



MYNEWS HOLDINGS BERHAD
ANNUAL REPORT 2019

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COVER RATIONALE


As a consolidated enterprise, Mynews aims to be the largest homegrown retail convenience store chain in Malaysia with one shared vision and mission.

With that in mind, we incorporated this concept and ideology to represent Mynews' promise to improve lives through a culture of continuous innovation by providing high quality products and services while achieving customer satisfaction, enhancing employee development and stakeholders' returns to ensure unrivalled quality. We strongly believe what we do can make people's lives better.

7th Annual General Meeting

 25 March 2020

 10.00 am.

 Olympia Room,
The Club, Bukit Utama Golf Resort,
1 Club Drive, Bukit Utama,
Bandar Utama, 47800 Petaling Jaya,
Selangor Darul Ehsan.

Users are encouraged to consider the environmental impact before printing this report and, where printing is required, limit this to the relevant sections rather than the full report.

About Us



Mynews Holdings Berhad (“Mynews” or “Company”) is an investment holding company established on 26 March 2013 as a private limited company. It was listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) as Bison Consolidated Berhad on 29 March 2016. Its current name was adopted on 11 December 2017 in line with the Group’s retail business ‘myNEWS’ branding.

About Us

Mynews has grown from its first print media outlet, MAGBIT at One Utama in 1996 into a press and retail convenience chain outlets. In 1997, “myNEWS.com” brand name was launched with the first outlet at Mid-Valley Megamall. To date, the wholly-owned subsidiaries of Mynews are involved in the following businesses:



Mynews Retail Sdn Bhd Eemerge Incorporated Sdn Bhd Mynews Kukuh Sdn Bhd

Retail convenience chain outlets



Bison Foods Sdn Bhd

Dine-in Café offering a variety of Japanese & Western fusion food



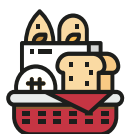
DKE Technology Sdn Bhd

Information Technology (“IT”) support services



Mynews Management Sdn Bhd

Management services to the Group



Mynews Food Sdn Bhd

Investment holding in food related businesses, namely, Mynews Kineya Sdn Bhd and Mynews Ryoyupan Sdn Bhd

It gained international recognition since 2012 through its partnership with WH Smith Travel Ltd, a UK based leading retailer. The 50:50 partnership named WH Smith Malaysia Sdn Bhd operates WH Smith outlets at Malaysia’s international airports.

In May 2016, the myNEWS.com brand name was licensed to two (2) stores at the Yangon International Airport in Myanmar.

On 5 October 2017, Mynews through Mynews Food Sdn Bhd reaffirmed its standing as a credible and recognized global brand name participating in joint-investment projects with leading Japanese food industry players to produce premium quality Halal food products to serve Mynews outlets. Mynews is drawing upon more than 50 years of industry experience and expertise from its Japanese partners.

The joint venture companies are:

Mynews Kineya Sdn Bhd

Mynews Food Sdn Bhd in collaboration with renowned Japanese company Gourmet Kineya Co. Limited, manufactures Halal Ready-To-Eat (“RTE”) meals.



Mynews Ryoyupan Sdn Bhd

Mynews Food Sdn Bhd in partnership with a leading and reputable Japanese bakery, Ryoyu Baking Co. Ltd. to produce fresh and the finest quality Halal bakery products.



Mynews completed a fully integrated Halal food supply chain that conforms to the Halal requirements from source to the point of consumer purchase. Its Food Processing Centre (“FPC”) in Kota Damansara, Selangor was completed in May 2019 and commercial production started in June rolling out RTE meals and bakery products. An online delivery service known as myNEWS DASH was rolled out in late September with its first hub at Taman Tun Dr Ismail outlet to cater for online orders for its RTE foods and other daily needs products.

Mynews is a truly 100% Malaysian homegrown brand that brings quality products, convenience and excellent shopping experience closer and closer to all Malaysians.

Corporate Information

BOARD OF DIRECTORS

DING LIEN BING, Independent Non-Executive Chairman

DANG TAI LUK, Executive Director/Group Chief Executive Officer

DANG TAI WEN, Executive Director/Chief Executive Officer - Retail

DANG TAI HOCK, Executive Director/Chief Executive Officer - Food

SOON DEE HWEE, Senior Independent Non-Executive Director

MOHD SUFFIAN BIN SUBOH, Independent Non-Executive Director

AUDIT COMMITTEE

Chairman

Soon Dee Hwee

Members

Ding Lien Bing

Mohd Suffian Bin Suboh

RISK MANAGEMENT COMMITTEE

Chairman

Dang Tai Hock

Members

Ding Lien Bing

Mohd Suffian Bin Suboh

REMUNERATION COMMITTEE

Chairman

Mohd Suffian Bin Suboh

Members

Ding Lien Bing

Soon Dee Hwee

COMPANY SECRETARIES

Chong Siew Hoong
(MIA 5062)

Lim Fung Sern
(MIA 21288)
(appointed on 22.8.2019)

Chooi Sook Yee
(resigned on 22.8.2019)

NOMINATING COMMITTEE

Chairman

Ding Lien Bing

Members

Soon Dee Hwee

Mohd Suffian Bin Suboh

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Lot No.3, Jalan Teknologi 3/1
Taman Sains Selangor 1
Seksyen 3, PJU 5, Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel No. : +603 6158 6000
Fax No. : +603 6158 6111



Corporate Information



SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur
Tel No. : +603 2783 9299
Fax No. : +603 2783 9222

AUDITORS

Grant Thornton Malaysia PLT
(Member of Grant Thornton
International Ltd.)
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Tel No. : +603 2692 4022
Fax No. : +603 2691 5229

PRINCIPAL BANKERS

Hong Leong Bank Berhad
CIMB Bank Berhad

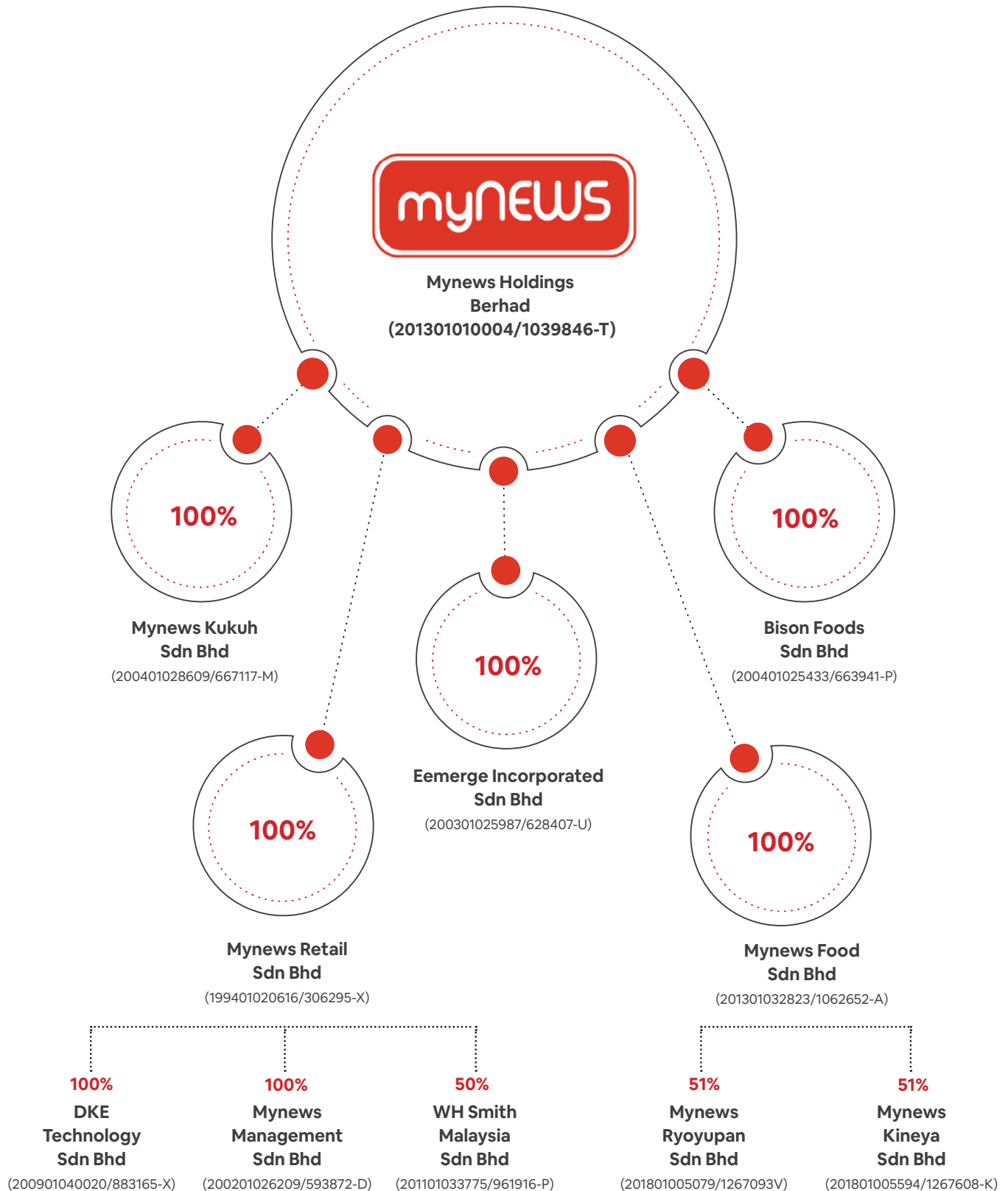
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Name : Mynews
Stock Code : 5275
Sector : Consumer products and
services
Sub-sector : Retailers

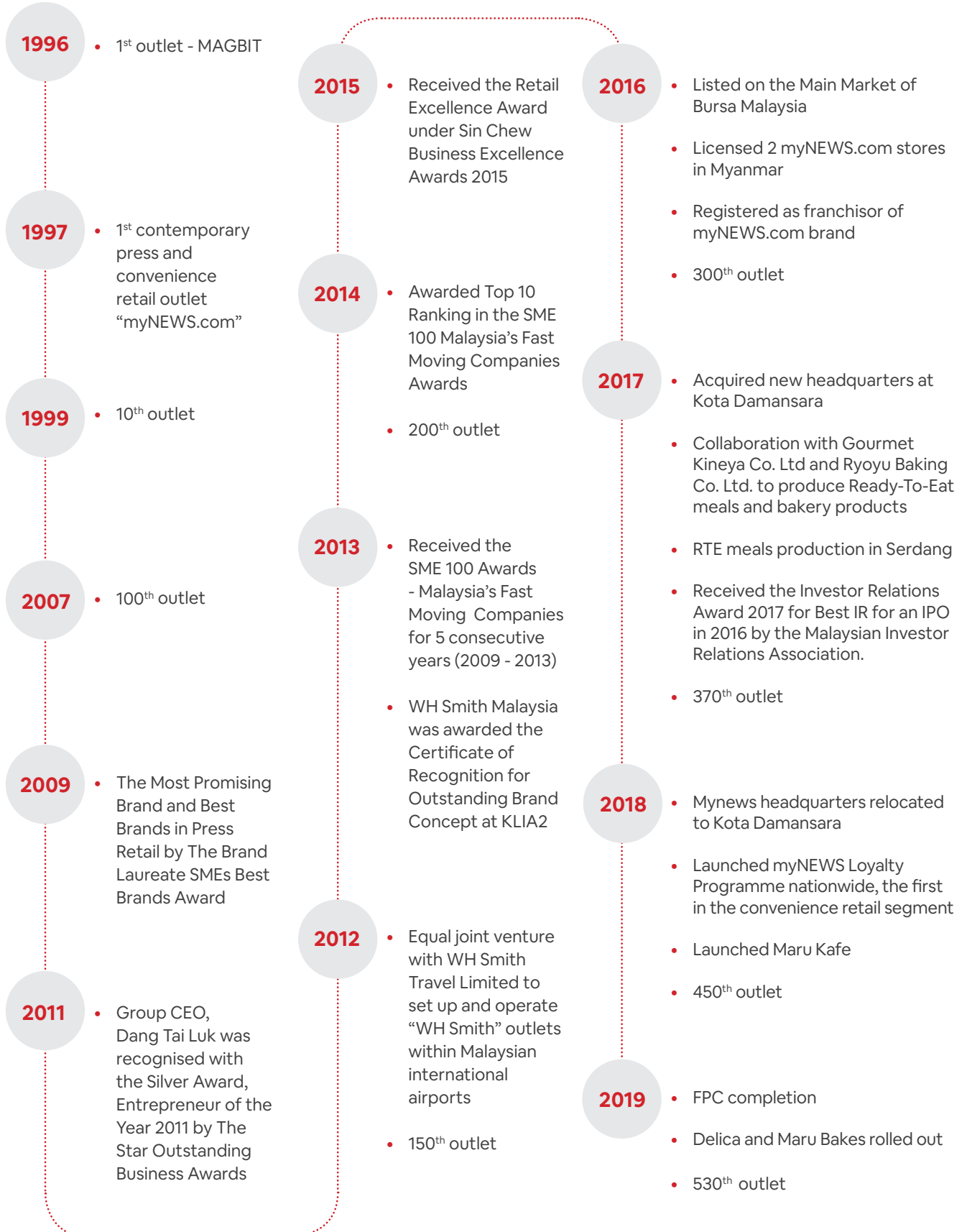
WEBSITE

www.mynews.com.my

Corporate Structure



Corporate Milestones







**Crafted
With Love**



Board of Directors



DING LIEN BING
Independent
Non-Executive Chairman



DANG TAI LUK
Executive Director/
Group Chief Executive Officer



DANG TAI WEN
Executive Director/
Chief Executive Officer-Retail

Board of Directors



DANG TAI HOCK
Executive Director/
Chief Executive Officer-Food



SOON DEE HWEЕ
Senior Independent
Non-Executive Director



MOHD SUFFIAN BIN SUBOH
Independent
Non-Executive Director

Directors' Profile

Ding Lien Bing

("Mr John Ding")

**Independent
Non-Executive Chairman**

Gender : Male
Nationality : Malaysian
Age : 60 Years

**Date appointed
to the Board:**
10 July 2015

Mr John Ding was appointed to the Board on 10 July 2015. He is also the Chairman of the Nominating Committee and a member of the Audit Committee, Risk Management Committee and Remuneration Committee.

Mr John Ding, a qualified Chartered Accountant is a member of the Malaysian Institute of Accountants ("MIA") and was a member of the Association of Chartered Certified Accountants (UK). He was previously attached to MBf Holdings Berhad Group ("MBfH") for more than twenty (20) years, from 1988 until 2010. During the period, he had left MBfH for eighteen (18) months to join OSK Holdings Berhad as Group Chief Financial Officer from May 2006 until October 2007 and thereafter re-joined MBfH. Mr John Ding started in MBfH as a Finance Manager with MBF Cards (M'sia) Sdn Bhd, a subsidiary involved in the credit card and charge card business. He was the Senior Vice President - Finance & Operations of MBF Cards before he was transferred to the holding company to take charge of the Corporate Affairs and Finance functions of MBfH and MBf Capital Berhad which both were then listed in Bursa Malaysia (previously known as the Kuala Lumpur Stock Exchange) Upon re-joining MBfH, Mr John Ding assumed a dual role as President of MBF Cards and Chief Financial Officer of MBfH.

In January 2011, Mr John Ding left MBfH to join MBf Corporation Berhad ("MBf Corp"). Currently, he is the President of MBf Corp, a public investment holding company which subsidiaries are involved in the promotion and sale of timeshare memberships, resort management services and investment properties. Mr John Ding is also the Chief Executive Officer and/or Director of the subsidiaries. He sits on the board of two (2) public companies, Leisure Holidays Berhad and Melawati Recreation Berhad (In Liquidation), a subsidiary of MBf Corp and MBfH respectively. He is also an Executive Committee Member of the Malaysian Holiday Timeshare Developers' Federation.

Dang Tai Luk

("Mr Luk")

**Executive Director/
Group Chief Executive
Officer**

Gender : Male
Nationality : Malaysian
Age : 60 Years

**Date appointed
to the Board:**
5 February 2015

Mr Luk was appointed to the Board on 5 February 2015 and re-designated as Chief Executive Officer from Managing Director on 3 January 2017. He was again re-designated as Group Chief Executive Officer on 1 August 2019.

He graduated with a Bachelor of Computer Science (Honours) and a Master of Science in Computer Science from the University of Manitoba, Canada. After his graduation, Mr Luk was engaged in the area of information technology from 1985 to 1996, mostly in banking applications, mainframe systems and computer network support. During those years, Mr Luk was attached to the Hongkong & Shanghai Bank Malaysia, the Development Bank of Singapore and Gendis Inc Canada.

Mr Luk left employment to be an entrepreneur and together with his family opened their first news stand under the name of "MAGBIT" on 25 December 1996. This news stand business evolves with time to become the largest homegrown convenience chain outlets with more than 500 outlets and still counting.

Directors' Profile

Dang Tai Wen

("Mr Wen")

**Executive Director/
Chief Executive Officer-
Retail**

Gender : Male
Nationality : Malaysian
Age : 46 Years

**Date appointed
to the Board:**
25 April 2013

Mr Wen was appointed to the Board on 25 April 2013. He was Deputy Chief Executive Officer for Mynews Holdings Berhad and re-designated as Chief Executive Officer for Mynews Retail Sdn Bhd on 1 August 2019. He has a Bachelor of Environmental Design from the University of Manitoba, Canada. Prior to joining Mynews in late 1998, Mr Wen was an Architect attached to a local architect firm for two (2) years.

Mr Wen began his retail career with Mynews after his stint as an architect. He has accumulated more than twenty (20) years of experience in the press and retail convenience sector.

Apart from overseeing the entire outlets operations, he is instrumental for Mynews' branding and store concept.

Dang Tai Hock

("Mr Hock")

**Executive Director/
Chief Executive Officer-
Food**

Gender : Male
Nationality : Malaysian
Age : 62 Years

**Date appointed
to the Board:**
25 April 2013

Mr Hock was appointed to the Board on 25 April 2013. He was an Executive Director from January 2014 to 31 October 2016. Mr Hock was re-appointed Executive Director on 1 August 2019 and is the Chief Executive Officer of Mynews Kinoya Sdn Bhd and Mynews Ryoyupan Sdn Bhd. He is also the Chairman of the Risk Management Committee.

Mr Hock graduated with a Bachelor of Science Degree from University of Manitoba, Canada. He started his career with Rank Xerox Malaysia Sdn Bhd and subsequently joined Nationwide Express Sdn Bhd (now known as Nationwide Bhd) followed with Federal Express Services (M) Sdn Bhd ("FedEx") in 1988. Mr Hock left FedEx in 1990 to set up his own business venture.

Currently, Mr Hock sits on the Board of Directors of Upayapadu Plantation Berhad which is involved in the cultivation of rubber and oil palm.

Directors' Profile

Soon Dee Hwee

("Ms Soon")

**Senior Independent
Non-Executive Director**

Gender : Female
Nationality : Malaysian
Age : 59 Years

**Date appointed
to the Board:**

10 July 2015

Ms Soon, a member of MIA was appointed to the Board on 10 July 2015. She is also the Chairperson of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

Ms Soon has more than 20 years of extensive experience in corporate finance where she had been attached to Bumiputra Merchant Bankers Berhad, Alliance Investment Bank Berhad and Hwang DBS Investment Bank Berhad. Prior to that she was in the auditing field attached to Messrs. Hanafiah Raslan & Mohd and subsequently Messrs KPMG. She is currently the Senior Vice President of HDM Capital Sendirian Berhad.

Ms Soon also sits on the board of Prudential Assurance Malaysia Berhad and Asian Pac Holdings Berhad.

Mohd Suffian Bin Suboh

("En Suffian")

**Independent
Non-Executive Director**

Gender : Male
Nationality : Malaysian
Age : 43 Years

**Date appointed
to the Board:**

10 July 2015

En Suffian was appointed to the Board on 10 July 2015 and is also the Chairman of the Remuneration Committee and a member of the Audit Committee, Nominating Committee and Risk Management Committee.

He graduated from George Washington University, United States of America with a Bachelor of Business Administration in 1999 and Master of Science in Information Systems Technology in 2000.

En Suffian began his career with Petroliam Nasional Berhad as a Systems Analyst, overseeing the SAP (systems, applications & products in data processing) systems. He then joined an engineering company having diverse business activities such as construction and property development, project management, oil and gas support services, manufacturing and electronics and communication.

