loss) before tax

	2019 RM	2018 RM
Profit/(Loss) before tax is arrived at after charging:-		
Auditors' remuneration	40,000	40,000
Depreciation of investment properties	59,939	57,275
Depreciation of property, plant and equipment	986,604	1,081,887
Employee benefits expense (Note 13)	6,421,440	7,028,791
Fee expense for financial instruments not at fair value through profit or loss	298,217	299,890
Interest expense for financial liabilities measured at amortised cost	831,467	836,319
Realised loss on foreign exchange	35,057	0
Rental expense	11,731,819	9,976,262

Notes to the financial statements - 31 May 2019

12. Profit/(Loss) before tax (cont'd)

	2019 RM	2018 RM
and crediting:-		
Bad debts recovered	443,931	0
Gain on disposal of property, plant and equipment	180,204	14,421
Interest income for financial assets measured at amortised cost	28	192
Realised gain on foreign exchange	0	152,561
Rental income	93,500	0

13. Employee benefits expense (including directors' remuneration)

	2019 RM	2018 RM
Directors:-		
- Short-term employee benefits	612,865	584,105
- Defined contribution plans	63,400	69,780
	676,265	653,885
Other employees:-		
- Short-term employee benefits	5,365,113	5,942,518
- Defined contribution plans	380,062	432,388
	5,745,175	6,374,906
	6,421,440	7,028,791

14. Tax expense

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

	2019 %	2018 %
Applicable tax rate	24.00	(24.00)
Non-deductible expenses	177.11	13.85
Non-taxable income	(32.74)	0.00
(Decrease)/Increase in unrecognised deferred tax assets	(168.37)	10.15
Average effective tax rate	0.00	0.00

As at 31 May 2019, deferred tax liabilities and deferred tax assets have effectively been recognised and offset against each other to the extent of RM621,000 (2018 : RM647,000). No further deferred tax assets have been recognised for the following excess of unused capital allowances and tax losses over taxable temporary differences:-

Notes to the financial statements - 31 May 2019

14. Tax expense (cont'd)

	2019 RM	2018 RM
Unused capital allowances	473,000	1,349,000
Unused tax losses	10,726,000	10,726,000
Taxable temporary differences of:-		
- Property, plant and equipment	(1,990,000)	(2,083,000)
- Investment properties	(598,000)	(614,000)
	<u>8,611,000</u>	<u>9,378,000</u>

The unused capital allowances have no expiry date, whereas the unused tax losses can be carried forward until the year of assessment 2025.

15. Notes to statement of cash flows

Purchase of property, plant and equipment

	2019 RM	2018 RM
Cost of property, plant and equipment purchased	227,814	3,110,546
Amount financed through hire purchase	0	(250,000)
Net cash disbursed	<u>227,814</u>	<u>2,860,546</u>

Short-term loans and borrowings

	2019 RM	2018 RM
Balance at 1 June	3,367,431	3,431,317
Net cash flow changes	213,521	(63,886)
Balance at 31 May (Note 8)	<u>3,580,952</u>	<u>3,367,431</u>

Hire purchase payables

	2019 RM	2018 RM
Balance at 1 June	474,598	392,969
Drawdowns	0	250,000
Repayments	(419,847)	(168,371)
Balance at 31 May (Note 8)	<u>54,751</u>	<u>474,598</u>

Term loans

	2019 RM	2018 RM
Balance at 1 June	6,971,966	7,396,370
Drawdowns	722,000	500,000
Repayments	(794,655)	(924,404)
Balance at 31 May (Note 8)	<u>6,899,311</u>	<u>6,971,966</u>

Notes to the financial statements - 31 May 2019

15. Notes to statement of cash flows (cont'd)

Cash and cash equivalents

	2019 RM	2018 RM
Cash and bank balances	112,563	174,432
Bank overdrafts	(2,178,491)	(2,330,437)
	<u>(2,065,928)</u>	<u>(2,156,005)</u>

16. Related party disclosures

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

	2019 RM	2018 RM
Key management personnel compensation:-		
- Short-term employee benefits	612,865	584,105
- Defined contribution plans	63,400	69,780
	676,265	653,885
Purchase of goods from other related party*	52,868	95,170
Purchase of property, plant and equipment from other related party**	0	315,624
Receiving of services from other related party*	56,057	35,739
Rental charged by director	13,500	19,800
Rental charged by other related party**	19,800	35,094
Sale of goods to other related party*	49,854	17,775
Sale of goods to other related parties**	224,355	666,721
Sales commission charged by other related party**	1,435,621	341,401

* 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.

Notes to the financial statements - 31 May 2019

17. Financial risk management (cont'd)

Credit risk (cont'd)

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. The quantitative information about such credit risk exposure is disclosed in Note 6. As the Company only deals with reputable financial institutions, the credit risk associated with deposits placed with them is low.

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"), and the gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:-

	Denominated in USD		Denominated in AUD	
	2019	2018	2019	2018
	RM	RM	RM	RM
Receivables	89,888	0	40,856	0
Payables	<u>616,195</u>	<u>391,999</u>	<u>0</u>	<u>580,954</u>

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 (and equity) 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 profit 2019 RM	(Increase)/ Decrease in loss 2018 RM
Appreciation of USD against RM by 10%	(52,630)	(39,200)
Depreciation of USD against RM by 10%	52,630	39,200
Appreciation of AUD against RM by 10%	4,086	(58,095)
Depreciation of AUD against RM by 10%	<u>(4,086)</u>	<u>58,095</u>

Notes to the financial statements - 31 May 2019

17. Financial risk management (cont'd)

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.

As the Company does not account for its fixed rate financial instruments at fair value through profit or loss, any change in interest rates at the end of the reporting period would not affect its profit or loss (and equity). For floating rate financial instruments measured at amortised cost, the following table demonstrates the sensitivity of profit or loss (and equity) 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 profit 2019 RM	(Increase)/ Decrease in loss 2018 RM
Increase in interest rates by 50 basis points	(43,286)	(46,139)
Decrease in interest rates by 50 basis points	<u>43,286</u>	<u>46,139</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.

19. Significant events after the reporting period

In September 2019, the Company issued 1,500,000 ordinary shares at RM1 per share for cash to provide for additional working capital.

Rofina Marketing (M) Sdn. Bhd.
(383936-A)
(Incorporated in Malaysia)

Detailed income statement for the financial year ended 31 May 2019

	2019 RM	2018 RM
REVENUE	39,960,148	34,520,142
COST OF SALES		
Opening inventories	6,242,136	6,212,910
Duty, port and container charges	81,596	63,910
Insurance	7,142	12,718
Labour charges	38,868	55,577
Ocean freight charges	104,446	143,157
Purchases	15,919,764	14,011,899
Repairs of bags	56,057	35,739
Sales commission	2,193,197	1,893,416
Transport, handling and permit charges	714,391	539,120
Closing inventories	(7,855,854)	(6,242,136)
	(17,501,743)	(16,726,310)
GROSS PROFIT	22,458,405	17,793,832
OTHER INCOME		
Gain on disposal of property, plant and equipment	180,204	14,421
Insurance claim	0	540,427
Interest income	28	192
Realised gain on foreign exchange	0	152,561
Rental income	93,500	0
Reversal of bad debts written off	443,931	0
Sundry income	9,439	66,377
	727,102	773,978
EXPENSES		
Administrative and general expenses	22,244,657	25,521,827
Finance costs	831,467	836,319
	(23,076,124)	(26,358,146)
PROFIT/(LOSS) BEFORE TAX	109,383	(7,790,336)

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Rofina Marketing (M) Sdn. Bhd.
(383936-A)
(Incorporated in Malaysia)

Detailed income statement for the financial year ended 31 May 2019

	2019 RM	2018 RM
ADMINISTRATIVE AND GENERAL EXPENSES		
Employee benefits expense		
Annual dinner	0	34,327
Bonus	0	26,485
Commission	433,472	0
Director's remuneration		
Bonus	0	0
Commission	51	0
EIS	284	119
EPF	63,400	69,780
Salary and overtime	609,333	581,500
SOCSO	3,197	2,486
EIS	5,423	2,553
EPF	380,062	432,388
Rewards	55,210	0
Salaries, incentives, bonus, allowances and overtime	4,803,011	5,796,340
SOCSO	48,150	55,658
Staff welfare	19,847	27,155
	6,421,440	7,028,791
Accounting fee	34,150	24,040
Administrative fee	12,752	18,722
Advertisement	39,732	232,378
Assessment and quit rent	14,403	18,691
Auditors' remuneration	40,000	40,000
Bad debts written off	100	82,359
Bank charges	298,217	299,890
Credit card terminal rental	(1,080)	1,080
Deposits written off	315	8,200
Depreciation of investment properties	59,939	57,275
Depreciation of property, plant and equipment	986,604	1,081,887
Electricity, water and sewerage charges	303,636	294,846
Fave Charges	90,483	0
Filing fees	250	0
Fit out fees	0	1,530
Greeting and condolences	2,370	3,076
GST expenses	1,469	2,559
Hotel and accommodation	256,821	278,691
Impairment loss on receivables	0	3,064,458
Insurance	50,871	54,087
Late payment charges	117,827	41,397
Legal and professional fee	170,960	711,262
License fee	25,800	18,159
Maintenance fee	20,762	18,826
Marketing expenses	144,768	538,028
Newspaper and magazines	495	443
Packing material	34,981	31,839
Parking fee	846	10,097
Penalty and compound	39,211	36,320
Petrol	28,396	52,922
Postages and stamps	6,436	32,002
Printing and stationery	57,063	49,707
Realised loss on foreign exchange	35,057	0
Balance carried forward	9,295,074	14,133,562

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Rofina Marketing (M) Sdn. Bhd.
(383936-A)
(Incorporated in Malaysia)

Detailed income statement for the financial year ended 31 May 2019

	2019 RM	2018 RM
ADMINISTRATIVE AND GENERAL EXPENSES (cont'd)		
Balance brought forward	9,295,074	14,133,562
Rental of mailbox	254	870
Rental of premises	11,731,565	9,975,392
Restoration fees	28,559	14,390
Road tax	2,627	3,211
Secretarial fee	1,080	1,200
Service charges	26	551
Sponsorship	0	1,566
Subscription fee	4,492	8,594
Sundry expenses	8,214	7,364
Telephone charges	129,438	129,753
Toll charges	9,396	22,081
Trademark written off	9,025	8,982
Transport charges	646,827	645,956
Travelling expenses	122,018	293,097
Upkeep of motor vehicle	14,775	20,834
Upkeep of office equipment	200,650	176,286
Upkeep of premises	7,216	10,400
Vouchers	30,966	60,951
Website hosting	2,455	6,787
	<u>22,244,657</u>	<u>25,521,827</u>
FINANCE COSTS		
Banker acceptance interest	166,441	139,044
Hire purchase interest	15,934	27,815
Overdraft interest	155,176	118,562
Term loan interest	493,916	550,898
	<u>831,467</u>	<u>836,319</u>

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