Thereafter he joined a tin and anthracite trading firm as Logistic Manager and was later in charge of the coal and anthracite operations responsible for the implementation of structured off-take and structured finance strategies to secure supplies and mitigate operational and commercial risks. En Suffian has about ten (10) years of experience in the coal mining and trading operations specialising in the logistic aspect and until today he is still offering such advisory services.

Directors' Profile

Additional Information

- **Directorship in Public Companies and Listed Issuers**

Save as disclosed for Mr John Ding, Ms Soon and Mr Hock, the other Directors do not have any other directorship in public companies and other listed issuers.

- **Family Relationship with Director and Major Shareholder**

Mr Luk, Mr Wen and Mr Hock are siblings. They, together with two (2) other siblings, Mr Dang Tai Kien ("DTK") and Mr Dang Tai Gean ("DTG") are the shareholders in D&D Consolidated Sdn Bhd ("D&D") which is a substantial shareholder and holding company of the Company holding 57.43% of the issued and paid-up share capital of the Company. D&D together with DTK & DTG and Red Orchid Sdn Bhd (Formerly known as Evertop Cleaners Sdn Bhd) in which their parent has an interest collectively hold 62.62% of the issued and paid-up share capital of the Company.

Mr Luk, Mr Wen and Mr Hock are also directors of D&D. They also sit on the board of all the subsidiaries of the Company except for:

- Mr Luk who is not on the board of Mynews Kineya Sdn Bhd and Mynews Ryoyupan Sdn Bhd; and
- Mr Hock who is not on the board of Mynews Kukuh Sdn Bhd and Mynews Management Sdn Bhd.

The other three (3) Directors namely, Mr John Ding, Ms Soon and En Suffian do not have any family relationship with Directors or the major shareholders of the Company.

- **Conflict of Interest**

Save as disclosed on pages 65 to 66 in the Annual Report 2019, the other Directors namely, Mr John Ding, Ms Soon and En Suffian do not have any conflict of interest with Mynews.

- **Conviction for Offences**

None of the Directors had any conviction for offences (other than traffic offences) within the past five (5) years or had been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

- **Directors' Attendance at Board Meetings**

All the Directors attended the six (6) meetings convened during the financial year under review.





Excellence Through People



Key Senior Management

Dang Tai Luk

("Mr Luk")

Group Chief Executive Officer

For his profile, kindly refer to the Directors' Profile on page 12 of the Annual Report 2019.

Dang Tai Wen

("Mr Wen")

Chief Executive Officer - Retail

For his profile, kindly refer to the Directors' Profile on page 13 of the Annual Report 2019.

Dang Tai Hock

("Mr Hock")

Chief Executive Officer - Food

For his profile, kindly refer to the Directors' Profile on page 13 of the Annual Report 2019.

Chong Siew Hoong

("Ms Chong")

Chief Financial Officer

Gender : Female
Nationality : Malaysian
Age : 59 Years

Ms Chong joined Mynews in May 2016 as Joint Company Secretary and assumed her current role in April 2017. She oversees the finance, investor relations and secretarial functions of Mynews. Before joining Mynews, Ms Chong was the Head of Finance of a conglomerate where she was attached to for about 20 years, responsible for its group's accounting, financial and secretarial functions.

Ms Chong started her career in 1981 as an articled student with Messrs Hanafiah, Raslan & Mohamad and was admitted as a member of the Malaysian Association of Certified Public Accountants (now known as Malaysian Institute of Certified Public Accountants) and MIA in 1987.

Ms Chong has more than 30 years of experience in auditing, taxation, financial management, corporate finance and corporate secretarial. She had served at various capacities as senior management in two public listed companies with diverse interests, both locally and overseas, ranging from retailing, plantation, motor vehicle distribution to trading, shipping, properties & investment holding, fast food and manufacturing.

Key Senior Management

Ong Chee Jern

("Mr Ong")

Retail Director

Gender : Male
Nationality : Malaysian
Age : 40 Years

Mr Ong graduated with a Bachelor of Management (Finance) from University Sains Malaysia with First Class Honours in 2004. He started his career in Panasonic Malaysia Sdn Bhd, managing the sales planning for the consumer electrical goods in the modern trade division from 2004 to 2008 after which he left to join Mynews as Head of Merchandising Department. In 2013 Mr Ong was promoted to General Manager and General Manager of Operations in 2014. In 2017 he was appointed the Chief Strategy Officer.

Mr Ong left Mynews in September 2017 to join Chevron Malaysia Limited to lead the overall strategy and direction for Xpress Point convenience store within the Caltex network.

Mr Ong re-joined Mynews in September 2019 as Retail Director, responsible for the overall retail strategy planning for Merchandising and RTE Food.

Alcent Peck Ching Tak

("Mr Peck")

Operations Director

Gender : Male
Nationality : Malaysian
Age : 45 Years

Mr Peck joined Mynews in October 2019 as Operations Director overseeing the operations of outlets, staff training and the Real Estate Department which is responsible for the procurement of premises for outlet opening.

He graduated with a Bachelor's degree in Industrial Economics from National University of Malaysia (UKM) in 1999 and has more than 20 years of experience in retail operations management.

Before joining Mynews, he had been the Senior Manager for Operations for operators of Convenience, Pharmaceutical and Electrical retail chain stores in Malaysia.

Additional Information

• Directorship in Public Companies and Listed Issuers

None of the key senior management has any directorship in public companies and listed issuers, save for Mr Luk, Mr Wen and Mr Hock who are Directors of the Company.

• Family Relationship with Director and/or Major Shareholder

Save for Mr Luk, Mr Wen and Mr Hock, none of the key senior management has any family relationship with Directors and/or major shareholders of the Company.

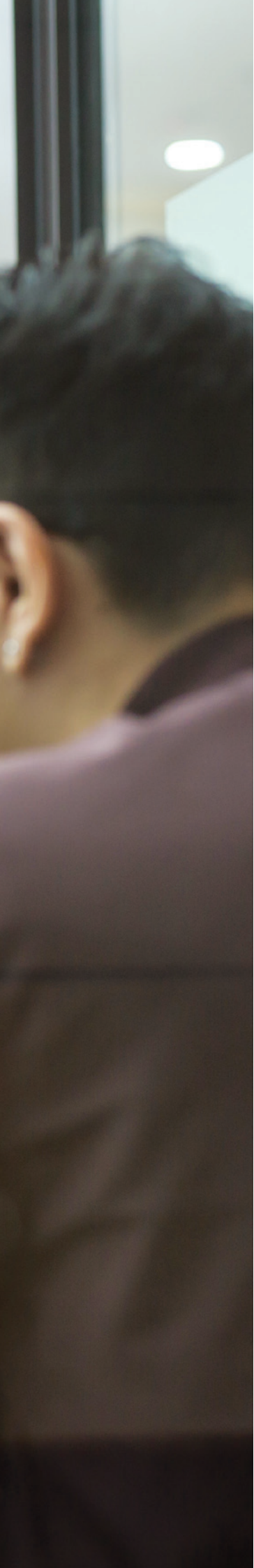
• Conflict of Interest

Save for Mr Luk, Mr Wen and Mr Hock, the other key senior management staff do not have any conflict of interest with the Company.

• Conviction for Offences

None of the key senior management had any conviction for offences (other than traffic offences) within the past five (5) years or had been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.





Privilege to Feel Special



Management Discussion and Analysis



Mynews went through another busy and interesting year that brought about satisfying moments when key projects were successfully completed. In FY 2019 we have accomplished the followings:

- Opening of 97 new outlets.
- Completing and launching of our FPC that is located on-site at our Kota Damansara headquarters. This 130,000 sq. ft FPC consists of a ready-to-eat meals plant and a bakery plant which are operated by Mynews Kineya Sdn Bhd and Mynews Ryoyupan Sdn Bhd respectively.
- Being the first convenience store in Malaysia to launch an e-commerce platform known as myNEWS DASH for customers to order food and other myNEWS products online and have the order delivered to their doorsteps.
- Successfully obtaining Halal certifications for the two food production plants, just after FY 2019 on 1 November and 1 December 2019.
- Thereafter, being the first and only convenience chain stores to join GrabMart and winning the Rising Star – GrabMart Award.

Management Discussion and Analysis

Financial Performance

We are pleased to present our financial performance for FY 2019 where Mynews has elected to early adopt the Malaysian Financial Reporting Standard (“MFRS”) 16 – Leases:

	FY 2019	FY 2018	Variance	
	RM'000	RM'000	RM'000	%
Revenue	517,793	385,651	132,142	34.3
Gross profit	185,888	149,437	36,451	24.4
Gross profit margin	35.9%	38.7%	(2.80 points)	
Profit before tax	32,966	32,222	744	2.3
Profit after tax	24,324	26,013	(1,689)	(6.5)
Net profit margin	4.7%	6.7%	(2.00 points)	
Return to equity	11.1%	10.1%	1.00 point	
Net assets per share (Sen)	44.27	41.15	3.12	7.6
Earnings per share (Sen)	4.04	3.88	0.16	4.1
No. of outlets				
- Brought forward	454	374	80	21.4
- New	97	85	12	14.1
- Closed	(17)	(5)	(12)	(240)
- Total	534	454	80	17.6

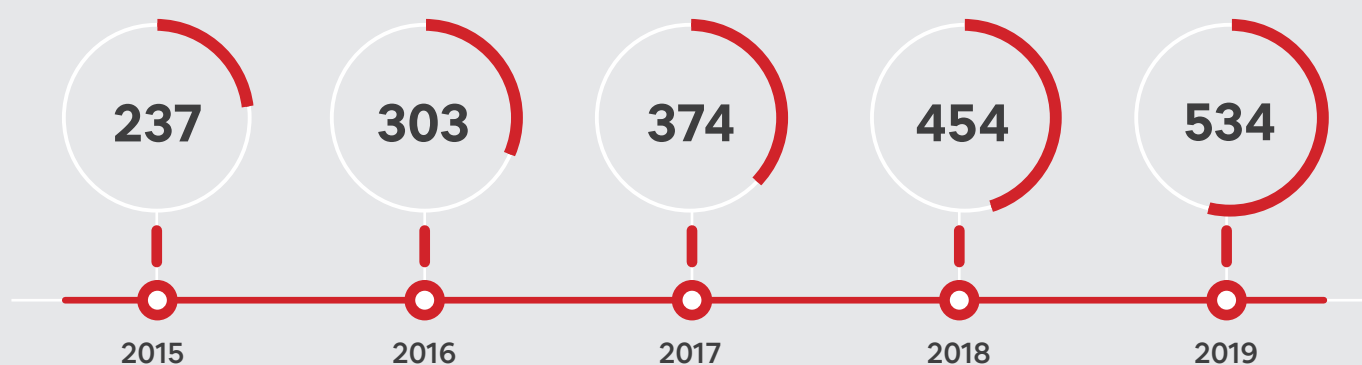


Management Discussion and Analysis

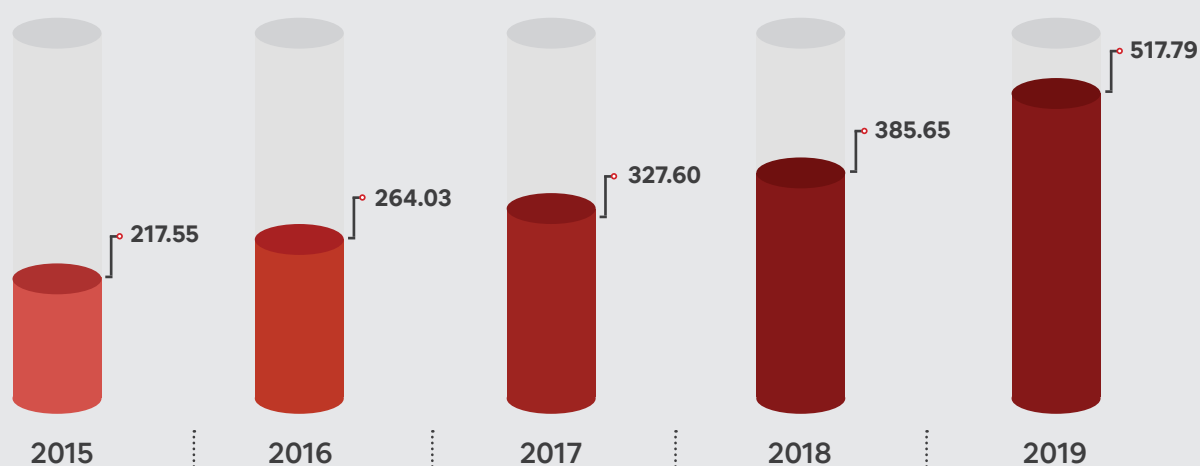
KEY PERFORMANCE INDICATORS

	2015	2016	2017	2018	2019
No. of Outlets	237	303	374	454	534
Revenue (RM' million)	217.55	264.03	327.60	385.65	517.79
Gross Profit (RM' million)	74.44	94.46	120.65	149.44	185.89
Profit Before Tax (RM' million)	17.70	23.62	30.70	32.22	32.97
Profit After Tax (RM' million)	13.51	18.13	24.02	26.01	24.32

NUMBER OF OUTLETS

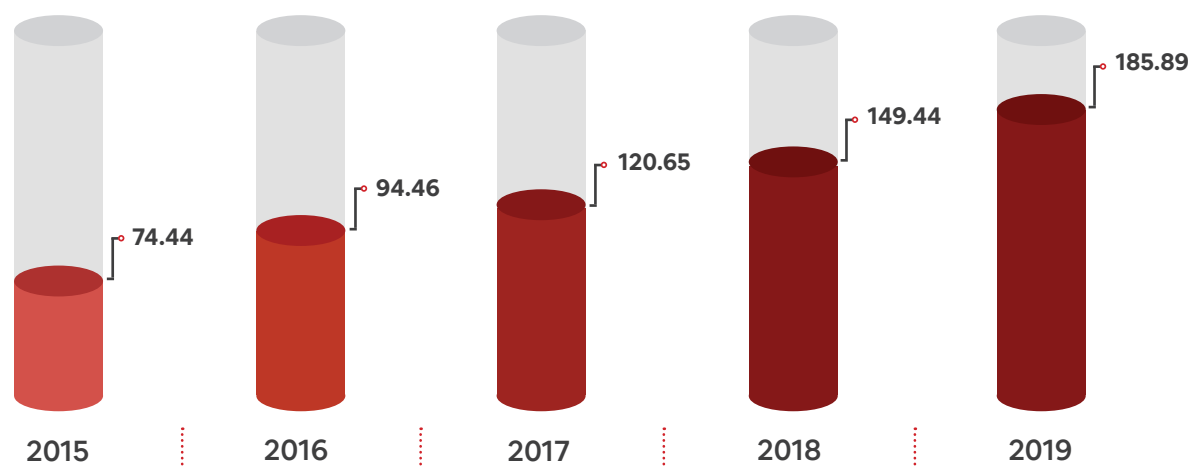


REVENUE (RM' MILLION)

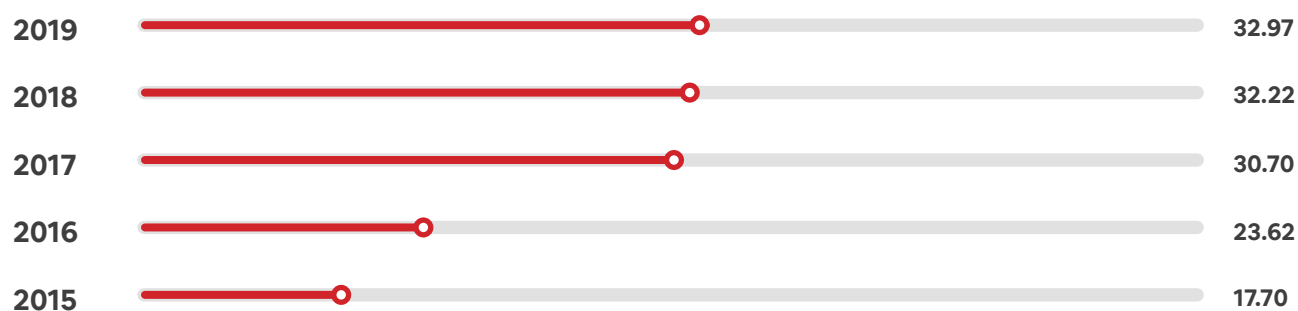


Management Discussion and Analysis

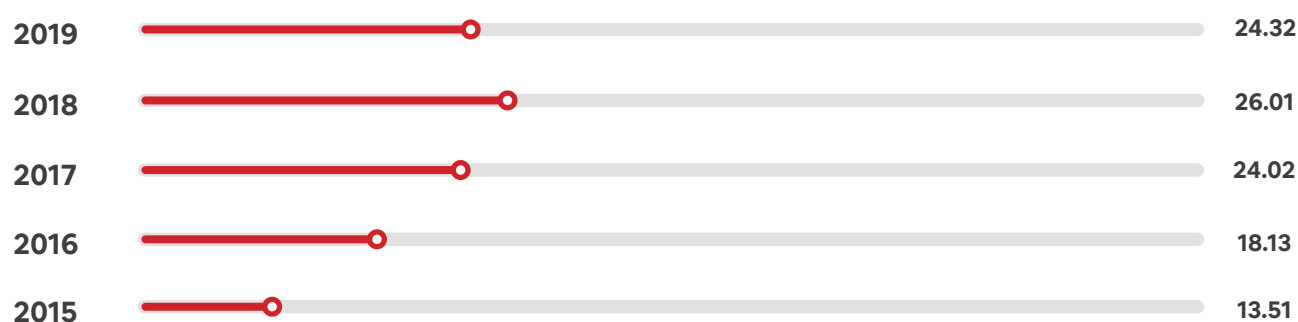
GROSS PROFIT (RM' MILLION)



PROFIT BEFORE TAX (RM' MILLION)



PROFIT AFTER TAX (RM' MILLION)



Management Discussion and Analysis

Revenue

For FY 2019, Mynews recorded revenue at RM517.79 million, an increase of RM132.14 million or 34.3% against FY 2018 of RM385.65 million. The increase was due to higher retail sales of RM121.94 or 36.9% while other operational income increased by RM10.20 million or 18.4%, contributed by both existing and new outlets.

During FY 2019, Mynews rolled out its in-house Maru Kafe concept which offers counter food such as coffee, ice-cream and hot snacks. This was an interlude to prepare for the rolling out of more in-house produced ready-to-eat ("RTE") meals and bakery products from its FPC. Except for print media, all other product categories recorded double digit growth in revenue.

Profit before taxation

Profit before taxation for FY 2019 was RM32.96 million, a marginal increase of RM0.74 million or 2.3% over FY 2018 of RM32.22 million despite recording higher gross profit of RM36.45 million or 24.4%. This was attributed by increased operating expenses, specifically the followings:

1) Administration expenses

These consisted of staff, establishment and marketing collateral costs amounting to RM27.32 million, an increase of RM4.89 million or 21.8% compared to FY 2018 of RM22.43 million. The increase was attributed by higher staff salaries on increased talent pool to support the expanded outlets network and the new RTE food roll out from the FPC.

2) Selling and distribution expenses

Selling and distribution expenses of RM84.68 million is after the impact of MFRS 16 – Leases where the depreciation of Right-of-Use Assets of RM30.37 million had been accounted for under Other Expenses. If not for this, these Selling and Distribution Expenses would be RM115.05 million, an increase of RM25.88 million or 29.0% over last year of RM89.17 million. The increase was contributed by the following increased expenses:

- a) outlets operating expenses (RM19.27 million) in tandem with the higher number of outlets of 534 compared to 454 at the close of FY 2018. The major expenses were staff salaries, rental of premises and utilities;
 - b) FPC operating expenses (RM3.75 million) which principal costs were for logistic and product development costs; and
 - c) Distribution costs (RM2.86 million) consequent to the higher revenue and extended outlets network.
- #### 3) Other Expenses

Other expenses of RM43.66 million includes the MFRS 16 – Leases impact of depreciation on Right-of-Use Assets of RM30.37 million. The remaining expenses of RM13.29 million comprise principally depreciation of property, plant & equipment ("PPE") and PPE written off on outlets closure, an increase of RM4.23 million or 46.7% over the previous year of RM9.06 million. The higher expenses were due mainly to higher depreciation charge on the expanded outlets network, the FPC and PPE written off for the 17 outlets that were closed in FY 2019.

Profit after Taxation

Profit after tax for FY 2019 was RM24.32 million, RM1.69 million or 6.5% lower than last year of RM26.01 million, consequence of the reasons mentioned above and the higher tax expense. The effective tax rate was relatively higher than last year as the tax expense included a sum of RM0.76 million for taxes underprovided in prior year. In addition, Mynews could not enjoy any group tax relief for the two (2) loss making subsidiaries, Mynews Kineya Sdn Bhd and Mynews Ryoyupan Sdn Bhd which operate the FPC.

Gross profit and gross profit margin

Gross profit ("GP") for FY 2019 was RM185.89 million, an increase of RM36.45 million or 24.4% over the previous year of RM149.44 million whilst GP margin was 35.9%, lower by 2.80 points from previous year of 38.7%. The decrease in GP margin was due to change in sales mix, price discounts offered to promote and drive sales of the in-house RTE food and the expected high wastages at the initial roll out of the RTE food.

Management Discussion and Analysis

Liquidity and Financial Resources

In FY 2019, Mynews generated net operating cashflow of RM83.13 million and had cash & bank balances together with other investments of RM33.45 million compared to FY 2018 of RM69.51 million, a reduction of RM36.06 million. The Group had used internally generated funds and utilised RM30.00 million of bank facilities, principally from the RM100.00 million banking facilities secured in FY 2018 to finance the construction and setting up of the FPC, new outlets opening and working capital.

Mynews had total borrowings of RM32.43 million as at the end of FY 2019, increased from the previous year of RM5.43 million. Its gearing ratio was 0.11 times at the end of FY 2019, increased from FY 2018 of 0.02 times. For the ensuing year, Mynews has sufficient financial resources to support its operation and outlets expansion plan.

Challenges and Strategies

The major challenges faced by Mynews in FY 2019 were:

- 1) Manpower shortage in outlets and increasing staff costs

The freezing of foreign workers intake had resulted in manpower shortage in the outlets which inadvertently increased the cost to manage the outlets. New initiatives were made to attract more local talents to reduce reliance on foreign workers. Recruitment drives and nationwide roadshows were carried out to promote Mynews to the public and to attract more locals to join us. Constant review and upgrade of the remuneration packages were undertaken to ensure that Mynews' remuneration packages were competitive with the market.

- 2) Increasing competition in the convenience retail landscape for space and market share

The competition for space and market share was becoming more intense, especially at prime locations. The CVS players normally target prime locations for their outlets. There were also new entrants into the CVS industry. Mynews had always been careful in selecting suitable locations to open new outlets. Each location was carefully assessed and the products offerings customised to meet the consumers demand to maximize sales.

- 3) Higher outlet set up costs

Customers' expectation increased in tandem with the increasing competition and innovation of the convenience retail segment. In order to stay competitive and be better than our competitors, Mynews had rolled out a new line of food and beverages to our stores. These new products offerings require new and more equipment thus increasing the setup cost of the outlets. The payback period was also expected to be slightly longer.

- 4) RTE food adoption cycle and gestation period

The roll out of our food products from the FPC had been interesting and challenging. We encountered internal and external challenges, particularly:

- The outlets staff training on best methods in handling and managing the fresh food required a lot of time and effort in order to bring the standard of RTE food offering, which was the pioneering initiative undertaken by Mynews, to the level comparable to that of the overseas convenience industry.
- The market acceptance was slower than expected at the initial stage and more time was required to shape the local consumers' habit even though such concept have been proven to be successful in countries where convenience industry is more advance.

Staff are continuously trained on food handling and are now familiar and Mynews is strengthening our plan on driving awareness to boost sales.

Management Discussion and Analysis

Dividend

The Board continues to be mindful of the need to conserve cash for the expansion of Mynews' operations. After due and careful assessment of the financial position of the Company, it approved an interim single tier dividend of one (1) sen per ordinary share on 25 June 2019 to reward the shareholders for their support and trust in the vision and mission of Mynews. Total dividends amounting to RM6.82 million was paid on 15 August 2019.

No final dividend is proposed to be paid by the Board for FY 2019.

Employees Share Option Scheme ("ESOS")

Our ESOS approved by the shareholders on 5 December 2017 was effective on 21 December 2017. As at the date of this report, no options have been issued by the Company.

The ESOS committee of Mynews comprises the following persons:

	Name	Committee	Designation
1	Mr. Luk	Chairman	Group CEO
2	Mr. Wen	Member	CEO - Retail
3	Ms. Soon	Member	Senior Independent Non-Executive Director
4	Ms. Chong	Member	Chief Financial Officer
5	Ms. Lye Poh Peng	Member	Head, Human Resource

The committee had proposed and the Board approved that no ESOS options be granted to the staff in FY 2019 taking into consideration the current developments in the Group.



Management Discussion and Analysis



Corporate Governance Compliance and Transparency

The Board believes in and practices the tone from the top style of management and ensures that Mynews upholds the highest level of corporate governance and practices in the Group's entire undertakings to build a credible and sustainable business. The principles of integrity, transparency and accountability are embedded in its Code of Ethics and Conduct. Measures are put in place and constantly tested and reviewed to ensure that they stay relevant and effective in the environment of the Group's operations.

The compliances and practices adopted by Mynews in pursuance of good corporate governance are as reported in the Corporate Governance Overview Statement and the Corporate Governance Report. The latter report is to be submitted to Bursa Malaysia and shall be available on Mynews' website at www.mynews.com.my.

Our high level of transparency has won the Focus Malaysia's Best Under Billion Awards in the Best in Transparency category. We were chosen and judged by KPMG from approximately 800 public listed companies under a billion (RM) market capitalization in Malaysia.

Moving Forward

Barring any unforeseen circumstances, we will continue to increase our store count and business volume year on year. At the same time, we will increase the number of myNEWS with Maru Kafe concept through refurbishment of existing stores in addition to making it a standard for as many new stores as possible. Our product mix will continue to be improved with RTE food and beverages as the prime category of growth. At the same time, we will continue to embrace technology and retail innovation to improve the stores for better shopping experience.

Meanwhile, we will increase our RTE food production volume to increase the utilization rate of our new FPC.

Prospect

Mynews expects to grow larger and stronger with time. Our prospect hinges on the roll out of myNEWS higher store count, increase in number of Maru Kafe concept outlets and the effective utilization of the FPC.

Our risk factors are teething issues of logistics, slower consumer spending and slower take up rate of our RTE products.

We are still in our gestation period of FPC's roll out. However, with the smooth running of the Halal certified FPC churning out quality products, we will continue to gain consumer confidence and support in our products. As such we expect to improve our earnings when economies of scales are achieved and the level of wastages of the RTE products is reduced. We will continue with our advertisement and promotion efforts. We are confident that when the challenges of shaping Malaysian consumers mindset are overcome, Malaysians will gain the idea that we are now a convenience store that produces and sells RTE food like the Japan's konbinis. We see strong potential and contribution of RTE to the in-store sales in the long run, as proven by the convenience stores with the same concept in Thailand, Japan and Taiwan.

Sustainability Statement

The Board of Directors (“Board”) of Mynews hereby presents the Sustainability Statement for FY 2019. Mynews is committed to maintain an effective sustainability framework, continue delivering profitable results to our shareholders and uphold good corporate governance of the Company. We have been adopting the values of sustainability in every aspect of our operations since our business commencement twenty three years ago and will continue to add values to improve the sustainability of our businesses.

REPORTING BOUNDARY

This statement covers FY 2019 for period from 1 November 2018 to 31 October 2019. The scope of this statement includes the Group’s operations at our headquarter in Kota Damansara, Selangor, our 534 outlets located throughout Malaysia. Our distribution centres located in Rawang and Johor Bahru, our small scale food production centres in Serdang and Cheras which had ceased operations during the year and our new FPC in Kota Damansara.

SUSTAINABILITY FRAMEWORK

“

VISION

Our vision is “To be the country’s best retail company that understands the customers, provides quality products and ensures a satisfying shopping experience”. It encompasses our endeavor to achieve sustainable business practices by creating and adding value across the main pillars of the economic, social and environmental aspects of our business.

”

SUSTAINABILITY STRATEGIES AND GOALS

	SHAREHOLDERS	Creating strong returns for shareholders with sustainable sales and profitability growth.
	CUSTOMERS	Ensure product safety and quality and offer best propositions to customers at fair prices.
	ENVIRONMENT	To operate all stores in the greenest way possible.
	WORKPLACE	To take care of employees’ safety and well being.
	GOVERNANCE	Be ethical, efficient and effective in everything that we do.
	LOCAL COMMUNITY	Enriching communities that we serve by bringing change, touching lives and inspiring people.

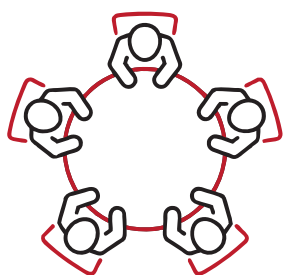
Sustainability Statement

GOVERNANCE STRUCTURE



The Sustainability Management Committee reports to the Board and is headed by the Group Chief Executive Officer. During the FY 2019, more members comprising the Heads of Department (“HOD”) were admitted into the committee to support the Group’s sustainability initiatives. The new committee comprises:

Sustainability Committee Members:



Group Chief Executive Officer

HOD - Finance

Chief Executive Officer – Retail

HOD - Merchandising

HOD - Risk Management

HOD - Fresh Food

HOD - Store Design and Construction

HOD - Procurement

HOD - Maintenance

HOD - Regulatory Compliance

HOD - Supply Chain

HOD - Administration

HOD - Human Resource

HOD - Centre of Excellence

RESPONSIBILITIES OF MANAGEMENT SUSTAINABILITY COMMITTEE

- Advising the Board on the sustainability strategies;
- Monitoring the implementation of sustainability strategies as approved by the Board;
- Overseeing stakeholder engagement to ensure that all issues, grievances and suggestions raised are taken into consideration in managing sustainability matters;
- Recommending to the Board for its approval the identified material sustainability matters, sustainability-related policies and its goals and targets;
- Monitoring the implementation of policies and initiatives of sustainability management;
- Overseeing the management of sustainability matters by focusing on matters material to the Group; and
- Overseeing the preparation of the Sustainability Statement and recommending it for Board’s approval.

Sustainability Statement

IDENTIFICATION OF MATERIAL SUSTAINABILITY MATTERS

The process of identifying material sustainability matters is conducted via stakeholders engagement as follows:



SHAREHOLDERS AND INVESTORS

Areas of Interest

- Group financial performance
- Business direction
- Key corporate developments
- Corporate governance

Forms of Engagement

- Annual General Meeting
- Investor updates and briefings for managers, analysts and investors
- Annual reports
- Corporate website
- Announcements on Bursa Malaysia



CUSTOMERS

Areas of Interest

- Pricing
- Product quality
- Service satisfaction
- Customer appreciation

Forms of Engagement

- Store opening
- Corporate website
- Social media (Facebook, Instagram)
- Customer feedback
- Marketing promotions
- Customer loyalty programme



GOVERNMENT AND REGULATORY AUTHORITIES

Areas of Interest

- Compliance
- Security issues
- Waste management
- Quarterly and annual reporting

Forms of Engagement

- Inspections and audit by local authorities
- Consultations
- Attend dialogues/seminars organised by Bursa Malaysia
- Participated in survey conducted by authorities



EMPLOYEES

Areas of Interest

- Competitive remuneration
- Career development
- Employee well-being and safety
- Value diversity and equal opportunity
- Staff training

Forms of Engagement

- Employee appreciation awards
- Open communication
- Events and functions
- Whistleblowing policy
- Skills development and training opportunities
- Management meetings
- Occupational Safety and Health updates
- Townhall sessions
- Training



SUPPLIERS

Areas of Interest

- Fair procurement
- Transparency
- Product quality
- Service delivery
- Inventory/supply commitment
- Speedy payment

Forms of Engagement

- Group procurement policy and procurement system
- Regular supplier evaluation
- Supply chain management



LOCAL COMMUNITIES AND PUBLIC

Areas of Interest

- Transparent and quality products and services
- Reaching out to communities

Forms of Engagement

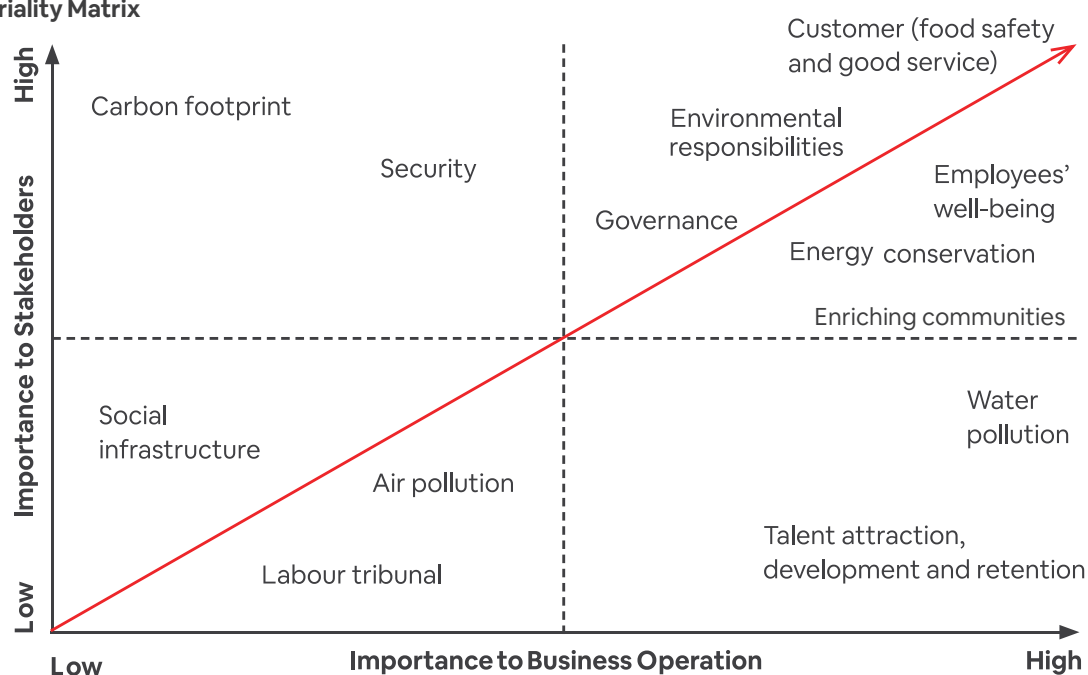
- Community programmes
- Donations and financial aids
- Local sourcing

Sustainability Statement

MATERIALITY ASSESSMENT

Mynews continuously identifies and prioritises the material sustainability matters that influence the way we operates. The number of material issues identified remains at 13 and are the same as those identified in the previous year except for two (2) issues – i.e. Environmental responsibilities and Energy conservation which importance to stakeholders had increased from previous year. The materiality of the sustainability matters to stakeholders and business operations are as presented in the matrix below:

Materiality Matrix



SUSTAINABILITY MATTERS IDENTIFIED & ACTIONS PLAN

Mynews believes that the embarkation on the FPC project will put the Group on a strong stead to creating strong returns for our shareholders and investors in the long term. Sales in FY 2019 improved by 34.3% compared to FY 2018. However, profit before tax increased just marginally by 2.3% but profit after tax was lower by 6.5%. The Group's performance was impacted by the FPC which commenced operation in mid-June 2019 and has not yet achieved the economies of scale. The investment in the FPC was needed to elevate the Group's businesses by introducing RTE foods to meet the increasing consumers expectations and fast food consumption trend.

Sustainability Statement

SUSTAINABILITY MATTERS IDENTIFIED & ACTIONS PLAN (cont'd)

The creation of shareholders' value is always ongoing and the other material sustainability matters of Mynews and the actions plan put in place are as follows:



CUSTOMERS



Mynews strives to offer the best propositions to its customers in form of quality products and services at fair prices.

For our in-house produced bakery products and RTE food, the raw materials and ingredients are sourced only from reliable and halal certified suppliers. The Halal certifications were approved for both the facilities less than six months from its commencement of commercial productions. The in-house manufactured products have relatively short shelf lives of not more than 5 days for bakery products and 3 days for RTE food from production date and are manufactured under the supervision of its Japanese partners in compliance to their standard operating procedures in Japan which are known to observe the most stringent quality controls and hygienic environment.

Mynews has established stringent procurement processes to filter and select the ingredients and packaging material suppliers based on their profile and certification. Our in-house manufactured products are labelled to carry clear information on the ingredients and components of the products, the expiry date as well as details of the manufacturer. Such information enables customers to make their choices according to their needs and desires. Delivery of the food products from our FPC to the outlets is done in the safest possible conditions, in compliance to HALAL and HACCP standards to ensure that the food for customers are always fresh and safe for consumption.

For those products sourced from third parties, food and non-food, Mynews requires our suppliers to observe the highest standards of food safety and procure the best terms possible for the benefits of our customers. Mynews purchases our stocks only from suppliers who have established their creditability in terms of product quality and handling. We require our suppliers to adhere to stringent hygiene standards in their production and delivery practices. At the outlets, the staff are required to perform daily checks to ensure that the near expiry stocks are removed from the shelves and that there are no expired stocks on display.

Sustainability Statement

ENVIRONMENTAL RESPONSIBILITIES & WASTE MANAGEMENT



Mynews recognizes that we have a role to play to conserve the environment and our main foci in this aspect are energy conservation and contamination reduction to the environment. All our new outlets and the existing ones which were refurbished were installed with energy saving lights such as light-emitting diodes ("LED") which consume lesser energy and have longer life span. LED lights give higher energy savings and as to date, 33% of the outlets are using LED lights with a total saving of RM402,000 on electricity per year. The LED lights also release lower CO2 emission by 546 tonnes per year which helped to reduce the carbon footprint by the Group.

In line with the government's effort to reduce the usage of plastic and roadmap towards Zero Single-Use Plastic 2018-2030, Mynews had reduce the usage of plastic bags from 23% to 14% of the total retail transactions, wherein plastic bags and straws are no longer provided to the customers free of charge and are only provided on request. The Group has also embarked on the journey to replace conventional plastic bags with biodegradable plastic bags in support of environmental sustainability efforts.

In our office building and distribution centres, our employees are reminded to turn off their computers and laptops when not in use. The office lights not in use are switched off during lunch hours and after business hours. To enhance air-conditioning efficiency and reduce the electricity consumption, Mynews carried out chemical cleaning on the air-conditioner condensers and will be installing energy saving device in the air-conditioners. The devices are expected to give about 26% cost savings of up to RM435,000 per annum.

Regular maintenance is conducted on all office equipment to keep them running efficiently. On top of that, paper wastage was reduced by printing only when necessary which also helped to cut energy required to run the printers. One of the waste recycling initiatives is the sales of carton boxes and plastic waste to approved recyclers.

Most of the food products supplied by third parties are on a returnable basis. For the expired in-house manufactured food, Mynews is still exploring the most environmental-friendly way of disposing them such as disposing to an approved recycling company to be processed into animal feed or organic fertiliser.

WORKPLACE



Mynews is always improving our workplace for our employees to work comfortably and encouraging them to mingle freely at all times between superiors and subordinates and intra-departments. Mynews welcomes suggestions from our employees to make the workplace a home to all employees and all to be part of the Mynews family.

Employees' Well-being

Mynews is committed to provide a well-balanced work life for our employees and has undertaken the following initiatives:

- The workplace exudes a warm and casual ambience where the office set up is on an open concept without personal room or office even for the most senior personnel such as the Group Chief Executive Officer. All staff are seated without partition to promote interaction and accessibility to the senior staff and to improve teamwork;

Sustainability Statement

WORKPLACE (cont'd)



Employees' Well-being (cont'd)

Mynews is committed to provide a well-balanced work life for our employees and has undertaken the following initiatives (cont'd):

- Adopts smart casual dress code in the office and provides much open space as discussion area where staff can interact seamlessly during working and off work hours;
- Continues to have the café in 1 Utama Shopping Complex offering the staff and their families to dine at discounted prices;
- Gatherings are organized for all major festivals to gather the staff from the whole Group including the retail outlets to celebrate at the head office and promote staff bonding;
- Staff are automatically upgraded from Silver to Gold status for their myNEWS loyalty card programme.
- Provides coffee and own manufactured food such as buns, sandwiches, onigiri, bento to the staff at discounted prices.

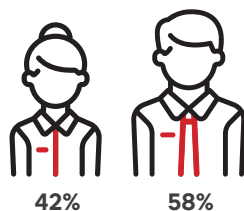


Diversity and Inclusion

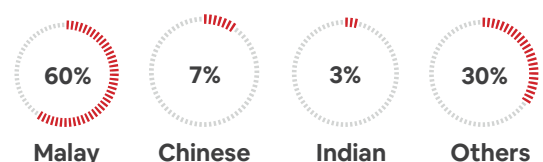
Mynews practices non-discrimination and encourages diversity in our staff policy. There is no preference for gender or ethnicity and the prime consideration for employment is solely the staff's ability to add value and contribute to the Group.

The diversity of our workforce as at 31 October 2019 is as follows:

Employees by Gender



Employees by Ethnicity



Sustainability Statement

WORKPLACE (cont'd)



The diversity of our workforce as at 31 October 2019 is as follows:

Age Group	Gender				Nationality			
	Male	Female	No.	%	Local	Foreigner	No.	%
<20	88	65	153	9	124	29	153	9
20-29	641	462	1103	62	798	305	1103	62
30-39	243	168	411	23	270	141	411	23
40-49	45	43	88	5	69	19	88	5
50-59	5	10	15	1	15	0	15	1
60-69	3	3	6	0	6	0	6	0
Total	1025	751	1776	100	1282	494	1776	100

The ethnicity of the workforce is as follows:

Ethnicity	No.	%
Bumiputra	1074	60
Chinese	119	7
Indian	50	3
Others	533	30
Total locals	1282	72
Total foreigners	494	28
Grand total	1776	100

Training and Development

Mynews will always emphasize on our staff training and development programmes. As with our Board, staff are also encouraged to undertake continuing professional education to equip themselves with the latest technical and statutory updates to stay relevant and be prepared for their jobs.

All new employees for placement at the outlets are put through an in-house training programme before they are placed at the outlets. Thereafter, the trainers continue with on-the-job training for these outlet staff to ensure that they are able to provide satisfactory shopping experience for Mynews' customers. Staff are also permitted to attend external training and seminars to improve their skill set, where applicable and relevant.

Sustainability Statement

WORKPLACE (cont'd)



Training and Development (cont'd)

- The in-house training sessions conducted for the year are as follows:

Types of Training	No. of Sessions	No. of Staff Trained
Basic Operations Training (New Staff)	68	1789*
New Technology Training	150	375
Non-Operations Training (In-House/ External Training)	8	111

* Includes attrition

Staff Safety

Mynews never compromises on staff safety and takes all possible actions to prevent the happening of any untoward incidents as the staff are the backbone of the Group. All outlet staff are trained to handle incidents such as fire and robbery as it is the Group's priority to protect the staff. In the head office, an Occupational Safety and Health Committee has been formed to regularly carry out safety assessment on the Group to assess the adequacy of controls from the aspect of safety. Despite the increase in the number of robbery incidents, there had been no staff casualty arising from these robbery cases.

GOVERNANCE



Mynews strives to continuously uphold the high level of governance practised by the Group by adopting the best practices of good governance. To stay on course, the Group is guided by the many initiatives put in place, such as the standard operating procedures, delegation of authority, code ethics and conduct, whistle blowing policy, anti-bribery and anti-corruption policy. These policies, procedures and guidelines are subject to regular reviews of at least annually and have been communicated to all staff. Certain policies such as Code of Conduct, Anti Bribery Anti-Corruption and the Whistle-Blowing are posted on the Company's website.

The in-house Risk Management Department ("RMD"), continues to be tasked to oversee and monitor the effectiveness of the risk management framework and the internal controls implemented in the work processes. All weaknesses are highlighted to management for improvement and reported to the Risk Management Committee. The recommendations from the RMD take into consideration the Economic, Environmental and Social aspects to ensure the business sustainability in the long run.

Sustainability Statement

COMMUNITIES



The pillars of Mynews' Corporate Social Responsibility ("CSR") are as follows:

YOUTH PILLAR

The focus of this pillar is on aiding the financially deprived and deserving students, by empowering them to pursue their studies and enabling them to realise their fullest potentials. In 2019, myNEWS Cares has contributed a total of RM188,400 by providing the Allowances that Allow sponsorship scheme to 43 secondary schools and 157 deserving students who excel in the academic and curricular activities.

Allowances that Allow:



**NO. OF STUDENTS
BENEFITED**

157 students

CONTRIBUTION MADE

RM188,400

COMMUNITIES PILLAR

In FY 2019, myNEWS Cares sponsored 31 community events through the sponsorship of products in kind, the total cost is RM257,000.



ORGANIZATION:

HOPE Worldwide
Malaysia

EVENT OBJECTIVE:

Helping the marginalized communities in providing food support.



ORGANIZATION:

Xiamen University

EVENT OBJECTIVE:

Encouraging the community to donate blood and save the life in the communities.

Sustainability Statement

COMMUNITIES (cont'd)



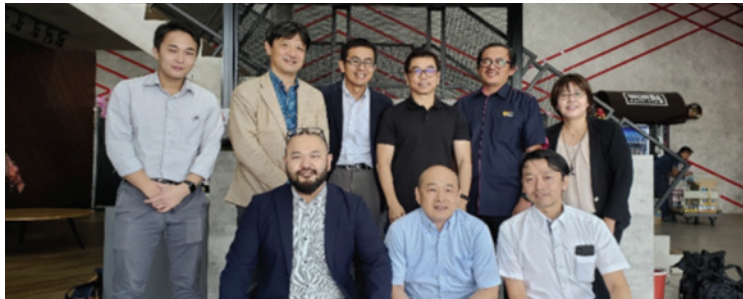
The pillars of Mynews' Corporate Social Responsibility ("CSR") are as follows:

EDUCATION PILLAR



Educational tour for the teachers at Mynews' Headquarters and FPC for learning and exposure.

SOCIETY PILLAR



Promoting Malaysia to Japanese visitors

SUSTAINABILITY ENDEAVOUR

The Board acknowledges that Mynews must continuously drive sustainability initiatives in the Group's operations and is committed to improve its sustainability initiatives. We shall strive to do more and better as we journey into the sustainability reporting.

Corporate Governance Overview Statement

The Board is pleased to present the Corporate Governance (“CG”) Overview Statement of the Company for FY 2019. This CG Overview Statement is prepared pursuant to paragraph 15.25(1) of the Bursa Malaysia’s Main Market Listing Requirements (“Listing Requirements”).

The Board has been guided by the Malaysian Code on Corporate Governance 2017 (“MCCG”) in its implementation of the CG practices. Whilst ensuring compliance with the Listing Requirements and the Companies Act 2016, we are always keeping abreast with the developments in industry practices and the requirements by the relevant regulatory bodies for Mynews to uphold the highest level of CG throughout the Group.

The Board is pleased to provide an overview of the CG practices, which made reference to the three (3) key CG principles as set out in the MCCG throughout FY 2019, which are as follows:-

Principle A : Board Leadership and Effectiveness.

Principle B : Effective Audit and Risk Management.

Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD RESPONSIBILITIES

Clear Functions of the Board and Management

The Board takes full responsibility for the overall performance of the Group by setting the strategic directions and objectives. It regularly reviews the Group’s business operations and maintains full and effective oversight over the management of Mynews. The roles and responsibilities of the Board in discharging its fiduciary and leadership function have been formalized in its Board Charter.

Chairman and Group Chief Executive Officer

During FY 2019, Mr Luk was re-designated as Group CEO (“GCEO”) and Mr Wen assumed the position of CEO of Retail. The position of the Chairman and the GCEO are held by two (2) different individuals namely, Mr John Ding as Chairman and Mr Luk as GCEO whose responsibilities are segregated and clearly defined to ensure there is an appropriate balance of power and authority with neither of them having the unfettered power of decision-making.

The Chairman provides leadership and manages the interface between the Board and Management and also ensures active participation by the Board on decision-making whereas the GCEO is involved in the day-to-day management of the Group by contributing strategies and insights to enable the Group to achieve its goals and objectives efficiently. The GCEO briefs the Board on the Group’s business operations and Management’s initiatives at the quarterly Board meetings.

Non-Executive Directors

The Non-Executive Directors are not involved in the day-to-day management but contribute their respective expertise and experience in the development of the business strategies for the Group with insightful contributions during the Board’s deliberation. They also assist to ensure that good CG practices are consistently adopted and complied with throughout the Group.

There are three (3) Independent Non-Executive Directors who provide the required check and balance on the decision-making process of the Board. These Independent Non-Executive Directors are essential in providing unbiased and impartial opinion, advice and judgement to ensure the interest of the Group, shareholders, employees, customers and other stakeholders in which the Group conducts its business are well represented and taken into account in all aspects for every decision and action of the Group.

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1. BOARD RESPONSIBILITIES (cont'd)

Board Committees

The Board has also delegated certain responsibilities to other Board Committees, which operate within its respective terms of reference that set out clearly the respective committee's functions and authorities. The Board has established four (4) committees to assist in the execution of its roles and responsibilities. The committees of the Board comprise the following:

- Audit Committee
- Risk Management Committee
- Nominating Committee
- Remuneration Committee

The Board receives the minutes of each committee which are circulated with the quarterly board meeting papers. Should there be any Board Committee meetings convened prior to the board meeting, the Chairman of each committee will update the Board on the proceedings of the committee meetings. It is the policy of the Company that all major decision-making are deliberated and considered by the Board collectively.

Company Secretaries

The Company has two (2) professionally qualified Company Secretaries who are experienced and qualified pursuant to Section 235 of the Companies Act 2016. The Company Secretaries play an advisory role, advising the Board and its Board Committees on matters pertaining to compliance, legal, regulatory framework, listing requirements, statutory requirements and best practices. They also ensure that all meetings of the Board, Board Committees and Members – annual and extraordinary are properly convened and their meeting minutes properly documented on a timely basis. The records of resolutions passed by the Board and proceedings of Board Meetings, Board Committees Meetings and Annual and Extraordinary General Meeting are properly and systematically filed for ease of retrieval and future reference. In addition, they work closely with Management to facilitate the flow of timely and accurate information to the Board.

Board Meetings and Meeting Materials

To discharge its responsibilities effectively, the Board meets regularly on a quarterly basis. Additional or special Board Meetings are convened as and when necessary to consider and deliberate on any urgent proposals or matters under its purview and which requires the Board's expeditious review or consideration. Such meetings enable the Board members to effectively assess the viability of the business and corporate proposals and the principal risks that may have significant impact on the Group's business or on its financial position and the mitigating factors. All matters requiring Board's approval are supported with papers complete with the relevant information and explanation for informed decision-making.

Prior to any Board Meeting, the Directors are provided with the agenda of meeting and the relevant papers with a five (5) business days' notice except for short notice meeting where prior waiver for the notice period is sought from the Board. This is to enable them to have an understanding of and be prepared for the matters to be discussed or reviewed at the meetings and to seek any further clarifications if any.

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1. BOARD RESPONSIBILITIES (cont'd)

Access to Information and Advice

The Board is provided with board papers containing the relevant and comprehensive information with sufficient notice prior to the Board meetings to enable the Directors to discharge their duties and responsibilities competently and in a well-informed manner.

The quarterly Board Meetings papers include, amongst others, Quarterly Financial Results and the announcement to be made to Bursa Malaysia, Internal Audit Report, Risk Management Report, minutes of all Board Committees previous meetings, list of announcements made, list of Board Circular Resolutions passed (for the period commencing the last board meeting date to the latest practical date before the current meeting) and any other papers to support the discussion thereof on matters requiring the Board's approval at the meeting. Where necessary, the relevant persons from the Management team, external auditors and outsourced internal auditors are invited to attend the Board and Board Committees meetings to provide additional insights and professional views, advice and explanation on specific items on the meeting agenda.

The Non-Executive Directors are given unrestricted access to all Company's information and personnel, either as a full Board or in their individual capacity in order to better discharge their responsibilities. They are also permitted to seek external professional consultation and advices if so necessary for them to execute their fiduciary duties.

Demarcation of Responsibilities

a) Board Charter

The Board has a formalised Board Charter, which sets out the roles, functions, composition, and processes of the Board. The Board Charter provides guidance to the Board in relation to the Board's role, duties, responsibilities and authorities which are in line with the principles of good CG. The Board Charter acts as a point of reference for Board members and the same is accessible to the public on the Company's website at www.mynews.com.my

b) Code of Ethics and Conduct for Directors

The Board is committed to establish a corporate culture that fosters common goal of achieving sustainable profitability, whilst cultivating ethical business conducts. It is cognizant of Section 17A of the Malaysian Anti-Corruption Commission Act 2018 and acknowledges the importance of lawful and ethical behavior in all its business activities and has embedded such values in the Code of Ethics and Conduct for Directors to uphold integrity, transparency and ethical practices of the business activity. The Code of Ethics and Conduct is also accessible on the Company's website at www.mynews.com.my

c) Whistle Blowing Policy

The Board has in place a Whistle Blowing Policy which provides an avenue for employee, vendor, contractor, supplier or the public to raise genuine concerns and to disclose alleged, suspected or actual wrongdoings or known improper conduct on a confidential basis, without fear of any form of victimization, harassment or retaliation.

The Whistle Blowing Policy is available on the Company's website at www.mynews.com.my. Any enquiries, misconduct or complaints can be forwarded to Mynews' toll free careline at 1800 88 1231 or emailed to mynewscareline@mynews.com.my

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

1. BOARD RESPONSIBILITIES (cont'd)

Demarcation of Responsibilities (cont'd)

d) Business Sustainability

The Board is committed to deliver long term sustainable values to all its stakeholders, both internal and external. Thus, in all its business decisions the Board is ever mindful that amongst the key considerations are business sustainability and ethical practices. To build business sustainability and maintain ethical practices, the Board continuously instills the need to cultivate and promote good corporate values throughout the organization by upholding the virtue of “Tone from the top”.

2. BOARD COMPOSITION

Strengthening the Board's composition

The Board comprises six (6) Directors, three (3) of whom are Independent Non-Executive Directors which complies with MCCG Practice 4.1 requiring at least half of the Board members to be Independent Directors. These Independent directors participate actively to provide independent advice, views and judgement in all major decision-making, ensuring always that a balanced and unbiased deliberation process is in place to safeguard the interest of all stakeholders. As and when a potential conflict of interest arises, it is a mandatory practice for the Director concerned to declare his/her interest and abstain from taking part in the decision-making process.

Board Meetings

During FY 2019, six (6) Board meetings were held with the presence of the Company Secretaries. All Directors attended each of the meetings which details are as follows:

Director	Directorate	Total Meeting Attendance
Mr John Ding	Independent Non-Executive Chairman	6/6
Ms Soon	Senior Independent Non-Executive Director	6/6
En Suffian	Independent Non-Executive Director	6/6
Mr Luk	Executive Director / Group Chief Executive Officer	6/6
Mr Wen	Executive Director / Chief Executive Officer - Retail	6/6
*Mr Hock	Executive Director / Chief Executive Officer - Food	6/6

**Mr Hock was re-designated from Non-Independent Non-Executive Director to Executive Director on 1 August 2019*

All Directors participated fully in the discussions during the Board meetings. There had been no Board dominance by any individual and the Directors were free to express their views and opinions during the Board meetings. In arriving at the Board decisions, the views of the majority prevailed at all times. In the same manner, the Directors were also aware and observed the requirement that they do not participate in the deliberation on matters of which they have a personal interest and had abstained from voting in such instances.

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

2. BOARD COMPOSITION (cont'd)

Board Diversity

The Board acknowledges the importance of Board diversity in the Board composition, including gender, experience, age, and skill sets for the effective functioning of the Board.

The Nominating Committee ("NC") is responsible for identifying, evaluating and nominating suitable candidates to be appointed to the Board, Board Committee and the appointment of C-level personnel in the organisation. In assessing and recommending suitable candidates to the Board, the NC will take into consideration the following:

- Competencies – qualifications, knowledge, industrial experience/expertise and past achievements.
- Contributions – appointment scope, role, commitment level, professionalism and integrity.
- Diversity representation – appropriateness and the fulfilment of the Board's desired mix of competencies.

For the appointment of C-level personnel, the NC reviews the same considerations with the Management but disregard the diversity representation in the staff force as competencies is the prime consideration.

A brief description of each Director's background is presented in the Directors' Profile on page 12 to 14 of this Annual Report.

In respect of Board size and composition, the Board is of the view that its size, mix and competencies and diversity representation as well as the balance between executive, non-executive and independent Directors are adequate and commensurate with the Group's business operations and needs.

As of the date of this statement, one (1) out of the six (6) Board members is a female and both the Board and NC shall accord priority on increasing the female participation in the Board whenever there is a new appointment of members. The Board and NC are hoping to increase the female participation in the Board as and when the need arises.

Tenure of Independent Directors

The Board Charter has adopted Practice 4.2 of the MCCG that stipulates the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years' term, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent-Non-Executive Director. The Board will seek shareholders' approval with justification should the Board intends to retain an Independent Non-Executive Director who has served beyond the nine (9) years term.

The Company was listed on the Main Market of Bursa Malaysia on 29 March 2016 and none of the Independent Directors has exceeded the nine (9) years term of service.

Foster Commitment

The Board requires its members to devote sufficient time to serve the Company and workings of the Board, to effectively discharge their duties as Directors of the Company, and to use their best endeavour to attend meetings. None of the members of the Board has directorship in other public listed companies except for Ms Soon who sits on the Board of another company which is listed on the Main Market of Bursa Malaysia.

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

2. BOARD COMPOSITION (cont'd)

Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. The Board met six (6) times in FY 2019 and all directors had attended and contributed actively at the meetings.

Director Training

The Board believes that continuous training for Directors is vital for the Board members to enhance their skills and knowledge to enable them to discharge their duties effectively. As such, the Directors will continuously attend the necessary training to keep abreast of updates and changes in all aspect relating to Mynews, be it, on operations, financial related matters, rules and regulations or others. Details of training attended by the Board are:

Director	Seminars/Workshops	Date of Attendance
Mr John Ding	1) Deloitte TaxMax – The 44th Series Seminar	27 November 2018
	2) Bursa Malaysia Berhad – Breakfast Series “Companies of the Future – The Role for Boards”	4 December 2018
	3) Bursa Malaysia Berhad - Breakfast Series “Non-Financials - Does It Matters”	5 December 2018
	4) MIA's Engagement Session with Audit Committee Members on Integrated Reporting	30 April 2019
	5) Lee Hishammuddin Allen & Gledhill Tax, Sales and Service Tax & Customs Seminar 2019	1 August 2019
	6) Institute of Corporate Directors Malaysia - Demystifying The Diversity Conundrum : The Road to Business Excellence	15 August 2019
	7) In house talk: Tricor Knowledge House Sdn Bhd - Related Party Transaction and Recurrent Related Party Transaction	23 September 2019
Mr Luk	1) LEAP SUMMIT 2018 – Transformation Through Intelligence-organized by Telekom Malaysia Berhad	8 November 2018
	2) Bursa Malaysia Berhad – Breakfast Series “Companies of the Future – The Role for Boards”	4 December 2018
	3) Bank Negara Malaysia – Briefing on its 2018 Annual Report / Financial Stability and Payment Systems Report Briefing	28 March 2019
	4) In house talk: Tricor Knowledge House Sdn Bhd– Related Party Transaction and Recurrent Related Party Transaction	23 September 2019

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

2. BOARD COMPOSITION (cont'd)

Director Training (cont'd)

Director	Seminars/Workshops	Date of Attendance
Ms Soon	1) FIDE Forum - Fintech: Disruption to be Embraced?	26 November 2018
	2) Bursa Malaysia Berhad – Breakfast Series “Companies of the Future – The Role for Boards”	4 December 2018
	3) Bursa Malaysia Berhad - Breakfast Series “Non-Financials - Does It Matters”	5 December 2018
	4) Bursa Malaysia Berhad – Ring the Bell for Gender Equality 2019	14 March 2019
	5) FIDE Forum - Rethinking Strategy	23 April 2019
	6) MIA's Engagement Session with Audit Committee Members on Integrated Reporting	30 April 2019
	7) Bank Negara Malaysia – FIDE Forum – Masterclass on Cybersecurity : Unseen Treats	18 June 2019
	8) Bursa Malaysia Berhad & Deloitte - Cyber Security In the Boardroom – Accelerating from Acceptance to Action	27 June 2019
	9) Institute of Corporate Directors Malaysia - Demystifying The Diversity Conundrum : The Road to Business Excellence	5 July 2019
	10) Rahmat Lim & Partners – Strategies to Combat Corruption & Bribery & Manage Corporate & Personal Liability	1 August 2019
	11) KPMG Audit Committee Institute Breakfast Roundtable 2019	6 August 2019
	12) Malaysian Institute of Integrity – Executive talk on Integrity and Governance	31 October 2019
Mr Wen	1) In house talk: Tricor Knowledge House Sdn Bhd– Related Party Transaction and Recurrent Related Party Transaction	23 September 2019
	2) Bursa Malaysia Berhad/Securities Commission – Corporate Governance & Anti Corruption	31 October 2019

Corporate Governance

Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

2. BOARD COMPOSITION (cont'd)

Director Training (cont'd)

Director	Seminars/Workshops	Date of Attendance
Mr Hock	1) In house talk: Tricor Knowledge House Sdn Bhd – Related Party Transaction and Recurrent Related Party Transaction	23 September 2019
	2) Bursa Malaysia Berhad/Securities Commission – Corporate Governance & Anti Corruption	31 October 2019
En Suffian	1) In house talk: Tricor Knowledge House Sdn Bhd – Related Party Transaction and Recurrent Related Party Transaction	23 September 2019

The Board continuously evaluates and determines the training needs of each Director, particularly on relevant new laws and regulations and the essential practices to enable the Directors to effectively discharge their duties.

Nominating Committee (“NC”)

The NC comprises exclusively of Independent Non-Executive Directors of the Company. It is established to ensure that there is a formal and transparent procedure for the appointment of new Directors to the Board and suitably qualified members to make up the Board Committees and to assess the performance of the Board, Board Committees and Directors. The NC also assesses the candidates for C-level appointment in the organization before they are engaged by Mynews. The current members of the NC are as follows:

Chairman : Mr John Ding (*Independent Non-Executive Chairman*)

Member : Ms Soon (*Senior Independent Non-Executive Director*)

Member : En Suffian (*Independent Non-Executive Director*)

During the financial year under review, one (1) meeting was held and attended by all members. The main activities carried out by the NC during the financial year under review are as follows:

- Reviewed and assessed the effectiveness of the Board as a whole
- Reviewed and assessed the contribution and performance of each Director
- Reviewed and assessed the contribution and performance of the Board Committees (Audit Committee, Risk Management Committee, Remuneration Committee and Nominating Committee)
- Reviewed and assessed the independence of the Independent Non-Executive Directors

The NC is satisfied with the effectiveness of the Board and its Committees, including the contributions by each of the members based on the annual assessments conducted and affirmed by each of the members of the Board. The NC is confident that every member of the Board and its Board Committees will continue to operate and contribute effectively.

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

3. REMUNERATION

Remuneration Committee

The Board had established the Remuneration Committee to review and recommend the appropriate level of remuneration for the Board, its Executive and Non-Executive Directors, C-Level personnel and the Group's bonus payout, taking into consideration the Group's performance. The current members of the Remuneration Committee are as follows:

Chairman	:	En Suffian (<i>Independent Non-Executive Director</i>)
Member	:	Ms Soon (<i>Senior Independent Non-Executive Director</i>)
Member	:	Mr John Ding (<i>Independent Non-Executive Chairman</i>) <i>Appointed as member on 16 November 2019</i>
Member	:	Mr Hock (<i>Executive Director/ Chief Executive Officer - Food</i>) <i>Ceased Office on 16 November 2019</i>

During the financial year under review, one (1) meeting was held and attended by all members. The main activities carried out by the Remuneration Committee during the financial year under review are as follows:

- Reviewed and approved the Service Agreement of the Executive Directors prior to recommending to the Board for execution
- Reviewed and recommended to the Board for approval, the remuneration structure for the employees of the Group
- Reviewed and recommended to the Board on the Remuneration Package of the Executive Directors
- Reviewed and recommended to the Board for adoption, the Employee Handbook of the Group

The Executive Directors' remuneration is designed to link rewards to the Group's performance and individual performance whilst the remuneration of the Non-Executive Director is determined in accordance with their experience and the level of responsibilities assumed. In ensuring that the Directors' remuneration is in line with the market and is competitive to attract and retain talents, reference is made to the Directors' remuneration offered by other public listed companies of similar industry and market capitalization.

The Executive Directors do not take part in the decision on their own remuneration. Likewise, the remuneration of the Non-Executive Directors is a matter for the Board as a whole, with individual Director abstaining from discussion on his/her remuneration.

Based on the assessment carried out for FY 2019, the Board is satisfied that the Remuneration Committee had fulfilled its role and discharged its duties effectively.

Corporate Governance Overview Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

3. REMUNERATION (cont'd)

Directors' Remuneration

The Directors' remuneration for FY 2019 is as follows :

	Fees RM'000	Meeting Allowance RM'000	Salaries & Bonuses RM'000	Benefits in-kind RM'000	Total RM'000
Executive Directors					
Mr Luk	-	-	862,400	23,950	886,350
Mr Wen	-	-	777,083	12,150	789,233
*Mr Hock	52,500	10,000	67,407	-	129,907
Non-Executive Directors					
Mr John Ding	90,000	12,000	-	-	102,000
Ms Soon	75,000	12,000	-	-	87,000
En Suffian	70,000	12,000	-	-	82,000

**Mr Hock was re-designated from Non-Independent Non-Executive Director to Executive Director/Chief Executive Officer - Food on 1 August 2019*

Top five (5) Senior Management's remuneration

Detailed remuneration of the top (5) five senior management is not disclosed as the Board is of the view that the disclosure of such information may put the Group in a disadvantage position given the keen competition for talent in the industry which the Group operates.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

4. AUDIT COMMITTEE

Effective and Independent Audit Committee ("AC")

The composition and details of activities carried out by the AC during FY 2019 are set out in the Audit Committee Report of this Annual Report.

The AC members possess a wide range of skills, and they are financially literate and able to understand matters within the purview of the AC including the financial reporting and performance of the Group. Two (2) members from the AC are professionally qualified accountants having vast experience in the finance industry including financial reporting.

Corporate Governance Overview Statement

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

4. AUDIT COMMITTEE (cont'd)

Effective and Independent Audit Committee ("AC") (cont'd)

The outsourced Internal Auditors, Messrs. Axcelasia Columbus Sdn. Bhd. communicates regularly with and reports directly to the AC. The internal audit function includes regular audits to review and provide assurance to the AC on the adequacy and effectiveness of the Group's internal control and governance process. The outsourced Internal Auditors attended all four (4) meetings of the AC in FY 2019.

In the annual assessment, the AC was satisfied with the performance of the Internal Auditors in terms of effectiveness and efficiency in the conduct of their review of the Group's internal control system and risk management.

An annual assessment had also been conducted on the External Auditors and the AC was satisfied with the performance and independence of the external auditors as well as the fulfilment of criteria based on several factors, including independence of the external auditors, quality of audit review procedures and adequacy of the firm's expertise and its resources to carry out the audit work that they were tasked with.

5. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board believes that effective oversight of risk management and internal control is important to help the Group to achieve its corporate goals and objectives and striking a balance to safeguard the interest of its many stakeholders and protecting the Group's assets and investments.

The Group adopts a 3 line of defense structure for the governance and management of our system of internal controls. The AC is assisted by the Company's outsourced Internal Audit Function which reports directly to the AC. The Risk Management and Internal Control Department provides support and facilitates the implementation of an enterprise wide risk management and internal control functions.

The Risk Management Committee was established on 1 March 2018 and is entrusted by the Board to monitor the effectiveness of the Group's approach on risk management and internal controls which this function was previously delegated to the AC. The composition and details of activities carried out by the Risk Management Committee are set out in the Risk Management Committee Report of this Annual Report.

The Statement of Risk Management and Internal Control is set out in this Annual Report to provide an overview of the state of the risk management and internal controls within the Group.

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

6. COMMUNICATION WITH STAKEHOLDERS

Continuous Communication and Investor Relations

The Board recognises the importance of being transparent and accountable to our shareholders and has used various channels of communication to enable the Board and Management to continuously communicate, disclose and disseminate comprehensive and timely information to investors, shareholders, financial community and the public in general. Whilst the Board endeavours to provide as much information as possible to our shareholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

Corporate Governance Overview Statement

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

6. COMMUNICATION WITH STAKEHOLDERS (cont'd)

Continuous Communication and Investor Relations (cont'd)

The various channels of communication with stakeholders are through the following:

- The quarterly announcement on financial results to Bursa Malaysia.
- Circulars and annual reports.
- General meetings of shareholders.
- Meetings with investors, analysts and fund managers.
- Company website at www.mynews.com.my, where the public can have easy access to the Company's corporate information such as Board Charter, Terms of Reference of Board Committees, press releases, financial information, Company announcement and others.

The above channels of communication will help to enhance stakeholders' understanding of the business and operations of the Group and to make informed investment decisions.

7. CONDUCT OF GENERAL MEETINGS

Shareholders' Participation at General Meetings

The Board continues to have oversight over the implementation and required maintenance of effective communications and engagements with shareholders.

The annual general meetings are principal forum for dialogue with shareholders. At the Company's 6th AGM, the CEO presented the overall performance of the Group to the shareholders. Shareholders were provided with an opportunity to participate in the question and answer session at which shareholders may raise questions regarding the proposed resolutions at the said meetings as well as on matters relating to the Group's business and affairs. All directors attended the meeting and all the resolutions tabled were approved and passed by our shareholders.

We held our 6th AGM at The Club, Bukit Utama Golf Resort, 1 Club Drive, Bukit Utama, Bandar Utama, 47800, Petaling Jaya which was easily accessible to our shareholders. The Notice of AGM together with the Company's Annual Report for the financial year ended 31 October 2018 were despatched on 28 February 2019 which fulfilled the 28 days' notice requirement for the meeting. Both the Notice of meeting and annual report were published on the websites of Bursa Malaysia and the Company on the day of the despatch facilitating prompt access by the shareholders and the public.

Audit Committee Report

The Audit Committee (“AC”) of Mynews is pleased to present its report for FY 2019.

Audit Committee Members

- Ms Soon - Chairperson, Senior Independent Non-Executive Director
- Mr John Ding - Member, Independent Non-Executive Chairman
- En Suffian - Member, Independent Non-Executive Director

Number of Meetings Held and Details of Attendance

The attendance of the members at the AC meetings held during FY 2019 is as follows:

Members	Designation	Attendance of Meeting	
Ms Soon	Chairperson	5/5	100%
Mr John Ding	Member	5/5	100%
En Suffian	Member	5/5	100%

Composition Compliance

The AC consists of three (3) members all of whom are independent non-executive directors. Two of the members are members of MIA, namely, Ms Soon and Mr John Ding. The composition of the AC complies with the requirement of the Listing Requirements as well as fulfills the financial literacy and independence elements outlined in the MCCG (Practice 8.5 and Step Up 8.4)

Terms of Reference

The Terms of Reference of the AC is on the Company’s website, www.mynews.com.my. The Board had assessed the performance of and is satisfied that the AC and each of the members had discharged their functions, duties and responsibilities in accordance with its Terms of Reference.

Summary of Work Carried Out During FY 2019

During FY 2019, the AC conducted the following activities to discharge its functions and duties:

a) Financial Reporting

- Reviewed the unaudited quarterly financial statements of the Group and the announcements thereon before recommending them to the Board for approval and release thereof to Bursa Malaysia.
- Reviewed the annual audited financial statements of the Group for FY 2019 before recommending them to the Board for its approval thereon for adoption and to table them to the shareholders at the forthcoming 7th AGM.
- Reviewed the application of major accounting policies and practices to ensure that the Group’s financial statements were prepared in compliance with approved accounting standards and that Mynews adhered to all legal and regulatory reporting requirements.

Audit Committee Report

Summary of Work Carried Out During FY 2019 (cont'd)

During FY 2019, the AC had carried out the following activities to discharge its functions and duties (cont'd):

b) External Audit

- Reviewed the external auditors' audit plan, which outlined the work scope, audit strategy and approach for FY 2019.
- Discussed with the external auditors on the results of the audit, their findings and the resolution of the findings.
- Reviewed the audited financial statements with the external auditors and Management before recommending them to the Board for adoption.
- Assessed the effectiveness of the external audit process to ensure high standards of professionalism and effectiveness of the external audit carried out.
- Had one (1) private meeting with the external auditors, Messrs. Grant Thornton Malaysia PLT without the presence of the Executive Directors and Management on 31 January 2019.
- Reviewed the proposed audit fees for FY 2019 before recommending them to the Board for approval.
- Assessed and deliberated the performance of the external auditors and made recommendations to the Board on their re-appointment for the ensuing year.

c) Internal Audit

The AC was supported by Messrs Axcelasia Columbus Sdn Bhd, the outsourced internal auditors to discharge its duties and responsibilities with regard the internal audit function of the Group. Its scope encompasses, but not limited to, the examination and evaluation of the adequacy and effectiveness of the Group's governance, risk management and internal controls. The internal auditors had provided independent and objective assurance and advisory services designed to add value and improve the internal controls of the operating departments within the Group.

The job scope of the outsourced internal audit function comprised:

- Conducting scheduled internal audits in accordance with the approved internal audit plan which had been devised using primarily the risk-based approach.
- Reviewing the effectiveness of internal controls and recommending improvements where necessary.
- Conducting follow-up reviews to assess if appropriate actions had been taken to address issues highlighted in previous audit reports.
- Presenting audit reports to AC on a quarterly basis incorporating findings, highlighting areas for improvement and recommending correctives measures.
- Recommending improvements on the internal control policies and procedures.

The internal audit activities carried out in accordance with the audit plan for FY 2019 were on the following areas:

1. Software Development and Continuous Performance
2. General Information Technology Controls
3. Merchandising and Procurement
4. Establishment of New Outlets
5. Human Resource
6. Fixed Assets Management
7. Outlet Retail Management
8. Marketing and Corporate Communication

Audit Committee Report

Summary of Work Carried Out During FY 2019 (cont'd)

During FY 2019, the AC had carried out the following activities to discharge its functions and duties (cont'd):

c) Internal Audit (cont'd)

The AC had reviewed the internal audit reports, the recommendations and management action plans. No major weaknesses that have resulted in material losses, contingencies or uncertainties were reported. The AC had also reviewed the quality of the internal audit function and assessed the effectiveness of the internal audit process and found them to be satisfactory. The AC also had one (1) private meeting with the internal auditors without the presence of Executive Directors and Management on 26 September 2019. The fee incurred for FY 2019 in relation to the outsourced internal audit functions was RM86,000 which is exclusive of out-of-pocket expenses.

d) Related Party Transactions

The AC had reviewed all related party transactions of Mynews in FY 2019 which comprised solely recurrent related party transactions which were incurred in the ordinary course of business. Management reported all transactions with related parties on a quarterly basis and these were discussed at the AC meetings. The AC had ensured that the arm's length principle had been practiced consistently and the persons connected had declared their interests accordingly. During the deliberations on related party transactions, the connected persons could be invited for the deliberation on the subject matter but they would have to abstain from all decision-making hereon.

For FY 2019, the AC noted:

- The transactions with related parties comprised recurrent related party transactions ("RRPT") which were carried out in the ordinary course of business and undertaken at arm's length, on normal commercial terms of Mynews which were not more favourable to the related parties than those generally available to the public and were not detrimental to the minority shareholders.
- There were certain RRPT aggregating to an amount which bore a percentage ratio of 2.72% and consequently an announcement was made to Bursa Malaysia on 13 September 2019. These RRPT were in relation to the purchase of bakery production equipment and machineries and raw materials for the day to day operations of Mynews Ryoyupan.
- All the RRPT were entered on arm's length basis and were necessary for the day-to-day operations of the Group, including others which transaction volume did not breach the reporting threshold.

The AC is satisfied that in FY 2019 Mynews had complied with the financial and regulatory reporting requirements and noted no material changes in accounting policies, significant audit adjustments, unusual transactions or discriminating related party transactions.

Risk Management Committee Report

The Risk Management Committee of Mynews is pleased to present its report for FY 2019.

The Risk Management Committee (“RMC”) was set up on 1 March 2018 to oversee the risk management of Mynews pursuant to step up practice 9.3 of the MCCG.

Risk Management Committee Members

- **Mr Hock**
Chairman, Executive Director/Chief Executive Officer - Food
- **Mr John Ding**
Member, Independent Non-Executive Chairman
- **En Suffian**
Member, Independent Non-Executive Director

Number of Meetings Held and Details of Attendance

The attendance of the members at the RMC meetings held during FY 2019 is as follows:

	Members	Designation	Attendance of Meeting	
1.	Mr Hock	Chairman	4/4	100%
2.	Mr John Ding	Member	4/4	100%
3.	En Suffian	Member	4/4	100%

Composition Compliance

The RMC consists of three (3) members, two (2) of whom are independent directors which satisfy the MCCG step up practice 9.3 requiring the members to comprise “majority independent directors”. Mr Hock, the Chairman was previously a Non-Independent Non-Executive Director and was re-designated Executive Director on 1 August 2019 following his appointment as director and Chief Executive Officer of Mynews Kineya Sdn Bhd and Mynews Ryoyupan Sdn Bhd. These two (2) companies are the joint venture companies engaged in the production of RTE food and bakery products where Mynews has 51% equity interest.

Terms of Reference

The Terms of Reference of the RMC is on the Company’s website, www.mynews.com.my. The Board is satisfied that the RMC and each of the members had discharged their functions, duties and responsibilities in accordance with its Terms of Reference.

Summary of Risk Management Work Activities

The RMC assists the Board to oversee the risk management of the Group and ensures that there are sufficient and effective controls and initiatives put in place to manage the Group’s risks. The Group has a formal risk management policy and framework approved by the Board and the RMC is supported by the RMD to discharge its responsibilities and role in overseeing the Group’s risk management.

For risk management, the Group has in place an on-going process for identifying, assessing and evaluating the principal risks that may affect its goals and objectives. To ensure that the risk management framework is effective, Mynews has designed it in conformance with internationally recognised standards, the ISO 31000 Risk Management – Principles and Guidelines.

The Group maintains a Risks Register which records the key risks anticipated by the Group, including its respective likelihood of occurrence, impact as well as controls and procedures in place to mitigate such risks. A risk management report is presented to the RMC on a quarterly basis to report the findings, highlight risk exposures and threats to allow RMC to assess the appropriateness of management’s action plans to manage the risks within the Group’s risk appetite.

Risk Management Committee Report

Summary of Risk Management Work Activities (cont'd)

In FY 2019, the RMC carried out its oversight roles by evaluating key areas of risk exposure focusing on the food processing center, logistic functions, inventory management, statutory and regulatory compliances, IT support, talents recruitment and retention, staff trainings, internal controls, suppliers relationship, operation efficiencies and business strategies.

Risk management practices were explained to the concerned department heads and staff to educate and spread awareness throughout the organization on the role of the RMD and the importance of risk management. The RMD and the concerned departmental heads had proactively and frequently sat to discuss significant risks and how to effectively manage the significant risks that might affect the Group's objectives.

The RMC members had all attended briefings and seminars on the newly approved Corporate Liability Provision on Anti-Corruption Anti-Bribery and been made known of the "Adequate Procedures" set by MACC in preparation of the upcoming implementation in June 2020.

Control Environment

- **Whistle Blowing Policy**

The Group has in place a whistle blowing policy that provides a mechanism to report concerns on any suspected misconduct, wrongdoings, corruption, fraud in or by Mynews or our employees. The whistle blowing policy is set out in Mynews' website www.mynews.com.my and complainants can also reach out to Mynews' careline at toll free number 1800-88-1231 or email to mynewscareline@mynews.com.my

- **Anti-Bribery and Anti-Corruption**

The Group has adopted a zero-tolerance policy against all forms of bribery and corruption. Mynews is committed to the prevention, deterrence and detection of fraud, bribery and any other form of corrupt business practices. It is Mynews' policy to conduct all its business activities with honesty, integrity and the highest possible ethical standards and it vigorously enforces these good business practices throughout the Group.

- **Business Continuity Management**

The Management and Board recognize the importance of business continuity and sustainability. In view that the business operations are reliant on information technology ("IT") network and system to carry out the daily work activities, Management had developed a disaster recovery plan to ensure that the Group is able to respond and recover quickly from any significant unexpected event which could disrupt its business activities. The plan essentially entails the IT system to be rebooted quickly and alternative workstations set up to allow the business operations to continue in the event a disaster occurs.

Mynews' disaster recovery offsite backup servers are housed at Cyberjaya and for business continuity, we have alternate workstations housed at Multimedia Super Corridor premises in Bandar Utama, Selangor.

Risk and Governance Structure (3 lines of defense)

The Group acknowledges the "Three Lines of Defense" model as a way of defining the relationship between these functions and act as guidelines for accountabilities by each functional department:

- 1st Line of Defense – Heads of Department
- 2nd Line of Defense – RMD
- 3rd Line of Defense – Internal Audit

1st Line of Defense – Heads of Department

All Heads of Department are responsible for the ownership and management of their respective risks. They are responsible for implementing controls for preventive, detective and corrective measures to address process deficiencies. There are adequate managerial and supervisory controls to detect and highlight controls breakdown and inefficiencies.

Risk Management Committee Report

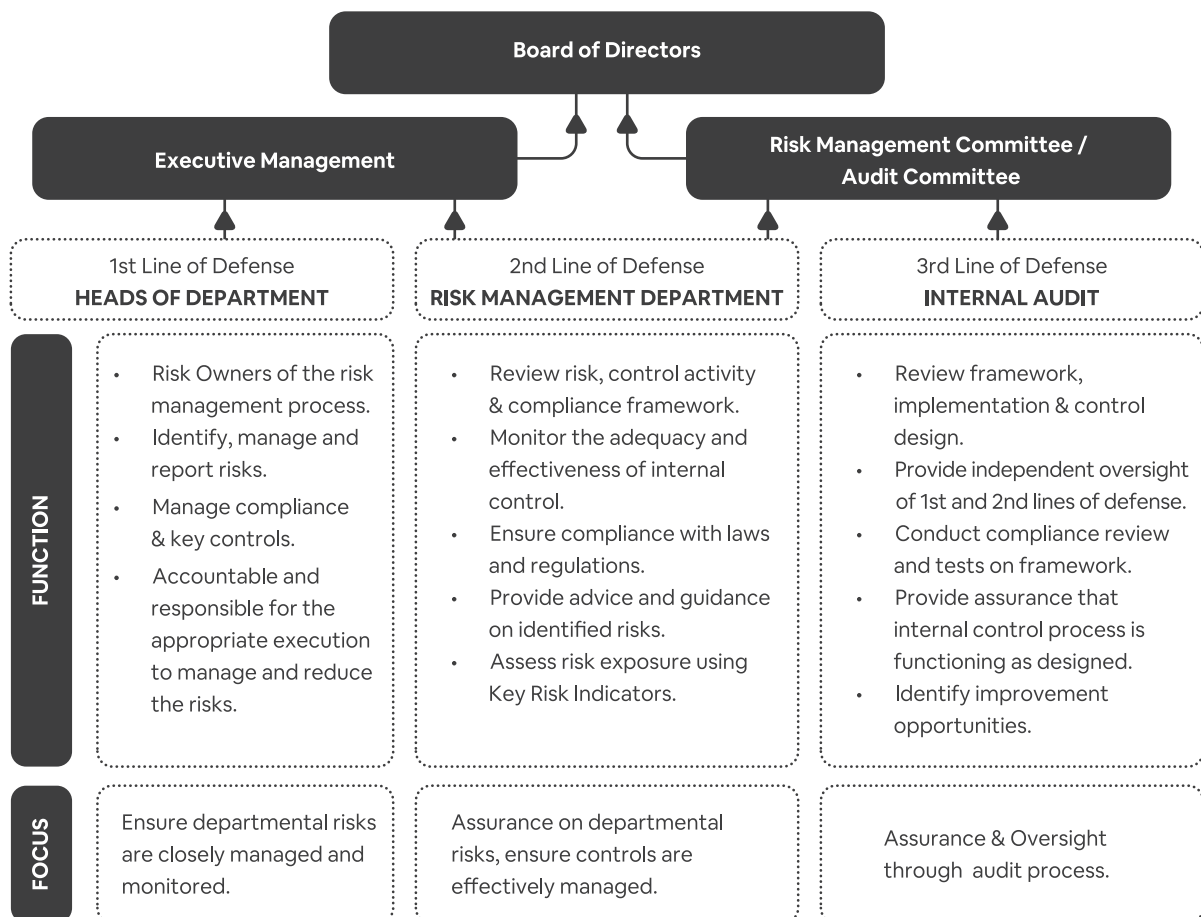
Risk and Governance Structure (3 lines of defense) (cont'd)

2nd Line of Defense – RMD

Risk Management function is to ensure that the framework with controls and processes fully embedded is operational. It monitors the 1st line of controls to ensure that risks are being effectively managed, facilitates and monitors the implementation of effective risk management practices by Management and carry out validation works to check the effectiveness of internal controls. Each of these functions has some degree of independence from the 1st line of defense.

3rd Line of Defense – Internal Audit

Internal Audit provides independent and objective assurance on the effectiveness of governance practices, risk management, and internal controls, including the effectiveness of 1st and 2nd lines of defenses to achieve the risk management and control objectives. Internal Audit provides the Board and Management with comprehensive assurance based on the highest level of independence and objectivity.



Annual Review and Performance Evaluation

The RMC conducts annual performance evaluation on the risk management framework and continuously improves its processes and approach in managing the risks of the Group.

The RMC had considered the risk management process during the year and assessed it to be effective in relation to identifying, assessing and monitoring the Group's risks. No major weaknesses that could have resulted in material losses, contingencies or uncertainties were noted or reported.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board is pleased to provide this Statement on Risk Management and Internal Control of Mynews for FY 2019 which is required pursuant to Paragraph 15.26(b) of the Listing Requirements.

BOARD'S RESPONSIBILITY

The Board is responsible for Mynews' risk management and internal control system and to ensure that it is adequate and effective in managing its risks. It also provides risk oversight, sets the tone at the top, develops risk culture and reviews the business objectives to be in line with Group's risk profile. The Board recognises that the internal controls system is designed to manage and minimise rather than eliminate the risks and to provide reasonable but not absolute assurance against material losses or failure associated with risks to achieve Mynews' corporate objectives.

RISK MANAGEMENT

The RMC has been established to assist the Board in ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group, which include identifying significant risks, ensuring an effective risk management framework is in place to manage the overall risk exposure of the Group and regularly reviews the effectiveness of the risk management framework.

The Risk Management Policy and Framework include all necessary policies and mechanism to manage the overall risk exposure of Mynews, set out clear risk management guidelines and assess the level of risks in accordance to Mynews' risk appetite. The framework has been designed to ensure the proper management of risks so as not to impede the achievement of Mynews' goals and objectives.

The RMC, supported by RMD has an on-going process for identifying, assessing and evaluating the principal risks that affect Mynews' achievement of its goals and objectives. To ensure that the risk management framework is in conformance with internationally recognised standards, Mynews has adopted ISO 31000 Risk Management – Principles and Guidelines in setting up its risk management framework.

INTERNAL CONTROL

During FY 2019, Mynews' internal audit function was outsourced to a third-party service provider, Messrs. Axcelasia Columbus Sdn Bhd ("Axcelasia"). Axcelasia is an independent auditing body which conforms to the International Professional Practices Framework ("IPPF") and had devised a risk-based approach internal audit plan which was reviewed by the AC before it was recommended for approval by the Board. Based on the approved internal audit plan, Axcelasia had conducted reviews on Mynews' internal control system including its compliance with policies and procedures as well as relevant laws and regulations. All deviations and non-compliances reported by Axcelasia had been addressed to the satisfaction of the Board.

In addition, Mynews has an in-house Internal Control Department that carries out daily operational audits to assess and ensure the internal controls in place at the operational units, principally the retail outlets are effective and that the staff are conducting their activities in compliance with the respective Standard Operating Procedures. Observations/findings and action plans to rectify and improve the internal controls and effectiveness of the internal controls are reported to the respective Heads of Department and Management.

The Management frequently reviews the internal control mechanism to ensure that it provides the required level of assurance that the business is operating in an orderly manner and that the likelihood of a significant adverse impact on its objectives arising from a future event is at an acceptable level to Mynews.

Statement on Risk Management and Internal Control

INTERNAL CONTROL (cont'd)

Mynews' internal control system consists of the following key processes:

1. **Organisation Structure** – Mynews has a defined organisation structure with clear lines of accountability and responsibility. The daily running of its operations is entrusted to the Executive Directors and Senior Management. The Heads of Department are empowered with the responsibility of managing their respective operations.
2. **Authority and Responsibility** – The day to day operations of Mynews is guided by the approved authority matrix for reviewing and approval which is documented in the Delegation of Authority (“DOA”). The DOA is reviewed periodically and/or when the need arises to ensure that it stays relevant.
3. **Monitoring and Reporting** – The Chief Financial Officer is primarily responsible for the financial management of Mynews and is required to give assurance to the AC that there has been adequate process and controls in place for the preparation of the quarterly and yearly financial results and that these financial results are prepared based on appropriate accounting policies which are consistent and in compliance with Malaysia Financial Reporting Standards to give a true and fair value of the state of affairs of Mynews.

The AC reviews the quarterly financial statements with the Chief Financial Officer and Group Chief Executive Officer before it recommends to the Board for approval to release the financial results to Bursa Malaysia. The audited accounts are reviewed with the external auditors before recommending them to the Board for tabling them to the shareholders at the annual general meeting.

4. **Management Meetings** – Management meetings are held fortnightly and are attended by the Heads of Department to discuss operational matters which are the financial performance and updates on the business landscape, new challenges or opportunities. Where required, to devise and agree on action plan to improve the performance or recovery actions to be taken. In addition to the regular meetings, others are convened as and when necessary with the related departments to stay on course of achieving the Group's goals and objectives.
5. **Standard Operating Procedures (“SOP”)** – the SOP serves as a step by step instruction and guidance for the conduct of the work processes. It sets the rules and expectations, facilitate staff understanding, provides guidance of job expectations and develops consistency for the execution of the work routines. The documentation of work processes in the SOP helps to protect the Group from knowledge loss and can save training cost and time on the new staff. All SOP are reviewed periodically to align with the best practices in the industry and to ensure that they stay relevant.
6. **Key Performance Indicators** – an integral tool for Mynews to measure, monitor and track performance. This allows Management to identify the areas for improvement and understand the strength/opportunity of/for Mynews.
7. **Staff competency** – The Board fully supports the need for continuing education for all its members and all levels of staff. The Board members are encouraged to participate in programmes to equip themselves with the latest updates on the industry and regulatory requirements. It is Mynews' policy to provide continuing training and development programmes for our staff, for example, the front-end staff are trained on customer services and operational efficiencies before posted to the outlets and thereafter are provided with on the job training on a regular basis. The other staffs are trained internally and by external professionals to improve their competency and be updated on the latest technical and/or regulatory updates to carry out their responsibilities towards achieving the Group's goals and objectives.

Statement on Risk Management and Internal Control

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirement, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide (“AAPG”) 3 issued by MIA. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness on the risk management and internal control systems of the Group.

Based on the procedures formed, nothing had come to their attention that caused them to believe that the Statement on Risk Management and Internal Control set out above was not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, nor was factually inaccurate.

CONCLUSION

For FY 2019, the Group Chief Executive Officer and the Chief Financial Officer have provided assurance to the Board that the Group’s Risk Management and Internal Control system is operating adequately and effectively, in all material aspects.

The Board has reviewed the adequacy and effectiveness of the Group’s Risk Management and Internal Control for FY 2019 up to the date of approval of this statement for inclusion in this Annual Report, and is of the view that the Risk Management and Internal Control system has been satisfactory and there were no material losses incurred during the year under review as a result of internal control weakness or adverse compliance events.

This Statement on Risk Management and Internal Control was approved by the Board on 22 January 2020.

Statement on Directors' Responsibility

The Companies Act 2016 requires the Directors of the Company to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the Group as at the end of the financial year and of the results and cash flows of the Company and of the Group for the financial year.

The Directors are responsible to ensure that the Company and the Group keep proper accounting records to sufficiently explain all transactions and financial position of the Company and Group and that these records are accurate and reliable.

In the preparation of the financial statements the Directors have ensured that:

- The financial statements were prepared on a going concern basis and in compliance with all applicable accounting standards where material departures, if any, were disclosed;
- Appropriate accounting policies were adopted and consistently applied; and
- Estimates and judgements made were reasonable and prudent.

The Directors, also have the responsibility to ensure that the Company and the Group have a sound system of internal controls to safeguard their assets, to prevent and detect fraud and other irregularities and that all transactions are properly authorised and recorded to enable the preparation of true and fair financial statements.

This Statement on Directors' Responsibility for preparing the financial statements was approved by a resolution of the Board of Directors passed on 10 February 2020.



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Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 October 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries and jointly controlled entity are disclosed in Notes 7 and 8 to the financial statements respectively.

There have been no significant changes in the nature of these principal activities of the Company and its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	24,324	6,606
Attributable to:-		
Owners of the Company	27,564	6,606
Non-controlling interests	(3,240)	-
	24,324	6,606

DIVIDENDS

The amount of dividend declared and paid since the end of the previous financial year is as follows:-

	RM'000
An interim single tier dividend of RM0.01 per ordinary share in respect of the financial year ended 31 October 2019	6,822

The Directors do not recommend any final dividend for the financial year ended 31 October 2019.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

HOLDING COMPANY

The holding company is D&D Consolidated Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

Directors' Report

DIRECTORS

The Directors who held office during the financial year and up to date of this report are as follows:-

Ding Lien Bing
Dang Tai Luk*
Dang Tai Wen^
Dang Tai Hock#
Soon Dee Hwee
Mohd Suffian Bin Suboh

* Director of the Company and its subsidiaries except for Mynews Ryoyupan Sdn. Bhd. and Mynews Kineya Sdn. Bhd.

^ Director of the Company and its subsidiaries

Director of the Company and its subsidiaries except for Mynews Management Sdn. Bhd. and Mynews Kukuh Sdn. Bhd.

The names of the Directors of the Company's subsidiaries in office during the financial year and up to the date of this report other than those named above are as follows:-

Koji Higashiawatoko
Chong Siew Hoong
Toshiki Shimizu
Hiroshi Chiyoda
Takehiko Abe
Chikanobu Kenma (resigned on 19.6.2019)
Akito Nakatsuma (resigned on 31.7.2019)
Masahiro Nishida (resigned on 1.10.2019)
Keiya Sato (appointed on 1.10.2019)
Shunsuke Ishimoto (appointed on 19.6.2019 and resigned on 31.12.2019)
Manabu Fujimoto (appointed on 16.1.2020)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests and deemed interests in the ordinary shares of the Company and of its related corporations of those who were Directors at the end of the financial year are as follows:-

	Balance at 1.11.2018	Number of ordinary shares		Balance at 31.10.2019
		Addition	Sold	
The Company				
<u>Direct interests</u>				
Ding Lien Bing	400,000	-	-	400,000
Soon Dee Hwee	400,000	-	-	400,000
Mohd Suffian Bin Suboh	90,000	-	-	90,000

Directors' Report

DIRECTORS' INTERESTS (cont'd)

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests and deemed interests in the ordinary shares of the Company and of its related corporations of those who were Directors at the end of the financial year are as follows (cont'd):-

	Balance at 1.11.2018	Number of ordinary shares		Balance at 31.10.2019
		Addition	Sold	
The Company (cont'd)				
<u>Indirect interests</u>				
Dang Tai Luk #	391,777,000	2,944,400	-	394,721,400
Dang Tai Wen #	391,777,000	2,944,400	-	394,721,400
Dang Tai Hock #	391,777,000	2,944,400	-	394,721,400
Direct interest in the shares of the holding company D&D Consolidated Sdn. Bhd.				
<u>Ordinary shares</u>				
Dang Tai Luk	4,341	-	-	4,341
Dang Tai Wen	1,648	-	-	1,648
Dang Tai Hock	3,241	-	-	3,241
<u>Preference shares</u>				
Dang Tai Wen	15,965	-	-	15,965
Dang Tai Hock	30,448	-	-	30,448

Indirect interests by virtue of their shareholdings in D&D Consolidated Sdn. Bhd. and their parent's shareholding in Red Orchid Sdn. Bhd. (formerly known as Evertop Cleaners Sdn. Bhd.).

By virtue of their interests in the shares of the holding company, Dang Tai Luk, Dang Tai Wen and Dang Tai Hock are also deemed to have interests in the ordinary shares of its related corporations to the extent that the Company has an interest under Section 8 of the Companies Act 2016.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than as disclosed in Notes 29 and 30 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.

ISSUE OF SHARES AND DEBENTURES

There were no issuance of shares and debentures during the financial year.

Directors' Report

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The amount of indemnity coverage and insurance premium paid for Directors and officers of the Company during the financial year was RM10,000,000 and RM34,918 respectively.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the provision for doubtful debts, and satisfied themselves that adequate provision had been made for doubtful debts and there were no bad debts to be written off; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) no contingent liability 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 will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (b) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) 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 to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

Directors' Report

AUDITORS

Details of auditors' remuneration are set out in Note 25 to the financial statements.

There was no indemnity given to or insurance effected for the auditors of the Company.

The auditors, Messrs Grant Thornton Malaysia PLT have expressed their willingness to continue in office.

Signed on behalf of the Directors in accordance with a resolution of the Board of Directors.

.....)	
DANG TAI LUK)	
)	
)	
)	
)	DIRECTORS
)	
)	
)	
)	
.....)	
DANG TAI WEN)	

Kuala Lumpur
10 February 2020

Statement By Directors & Statutory Declaration

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 75 to 151 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 October 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Directors in accordance with a resolution of the Board of Directors.

.....
DANG TAI LUK

Kuala Lumpur
10 February 2020

.....
DANG TAI WEN

STATUTORY DECLARATION

I, Chong Siew Hoong, being the Officer primarily responsible for the financial management of Mynews Holdings Berhad do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 75 to 150 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur in
the Federal Territory this day of
10 February 2020

)
)
)
)

CHONG SIEW HOONG
(No: 5062)
CHARTERED ACCOUNTANT

Before me:

VALLIAMAH A/P PERIAN (W594)
Commissioner for Oaths
Kuala Lumpur
10 February 2020

Independent Auditors' Report

To The Members Of Mynews Holdings Berhad And Its Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mynews Holdings Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 October 2019, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 75 to 151.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 October 2019, and of their 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 of Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Risk of valuation and existence of inventories

The risk -

As at 31 October 2019, the Group's inventories balances amounting to RM62.1 million as disclosed in Note 12 to the financial statements is significant to the total assets of the Group. The inventories are measured at the lower of cost and net realisable value ("NRV"). At financial year end, the valuation of inventories is reviewed by management and the costs of inventories are reduced where inventories are forecasted to be sold below cost. Changes in these assumptions could result in a material change in the carrying value of inventories and the financial performance of the Group.

Independent Auditors' Report

To The Members Of Mynews Holdings Berhad And Its Subsidiaries

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Group (cont'd)

Risk of valuation and existence of inventories (cont'd)

Our response -

In addressing this area of focus, we have performed, amongst others, the following procedures:

- for a sample of inventory items, compared the unit cost to the last purchase invoices.
- obtained an understanding and reviewed the management's assessment of NRV of the inventories and on a sample basis, tested the subsequent selling price of inventories.
- examined the condition of selected inventories by attending physical stock count at financial year end at selected locations.
- considered the adequacy of the Group's disclosures in respect of inventories valuation.

Revenue involving enormous volume of insignificant transactions

The risk -

The Group relies heavily on the information technology system to account for cash sales generated from outlets. The management accounted for the revenue solely based on the sales report generated from the information technology system of the Group. During the financial year, sales from outlets represented 87% of the Group's total revenue.

Revenue generated from cash sales is regarded as key audit matter because the amount of revenue contributed is significant to the financial statements of the Group and they involved the processing of large volume of individually insignificant transactions using the Group's information technology system.

Our response -

In addressing this area of focus, we have performed, amongst others, the following procedures:

- obtained an understanding and reviewed the internal control over the process of recording cash sales from outlets.
- tested the operating effectiveness of the information system control over cash sales process by performing test of control. We have also involved our internal information technology team to test the reliability of the system through the performance of information technology general control testing.
- test checked the reconciliation of cash receipts to the revenue recognised during the financial year.
- evaluated cash sales recorded close to the financial year end and cash sales after the financial year end to determine whether those transactions were recorded in the proper accounting period.

Right-of-use assets and leases involving significant volume

The risk -

The Group has early adopted MFRS 16 Leases which replaces the existing standard MFRS 117. Due to nature in convenience stores business, the Group has numerous lease contracts and the significant amount of right-of-use assets have been identified and recognised as disclosed in Note 5. MFRS 16 Leases is regarded as key audit matter because it involved the extraction of large volume of data in preparing the leases schedule by the management and also required significant assumptions made by the management which includes determination of lease term, discount rate, lease options and other measurement principles.

Independent Auditors' Report

To The Members Of Mynews Holdings Berhad And Its Subsidiaries

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Group (cont'd)

Right-of-use assets and leases involving significant volume (cont'd)

Our response -

In addressing this area of focus, we have performed, amongst others, the following procedures:

- Obtained an understanding and reviewed the process of preparation of the leases schedule
- Tested the accuracy of the information stated in leases schedule by sighting the lease contracts
- Assessed the accounting treatment to ensure compliance with the requirements of MFRS 16 including the appropriateness of the assumptions and judgement made by the management
- Recalculation performed to ensure mechanical accuracy of leases schedule provided
- Considered the adequacy of the disclosures in respect of these leases

Company

There is no key audit matter to be communicated in respect of the audit of the financial statements of the Company.

Information other than the financial statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether other information is materially inconsistent with the financial statements of the Group and 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

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

Independent Auditors' Report

To The Members Of Mynews Holdings Berhad And Its Subsidiaries

Report on the Audit of the Financial Statements (cont'd)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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 identified during our audit.

We also provided the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditors' Report

To The Members Of Mynews Holdings Berhad And Its Subsidiaries

Report on the Audit of the Financial Statements (cont'd)

Auditors' responsibilities for the audit of the financial statements (cont'd)

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

Other 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.

GRANT THORNTON MALAYSIA PLT
(201906003682 & NO. AF: 0737)
CHARTERED ACCOUNTANTS

Kuala Lumpur
10 February 2020

LIM SOO SIM
(NO: 03335/11/2021 J)
CHARTERED ACCOUNTANT

Statements Of Financial Position

As At 31 October 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	197,461	155,681	-	-
Right-of-use assets	5	107,669	-	-	-
Investment properties	6	12,140	-	-	-
Investment in subsidiaries	7	-	-	177,152	177,152
Investment in jointly controlled entity	8	9,500	6,262	-	-
Deferred tax assets	9	837	-	-	-
Other investments	10	5	5	-	-
Fixed deposits with licensed banks	11	913	800	-	-
Total non-current assets		328,525	162,748	177,152	177,152
Current assets					
Inventories	12	62,086	44,311	-	-
Contract assets	23	10,603	6,202	-	-
Trade receivables	13	13,176	10,694	-	-
Other receivables	14	33,758	47,769	9	8
Amount due from subsidiaries	7	-	-	27,124	13,305
Amount due from jointly controlled entity	8	312	112	-	-
Tax recoverable		47	-	-	-
Other investments	10	18,296	45,096	4,401	18,181
Fixed deposits with licensed banks	11	500	1,028	-	-
Cash and bank balances		13,736	22,590	50	100
Total current assets		152,514	177,802	31,584	31,594
Total assets		481,039	340,550	208,736	208,746
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the parent:					
Share capital	15	201,581	201,581	201,581	201,581
Revaluation reserve	16	9,392	5,844	-	-
Merger deficit	17	(45,952)	(45,952)	-	-
Retained earnings		118,672	99,834	6,826	7,042
		283,693	261,307	208,407	208,623
Non-controlling interests		18,324	19,394	-	-
Total equity		302,017	280,701	208,407	208,623

Statements Of Financial Position

As At 31 October 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
LIABILITIES					
Non-current liabilities					
Provision for restoration costs	18	2,005	-	-	-
Bank borrowings	19	15,109	1,914	-	-
Lease liabilities	5	40,954	795	-	-
Deferred tax liabilities	20	6,038	3,060	-	-
Total non-current liabilities		64,106	5,769	-	-
Current liabilities					
Trade payables	21	33,367	30,507	-	-
Other payables	22	41,800	18,675	329	121
Contract liabilities	23	522	2,142	-	-
Bank borrowings	19	10,950	2,370	-	-
Lease liabilities	5	26,920	347	-	-
Tax payable		1,357	39	-	2
Total current liabilities		114,916	54,080	329	123
Total liabilities		179,022	59,849	329	123
Total equity and liabilities		481,039	340,550	208,736	208,746

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

Statements of Profit or Loss and Other Comprehensive Income

For The Financial Year Ended 31 October 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	23	517,793	385,651	7,238	9,028
Cost of sales		(331,905)	(236,214)	-	-
Gross profit		185,888	149,437	7,238	9,028
Other income	24	2,956	1,558	-	-
Administration expenses		(27,318)	(22,430)	(625)	(914)
Selling and distribution expenses		(84,677)	(89,165)	-	-
Other expenses		(43,664)	(9,061)	-	-
Finance costs		(3,457)	(359)	-	-
Share of profit of jointly controlled entity	8	3,238	2,242	-	-
Profit before tax	25	32,966	32,222	6,613	8,114
Tax (expense)/ income	26	(8,642)	(6,209)	(7)	32
Net profit for the financial year		24,324	26,013	6,606	8,146
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Revaluation surplus on land and buildings, net of tax		3,548	-	-	-
Total comprehensive income		27,872	26,013	6,606	8,146
Net profit for the financial year attributable to:-					
Owners of the Company		27,564	26,498	6,606	8,146
Non-controlling interests		(3,240)	(485)	-	-
		24,324	26,013	6,606	8,146
Total comprehensive income attributable to:-					
Owners of the Company		31,112	26,498	6,606	8,146
Non-controlling interests		(3,240)	(485)	-	-
		27,872	26,013	6,606	8,146
Earnings per share					
Basic earnings per share attributable to owners of the Company (sen)	27	4.04	3.88		

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

Statements of Changes in Equity

For The Financial Year Ended 31 October 2019

Group	Note	Non-distributable			Distributable	Total	Non-controlling interests	Total
		Share capital	Revaluation reserve	Merger deficit				
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 November 2017		201,581	8,561	(45,952)	77,441	241,631	-	241,631
Transaction with owners								
Dividend	28	-	-	-	(6,822)	(6,822)	-	(6,822)
Capital contribution from non-controlling interests		-	-	-	-	-	19,879	19,879
Transfer to retained earnings for properties disposed		-	(2,717)	-	2,717	-	-	-
Total comprehensive income for the financial year		-	-	-	26,498	26,498	(485)	26,013
Balance at 31 October 2018		201,581	5,844	(45,952)	99,834	261,307	19,394	280,701
Effect of adoption of MFRS 16, leases		-	-	-	(1,904)	(1,904)	-	(1,904)
At 1 November 2018, restated		201,581	5,844	(45,952)	97,930	259,403	19,394	278,797
Transaction with owners								
Dividend	28	-	-	-	(6,822)	(6,822)	-	(6,822)
Capital contribution from non-controlling interests		-	-	-	-	-	2,170	2,170
Net profit for the financial year		-	-	-	27,564	27,564	(3,240)	24,324
Other comprehensive income for the financial year		-	3,548	-	-	3,548	-	3,548
Total comprehensive income for the financial year		-	3,548	-	27,564	31,112	(3,240)	27,872
Balance at 31 October 2019		201,581	9,392	(45,952)	118,672	283,693	18,324	302,017

Statements of Changes in Equity

For The Financial Year Ended 31 October 2019

			Distributable	
	Note	Share capital RM'000	Retained earnings RM'000	Total RM'000
Company				
Balance at 1 November 2017		201,581	5,718	207,299
Transaction with owners:				
Dividend	28	-	(6,822)	(6,822)
Total comprehensive income for the financial year		-	8,146	8,146
Balance at 31 October 2018		201,581	7,042	208,623
Transaction with owners				
Dividend	28	-	(6,822)	(6,822)
Total comprehensive income for the financial year		-	6,606	6,606
Balance at 31 October 2019		201,581	6,826	208,407

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

Statements of Cash Flows

For The Financial Year Ended 31 October 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
OPERATING ACTIVITIES					
Profit before tax		32,966	32,222	6,613	8,114
Adjustments for:					
Bad debts written off		-	9	-	-
Depreciation of property, plant and equipment		13,390	8,142	-	-
Depreciation of right-of-use assets		30,371	-	-	-
Dividend income from other investments		(511)	(2,156)	(170)	(1,952)
Dividend income from a subsidiary		-	-	(7,000)	(7,000)
Gain on disposal of property, plant and equipment		(275)	(203)	-	-
Fair value gain on other investments		(489)	(55)	(50)	(44)
Fair value gain on investment properties		(149)	-	-	-
Impairment loss on trade receivables		182	-	-	-
Interest expenses		3,457	359	-	-
Interest income		(426)	(328)	(18)	(32)
Inventories written off and wastages		5,471	704	-	-
Property, plant and equipment written off		1,200	926	-	-
Share of profit of jointly controlled entity		(3,238)	(2,242)	-	-
Operating profit/(loss) before working capital changes		81,949	37,378	(625)	(914)
Changes in working capital:-					
Inventories		(23,246)	(13,289)	-	-
Receivables		11,347	(22,562)	(1)	112
Payables		25,985	14,817	208	(307)
Jointly controlled entity		(200)	41	-	-
Contract assets		(4,401)	-	-	-
Contract liabilities		(1,620)	-	-	-
Cash generated from/(used in) operations		89,814	16,385	(418)	(1,109)
Tax refunded		337	48	-	-
Tax paid		(7,021)	(6,893)	(9)	(8)
Net cash from/(used in) operating activities		83,130	9,540	(427)	(1,117)

Statements of Cash Flows

For The Financial Year Ended 31 October 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
INVESTING ACTIVITIES					
Dividend received from a subsidiary		-	-	7,000	7,000
Dividend received from jointly controlled entity		-	600	-	-
Proceeds from disposal of property, plant and equipment		910	3,624	-	-
Purchase of property, plant and equipment	A	(104,657)	(87,128)	-	-
Advances to subsidiaries		-	-	(13,819)	(90,447)
Repayments from jointly controlled entity		-	1,048	-	-
Placement of fixed deposits		(113)	-	-	-
Placement of funds in other investments		(6,000)	(32,450)	-	(4,450)
Proceeds from redemption of other investments		33,800	95,300	14,000	94,000
Interest received		426	328	18	32
Capital contribution from non-controlling interests		2,170	19,879	-	-
Subscription of shares in subsidiaries		-	-	-	(162)
Net cash (used in)/from investing activities		(73,464)	1,201	7,199	5,973
FINANCING ACTIVITIES					
Dividend paid	B	(6,822)	(6,822)	(6,822)	(6,822)
Interest paid		(3,457)	(359)	-	-
Payment of lease liabilities	D	(30,544)	(346)	-	-
Repayment of bank borrowings		(3,525)	(2,630)	-	-
Drawdown of bank borrowings		25,300	-	-	-
Net cash used in financing activities		(19,048)	(10,157)	(6,822)	(6,822)
CASH AND CASH EQUIVALENTS					
Net changes		(9,382)	584	(50)	(1,966)
At beginning of financial year		23,618	23,034	100	2,066
At end of financial year	C	14,236	23,618	50	100

Statements of Cash Flows

For The Financial Year Ended 31 October 2019

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Acquisition of property, plant and equipment	104,657	87,575	-	-
Less: acquired under finance lease arrangements	-	(447)	-	-
Cash payments	104,657	87,128	-	-

B. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	At 1.11.2018 RM'000	Effect of adoption of MFRS 16 RM'000	Additions/ drawdown RM'000	Payments RM'000	At 31.10.2019 RM'000
2019					
Lease liabilities	1,142	43,578	53,698	(30,544)	67,874
Bank borrowings	4,284	-	25,300	(3,525)	26,059

	At 1.11.2017 RM'000	Acquisition of motor vehicles RM'000	Payments RM'000	At 31.10.2018 RM'000
2018				
Lease liabilities	1,041	447	(346)	1,142
Bank borrowings	6,914	-	(2,630)	4,284

Statements of Cash Flows

For The Financial Year Ended 31 October 2019

NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the Statements of Cash Flows comprise the following:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed deposits with licensed banks	1,413	1,828	-	-
Cash and bank balances	13,736	22,590	50	100
	15,149	24,418	50	100
Less: Fixed deposits pledged to licensed banks (Note 11)	(913)	(800)	-	-
	14,236	23,618	50	100

D. CASH OUTFLOWS FOR LEASES AS A LESSEE

	Note	Group 2019 RM'000	2018 RM'000
<u>Included in net cash from operating activities:</u>			
Payment relating to short-term leases	5	10,251	-
Payment relating to variable lease payments not included in the measurement of lease liabilities	5	3,481	-
<u>Included in net cash from financing activities:</u>			
Payment of lease liabilities		30,544	346
Payment on interest of lease liabilities		2,854	70
		47,130	416

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

Notes To The Financial Statements

31 October 2019

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at Lot No. 3, Jalan Teknologi 3/1, Taman Sains Selangor 1, Seksyen 3, PJU 5, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries and jointly controlled entity are disclosed in Notes 7 and 8 to the financial statements respectively.

There have been no significant changes in the nature of these principal activities of the Company and its subsidiaries during the financial year.

The holding company is D&D Consolidated Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors passed on 10 February 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of the reporting year as indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure for value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes To The Financial Statements

31 October 2019

2. BASIS OF PREPARATION (cont'd)

2.2 Basis of measurement (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Group's and the Company's functional currency and all values are rounded to the nearest RM'000 except when otherwise stated.

2.4 Adoption of new standards/amendments/improvements to MFRS

The Group and the Company have consistently applied the accounting policies set out in Note 3 to all years presented in these financial statements except those new standards as mentioned below.

2.4.1 Adoption of new standards effective from the financial period beginning on or after 1 November 2018

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvements to MFRS which are mandatory for the current financial year.

The initial application of the new standards/amendments/improvement to standards did not have a material impact on the financial statements, except for:

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting.

MFRS 9 contains a new impairment model based on expected losses (as oppose to 'incurred loss' model under MFRS 139), i.e. a loss event needs not occur before an impairment loss is recognised, which will result in earlier recognition of losses.

Notes To The Financial Statements

31 October 2019

2. BASIS OF PREPARATION (cont'd)

2.4 Adoption of new standards/amendments/improvements to MFRS (cont'd)

2.4.1 Adoption of new standards effective from the financial period beginning on or after 1 November 2018 (cont'd)

MFRS 9 Financial Instruments (cont'd)

The Group and the Company applied MFRS 9 prospectively, with an initial application date of 1 November 2018. The Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. There were no material differences arising from the adoption of MFRS 9 except for the categorisation, recognition and measurement of financial instruments which applied prospectively as detailed in Notes 3.4 and 3.5 to the financial statements.

MFRS 15 Revenue from contracts with customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretation and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contract with customers and require that revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosure.

The effects of adopting MFRS 15 for financial year ended 31 October 2018 ("FYE 2018") was as follow:

Statement of profit or loss and other comprehensive income

	FYE 2018	Note (i) Effects of adoption of MFRS 15	Reclassification	FYE 2018 Restated
	RM'000	RM'000	RM'000	RM'000
Group				
Revenue	393,358	(7,400)	(307)	385,651
Cost of sales	(243,614)	7,400	-	(236,214)
Other income	1,251	-	307	1,558

Note (i) **Presentation of rebates and incentives income**

Prior to adoption of MFRS 15, rebates and incentives income of the Group from suppliers are presented under "Revenue" in the statements of profit or loss and other comprehensive income. Upon adoption of MFRS 15, these income are presented as a deduction to "Cost of sales" account in the statements of profit or loss and other comprehensive income if the services prescribed do not meet the definition of a distinct performance obligation.

Notes To The Financial Statements

31 October 2019

2. BASIS OF PREPARATION (cont'd)

2.4 Adoption of new standards/amendments/improvements to MFRS (cont'd)

2.4.2 Early adoption of new standard for financial period beginning on or after 1 November 2018

MFRS 16 “Leases”

The Group has elected to early adopt MFRS 16 “Leases” which will take effect on or after 1 January 2019.

MFRS 16 replaces the guidance in MFRS 117 “Leases”, IC Interpretation 4 “Determine whether an Arrangement contains a Lease”, IC Interpretation 115 “Operating Lease – Incentives” and IC Interpretation 127 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (“ROU”) asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 “Property, Plant and Equipment” whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made. For leases that were classified as finance leases under MFRS 117, the carrying amount of the ROU asset and lease liability at the date of initial application shall be the carrying amount of the asset and lease liability immediately before the date of initial application.

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 November 2018 as an adjustment to the opening balance of retained earnings. The Group has also applied the following practical expedients under MFRS 16:

- A single discount rate is applied to portfolio of leases with reasonably similar characteristics.
- The Group does not apply the standard to leases which lease terms end within 12 months from 1 November 2018.
- The Group has established criteria in determining lease terms for contracts that contain options for extension or termination.

Notes To The Financial Statements

31 October 2019

2. BASIS OF PREPARATION (cont'd)

2.4 Adoption of new standards/amendments/improvements to MFRS (cont'd)

2.4.2 Early adoption of new standard for financial period beginning on or after 1 November 2018

MFRS 16 "Leases"

The impact of changes upon early adoption of MFRS 16 is as follows:-

Group	Note	As at 31.10.2018 RM'000	Effects on adoption of MFRS 16 RM'000	As at 1.11.2018 RM'000
<u>Statement of Financial Position</u>				
Non-current assets				
Property, plant and equipment	4	155,681	(45,458)	110,223
Right-of-use assets	5	-	88,766	88,766
Non-current liabilities				
Lease liabilities	5	795	37,067	37,862
Provision for restoration costs	18	-	1,634	1,634
Current liability				
Lease liabilities	5	347	6,511	6,858
<u>Statement of Changes in Equity</u>				
Equity				
Retained earnings		99,834	(1,904)	97,930

The reconciliation of lease liabilities as at 1 November 2018 to the operating lease commitments as of 31 October 2018 is as follows:-

	RM'000
Assets	
Operating lease commitments as at 31 October 2018	46,964
Add:	
Extension options reasonably certain to be exercised	7,252
Operating lease commitment as at 1 November 2018	54,216
Weighted average incremental borrowing rate as at 1 November 2018	5%
Discounted operating lease commitment as at 1 November 2018	47,151
Less:	
Commitments relating to short-term leases	(3,573)
Add:	
Commitments relating to leases previously classified as finance leases	1,142
Lease liabilities as at 1 November 2018	44,720

Notes To The Financial Statements

31 October 2019

2. BASIS OF PREPARATION (cont'd)

2.5 Standards issued but not yet effective

The Group and the Company have not applied the following MFRS and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

MFRS, Amendments to MFRS and IC Interpretation effective 1 January 2019:

Amendments to MFRS 9*#	Finance Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119*#	Employee Benefits: Post-employment Benefits: Defined Benefit Plans
Amendments to MFRS 128#	Investment in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
IC Interpretation 23*#	Uncertainty over Income Tax Treatments
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	

Amendments to MFRS and Amendments to References to the Conceptual Framework on MFRS Standards effective 1 January 2020:-

Amendments to MFRS 3	Business Combinations
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to References to the Conceptual Framework on MFRS Standards	

MFRS effective 1 January 2021:

MFRS 17*#	Insurance Contract
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Amendments to MFRS - Effective date deferred indefinitely:

MFRS 10 and MFRS 128#	Consolidated Financial Statements and Investment in Associates and Joint Venture: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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* Not applicable to the Group's operation

Not applicable to the Company's operation

The initial application of the above standards, amendments and interpretation are not expected to have any significant financial impacts to the financial statements.

2.6 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual result may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Notes To The Financial Statements

31 October 2019

2. BASIS OF PREPARATION (cont'd)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:-

Revaluation of property, plant and equipment

The Group measures its land and buildings at revalued amount with changes in fair value being recognised in other comprehensive income. The Group engages independent valuation specialists to determine the fair value except for newly acquired or constructed properties as their carrying amounts approximate the fair value as determined by the Directors.

The carrying amount of the land and buildings at the reporting date and the relevant revaluation basis are disclosed in Note 4 to the financial statements.

Fair value of investment properties

The Group measures its investment properties at fair value with changes in fair value being recognised in profit or loss. The Group engages independent valuation specialists to determine fair values.

The carrying amount of the investment properties at the end of the reporting year and the relevant revaluation basis are disclosed in Note 6 to the financial statements.

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 5 to 50 years and reviews the useful lives of depreciable assets at each reporting date. As at 31 October 2019, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to changes in the expected level of usage and technological developments, resulting in the adjustment to the Group's assets.

The carrying amount of the Group's property, plant and equipment at the reporting date is disclosed in Note 4 to the financial statements.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to asset-specific risk factors.

Notes To The Financial Statements

31 October 2019

2. BASIS OF PREPARATION (cont'd)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made. The Group's core business is subject to social preference and economical changes which may cause selling prices to change rapidly and the Group's result to change.

The management reviews inventories to identify damaged, obsolete and slow moving inventories which require judgement and changes in such estimates could result in revision to the valuation of inventories.

The carrying amount of the Group's inventories at the reporting date is disclosed in Note 12 to the financial statements.

Provision for expected credit losses ("ECLs") of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 33.2.

Recognition of rebates and incentives income from suppliers

The Group receives incentives and rebates from suppliers for various programs, primarily volume incentives, display and promotional incentives, prompt payment discounts and warehouse rebates.

Certain incentives and rebates recognised in profit or loss were estimated based on terms and rates in trade agreements entered into with suppliers. Actual amounts received from suppliers may differ from the amounts initially estimated.

Recognition of loyalty programme

The fair value of the customer loyalty programme is estimated by reference to the monetary value attributable to the awarded gift redemption and rebates.

The loyalty programme is based on the best estimate of future redemption profile. All the estimates are reviewed on an annual basis or where there is indication of a material change.

Notes To The Financial Statements

31 October 2019

2. BASIS OF PREPARATION (cont'd)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Fair value of financial instruments

The fair value of financial instruments are based on active market quotes. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques, management makes maximum use of market inputs and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting year.

Provision for restoration costs

As part of the identification and measurement of right-of-use assets, the Group has recognised a provision for restoration costs. In determining the fair value of the provision, assumptions and estimates are made in relation to the expected cost to remove the facilities and restoring the premises. The carrying amount of the provision at the reporting date is disclosed in Note 18 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

Income taxes and deferred tax liabilities

Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Notes To The Financial Statements

31 October 2019

2. BASIS OF PREPARATION (cont'd)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.2 Significant management judgements

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

Certain properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use for administrative purposes. The Group accounts for the portions separately if the portions could be sold separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Recognition of rebates and incentives income from suppliers

The Group receives various types of rebates and incentives from its suppliers in connection with the purchase of goods from suppliers. The Group recognises the rebates and incentives as reduction in cost of sales.

Recognition of rebates and incentives income required the Group's fulfilment of its obligations under contractual arrangement with suppliers. The recognition of rebates and incentives income requires, to some extent, judgement from management concerning the nature and level of fulfilment of the Group's obligation under the suppliers agreements.

Determining the lease term of contracts with renewal options

The Group determines the lease term with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has numerous lease contracts that include extension options. The Group applies judgement in evaluating whether to exercise the option to renew the lease. It considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group includes the renewal period as part of the lease term for such leases. The Group typically exercises its option to renew for those leases with renewal option.

Notes To The Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all years presented in the financial statements, except when otherwise stated.

3.1 Consolidation

3.1.1 Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Merger method

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by same party or parties both before or after the business combination, and that control is not transitory. The acquisition of Mynews Retail Sdn. Bhd., Mynews Kukuh Sdn. Bhd., Eemerge Incorporated Sdn. Bhd. and Bison Foods Sdn. Bhd., resulted in a business involving common control entities since the management of all the entities which took part in the acquisition were controlled by common Directors and under common shareholders before and immediately after the acquisition, and accordingly the accounting treatment is outside the scope of MFRS 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

Under the merger method of accounting, the results of subsidiary are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

3.1.1 Basis of consolidation (cont'd)

Acquisition method

The Company applies the acquisition method for those entities controlled by the Company. Under the acquisition method of accounting, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

3.1.2 Joint arrangement

A joint venture is a type of joint arrangement whereby the parties having joint control of the arrangement have rights to the net assets of the joint venture. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investment in its joint venture is accounted for using the equity method. Under the equity method, investment in a joint venture is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of a joint venture is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where there has been a change recognised directly in the equity of a joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated statement of profit or loss and other comprehensive income outside operating profit.

When the Group's share of losses exceed its interest in a joint venture, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

The financial statements of the joint venture are prepared as of the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies of the joint venture in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its joint venture. The Group determines at each end of the reporting year whether there is any objective evidence that the investments in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and their carrying value, then recognises the amount in the "share of profit of investment accounted for using the equity method" in profit or loss.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

3.1.2 Joint arrangement (cont'd)

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in a joint venture decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

3.1.3 Non-controlling interests

Non-controlling interests at the end of the reporting year, being the equity in subsidiaries not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in subsidiaries are allocated to the non-controlling interests even if that results in a deficit balance.

3.2 Property, plant and equipment

Property, plant and equipment, except for land and buildings, are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Land and buildings are initially measured at cost and subsequently measured at fair value less accumulated depreciation and accumulated impairment losses, if any, after the date of the revaluation. Valuations are performed with sufficient regularity, usually every five years, to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the end of the reporting year.

As at the date of revaluation, accumulated depreciation, if any, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus arising upon appraisal of land and buildings is recognised in other comprehensive income and credited to the 'revaluation reserve' in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land and buildings are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to other comprehensive income.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Property, plant and equipment (cont'd)

Depreciation is recognised on the straight line method in order to write off the cost or valuation of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated.

The principal annual depreciation rates used are as follows:-

Buildings	2 %
Computers and software	20 %
Furniture, fittings, renovation and electrical installation	10 %
Motor vehicles	20 %
Office/warehouse equipment and signboards	10 %
Kitchen equipment, plant and machinery	10 %

Capital work-in-progress consists of outlet premises under construction. The amount is measured at cost and not depreciated until they are completed and ready for their intended use.

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amounts of the assets and are recognised in profit or loss.

3.3 Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including transaction costs. Cost includes expenditures that are directly attributable to the acquisition of the investment properties.

Subsequent to initial recognition, investment properties are measured at fair value and are revalued annually and are included in the statement of financial position at their open market values. Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss in the period which they arise. The fair values are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property and are supported by market evidence.

Investment properties are written down to recoverable amount if, in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the investment properties, that is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Investment properties are derecognised when they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from these properties. Any gain or loss on the retirement or disposal of investment properties is recognised in profit or loss in the financial year of retirement or disposal.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Investment properties (cont'd)

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment properties to owner-occupied properties, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied properties become investment properties, the Group accounts for such properties in accordance with the policy stated under property, plant and equipment up to the date of change.

3.4 Financial instruments

3.4.1 Initial recognition

Financial assets and financial liabilities are recognised when the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

3.4.2 Financial assets – categorisation and subsequent measurement

Accounting policies applied from 1 November 2018

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:-

- (a) amortised cost ("AC");
- (b) fair value through profit or loss ("FVTPL"); and
- (c) fair value through other comprehensive income ("FVOCI").

The classification is determined by both:-

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

As at the reporting date, the Group and the Company carry all the financial assets categorised on the statements of financial position.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

3.4.2 Financial assets – categorisation and subsequent measurement (cont'd)

Accounting policies applied from 1 November 2018 (cont'd)

Financial assets at amortised cost ("AC")

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's and the Company's cash and cash equivalents, trade and other receivables, amount due from subsidiaries/jointly controlled entity and fixed deposits pledged with licensed banks fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income ("FVOCI")

Financial assets at FVOCI comprise investments in real estate investment trust which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

On disposal of this investment, any related balance within the fair value reserve is reclassified to retained earnings.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit or loss. Further, irrespective of business model, financial assets whose contractual cash flow are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedge accounting requirements apply.

Asset in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market exists.

Accounting policies applied until 31 October 2018

Loans and receivables ("L&R")

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less allowance for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, trade and other receivables, amount due from subsidiaries/jointly controlled entity and fixed deposits pledged with licensed banks fall into this category of financial instruments.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

3.4.2 Financial assets – categorisation and subsequent measurement (cont'd)

Accounting policies applied until 31 October 2018 (cont'd)

Loans and receivables ("L&R") (cont'd)

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting year which are classified as non-current assets.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition.

Subsequent to initial recognition, assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other expenses or other income.

Available-for-sale financial assets ("AFS")

This category comprises investment in equity and debt securities that are not held for trading or designated at fair value through profit or loss.

The subsequent measurement of financial assets in this category is at fair value, unless the fair value cannot be measured reliably, in which case they are measured at cost less impairment loss.

Any gains or losses arising from changes in fair value of a financial asset in this category are recognised in other comprehensive income, except for impairment losses, until the investment is derecognised, at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the statements of profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in the statements of profit or loss.

3.4.3 Financial liabilities – categorisation and subsequent measurement

As the accounting for financial liabilities remains largely the same under MFRS 9 compared to MFRS 139, the Group's and the Company's financial liabilities were not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's and the Company's financial liabilities include trade and other payables, lease liabilities and bank borrowings.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group and the Company designated a financial liability at fair value through profit or loss.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

3.4.3 Financial liabilities – categorisation and subsequent measurement (cont'd)

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Other financial liabilities are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

3.4.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.5 Impairment of assets

3.5.1 Non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer period, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on property, plant and equipment and intangible assets, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Impairment of assets (cont'd)

3.5.1 Non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years.

3.5.2 Financial assets

Accounting policies applied from 1 November 2018

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss ("ECL") model'. This replaces MFRS 139's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under MFRS 15.

Recognition of credit losses is no longer dependent on the Group and the Company first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables and contract assets

The Group makes use of a simplified approach in accounting for trade receivables, contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables and contract assets on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Impairment of assets (cont'd)

3.5.2 Financial assets (cont'd)

Accounting policies applied until 31 October 2018

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Inventories

Inventories which comprise raw materials, trading goods, trading currencies and finished goods are stated at the lower of cost and net realisable value.

Cost of raw materials, trading goods and trading currencies is determined on a first-in first-out method and comprises 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 any estimated costs necessary to make the sale.

3.7 Leases

Accounting policies applied from 1 November 2018

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 November 2018. Accordingly, the comparative information presented for 2018 has not been restated i.e it is presented as previously reported under MFRS 117, lease and related interpretations.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.7.1 As leases

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.7.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold land -89 years
- Rental of premises -2 to 6 years
- Motor vehicles -5 years
- Warehouse and kitchen equipment -10 years

If ownership of the lease asset transfers to the Group at the end of the lease term or cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Leases (cont'd)

Accounting policies applied from 1 November 2018 (cont'd)

3.7.1 As leases (cont'd)

3.7.1.1 Right-of-use assets (cont'd)

For right-of-use buildings that meets the definition of investment properties are classified under investment properties as leasehold buildings applying the requirement in accordance with MFRS 140 "Investment Properties" as stated in Note 3.3 to the financial statements.

The right-of-use assets are also subject to impairment as detailed in Note 3.5.1 to the financial statements.

3.7.1.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments included fixed payments (including in-substance fixed payments) less any incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on a index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.7.1.3 Short-term lease and lease of low-value assets

The Group applies the short-term lease recognition exemption to its short-term lease. It also applies the lease of low-value assets recognition exemption to lease of that are considered to be low-value. Lease payments on short-term leases and lease of low-value assets are recognised as expense on a straight-line basis over the lease term.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Leases (cont'd)

3.7.2 As lessee

Accounting policies applied until 31 October 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

3.7.2.1 Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

3.7.2.2 Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting year in which they incurred.

3.7.3 As lessor

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Leases (cont'd)

3.7.3 As lessor (cont'd)

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are recognised as expenses in the profit or loss in the year in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with borrowing of funds.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits with licensed banks which are readily convertible to known amount of cash and subject to insignificant risk of changes in value.

Cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the end of the reporting year are classified as non-current assets.

3.10 Revenue

3.10.1 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services for provision of in-store services, because it typically controls the goods or services before transferring them to the customer.

(a) Sale of goods

Revenue from sale of general merchandise is recognised at the point in time when control of the asset is transferred to the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. customer loyalty points).

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Revenue (cont'd)

3.10.1 Revenue from contracts with customers (cont'd)

(a) Sale of goods (cont'd)

Loyalty points programme

The Group's loyalty points programme allows customers to accumulate points that can be redeemed for free products and set off with future purchases.

The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a regular basis and any adjustments to the contract liability balance are charged against revenue.

(b) Provision of in-store services income

The Group acts as an agent in providing in-store services to its customers.

When another party is involved in providing services to its customers, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. When the Group's role is only to arrange for another entity to provide the services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services.

(c) Promotional income

Promotional income mainly comprises in-store displays and advertisements for specific products. Promotional income is recognised over time when the performance obligations have been fulfilled by the Group in accordance with the term as stipulated in the agreements with vendors.

(d) Other service income

Other service income consists of distribution, printing and other general services provided by the Group. The other service income is recognised at a point in time upon service rendered.

3.10.2 Other income

(a) Rental income

Income from the rental of property is recognised on an accrual basis in accordance with the terms of the agreements.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Revenue (cont'd)

3.10.2 Other income (cont'd)

(b) Interest income

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

(c) Dividend income

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

3.11 Contract balances

3.11.1 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

3.11.2 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.12 Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursements is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

3.12.1 Provision for restoration

A provision for restoration is recognised when there is a present obligation as a result of operational activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affected areas.

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Employees' benefits

3.13.1 Short-term employees' benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by the employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

3.13.2 Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employees benefits relating to employees' services in the current and preceding financial year.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund.

3.14 Equity and reserves

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all its liabilities. Ordinary shares are equity instruments.

Retained earnings include all current and prior years' retained profits.

The revaluation reserve within equity represents revaluation surplus of land and buildings, net of deferred tax.

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings.

All transactions with the owners of the Company are recorded separately within equity.

3.15 Tax expenses

Tax expenses comprise current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

3.15.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting year, and any adjustment to tax payable in respect of previous years.

Current tax is recognised in the statement of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

Notes To The Financial Statements

31 October 2019

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Tax expenses (cont'd)

3.15.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting year.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.16 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.17 Goods and services tax

Goods and services tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6% up until 31 May 2018. Input GST that the Group paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:-

- (i) Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- (ii) Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Notes To The Financial Statements

31 October 2019

4. PROPERTY, PLANT AND EQUIPMENT

Group

Valuation/cost	At valuation/ cost		At cost								
	Freehold land	Long term leasehold land	Buildings	Capital work-in-progress	Computers and software	Furniture, fittings, renovation and electrical installation	Motor vehicles	Office/warehouse equipment and signboards	Kitchen equipment, plant and machinery	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 November 2017	21,334	-	14,904	2,040	6,634	38,361	3,411	17,719	28	104,431	
Additions	-	39,729	13,258	9,190	3,531	11,857	483	9,527	-	87,575	
Disposals	-	-	(3,220)	-	(354)	(67)	(90)	(216)	-	(3,947)	
Written off	-	-	-	-	(573)	(2,009)	-	(789)	-	(3,371)	
Reclassification	-	-	2,040	(2,040)	-	-	-	-	-	-	
At 31 October 2018	21,334	39,729	26,982	9,190	9,238	48,142	3,804	26,241	28	184,688	
Adjustment on initial application of MFRS 16	-	(39,729)	(5,150)	-	-	-	(1,158)	(168)	-	(46,205)	
At 1 November 2018, as restated	21,334	-	21,832	9,190	9,238	48,142	2,646	26,073	28	138,483	
Additions	-	-	21,742	10,038	4,055	18,196	393	29,121	21,112	104,657	
Disposals	-	-	-	-	(161)	(118)	(1,722)	(405)	(7)	(2,413)	
Written off	-	-	-	-	(16)	(2,047)	(110)	(615)	(15)	(2,803)	
Reclassification	-	-	408	(7,352)	1,238	5,618	-	88	-	-	
Revaluation	2,734	-	1,571	-	-	-	-	-	-	4,305	
Transferred to investment properties	(6,983)	-	(561)	-	-	-	-	-	-	(7,544)	
At 31 October 2019	17,085	-	44,992	11,876	14,354	69,791	1,207	54,262	21,118	234,685	

Notes To The Financial Statements

31 October 2019

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

Group (cont'd)	At valuation/ cost		At cost							
	Freehold land	Long term leasehold land	Buildings	Capital work-in- progress	Computers and software	Furniture, fittings, renovation and electrical installation	Motor vehicles	Office/ warehouse equipment and signboards	Kitchen equipment, plant and machinery	Total
Accumulated depreciation	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 November 2017	-	-	800	-	3,819	12,230	1,907	5,060	20	23,836
Charge for the year	-	184	401	-	1,032	3,984	544	1,996	1	8,142
Disposals	-	-	(25)	-	(283)	(5)	(90)	(123)	-	(526)
Written off	-	-	-	-	(539)	(1,318)	-	(588)	-	(2,445)
At 31 October 2018	-	184	1,176	-	4,029	14,891	2,361	6,345	21	29,007
Adjustment on initial application of MFRS 16	-	(184)	(275)	-	-	-	(281)	(7)	-	(747)
At 1 November 2018, as restated	-	-	901	-	4,029	14,891	2,080	6,338	21	28,260
Charge for the year	-	-	716	-	1,752	5,740	238	3,744	1,200	13,390
Disposals	-	-	-	-	(126)	(54)	(1,460)	(134)	(4)	(1,778)
Written off	-	-	-	-	(10)	(1,136)	(20)	(422)	(15)	(1,603)
Revaluation	-	-	(1,009)	-	-	-	-	-	-	(1,009)
Transferred to investment properties	-	-	(36)	-	-	-	-	-	-	(36)
At 31 October 2019	-	-	572	-	5,645	19,441	838	9,526	1,202	37,224
Net carrying amount										
At 31 October 2019	17,085	-	44,420	11,876	8,709	50,350	369	44,736	19,916	197,461
At 31 October 2018	21,334	39,545	25,806	9,190	5,209	33,251	1,443	19,896	7	155,681

Notes To The Financial Statements

31 October 2019

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

- (a) At 31 October 2018, the net carrying amount of leased motor vehicles and warehouse equipment was RM1,334,000.

The leasehold land, leased motor vehicles and warehouse equipment were subsequently grouped under right-of-use assets upon adoption of MFRS 16 Leases on 1 November 2018.

- (b) **Revaluation of land and buildings**

The Group's freehold land and buildings are stated at their revalued amounts, being the fair values at the date of revaluation, less any subsequent depreciation and accumulated impairment losses.

Fair values of freehold land and buildings were derived by using the Comparison Method of Valuation.

Fair values of self-constructed buildings on leasehold land were derived by using the Cost Method of Valuation.

Comparison Method of Valuation entails comparing the sales price of the properties in close proximity. Sales price of the properties are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Cost Method of Valuation entails adopting the current replacement cost arrived at by determining the construction cost, financing charges, professional fees and other incidental expenses building the structure, less depreciation.

The Group engaged external, independent and qualified valuers to determine the fair values of the freehold land and buildings.

Taking into consideration that the construction of related buildings were completed in June 2019, the Directors of the Company assessed that their carrying amounts are approximately the fair value as at 31 October 2019.

The fair value hierarchy of the Group's property, plant and equipment as at the reporting date is as follows:

	2019		2018	
	Level 2	Level 3	Level 2	Level 3
	RM'000	RM'000	RM'000	RM'000
<u>Recurring</u>				
Freehold land	17,085	-	21,334	-
Buildings	10,915	33,505	13,978	11,828

Notes To The Financial Statements

31 October 2019

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

(b) Revaluation of land and buildings (cont'd)

Details of Level 3 fair value measurement are as follows:

Valuation method and key inputs	Significant unobservable inputs	Relationship of unobservable inputs and fair value
<u>Buildings</u>		
Cost method which estimates the amount of reconstruction cost of the building based on current market prices net of depreciation.	Estimated replacement costs.	The higher the estimated replacement cost, the higher the fair value.

There were no transfer between the fair value hierarchies during the financial year.

The carrying amount of revalued land and buildings of the Group that would have been included in the statement of financial position had these assets been carried at cost less accumulated depreciation and impairment losses are as follows:

	2019 RM'000	2018 RM'000
Freehold land	10,362	10,362
Buildings	40,377	23,822

- (c) The carrying amount of property, plant and equipment pledged to licensed banks as securities for bank facilities granted to the Group as disclosed in Note 19 to the financial statements are as follows:-

	2019 RM'000	2018 RM'000
Freehold land	14,800	12,277
Buildings	40,705	21,155

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

5.1. As lessee

The Group has lease contracts for premises mainly retail stores, motor vehicles, warehouse and kitchen equipment used for its operations purposes. There are several lease contracts that include extension options and variables lease payments, which are further discussed below.

The Group also has certain leases of premises with lease terms of 12 months. The Group applies the 'short-term lease' recognition exemptions for these leases.

Notes To The Financial Statements

31 October 2019

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (cont'd)

5.1. As lessee (cont'd)

Group

Right-of-use assets

Set out below are carrying amounts of right-of-use assets recognised and the movements during the financial year:

	At 1 November 2018* RM'000	Additions RM'000	Transfer to investment properties RM'000	Depreciation RM'000	At 31 October 2019 RM'000
Right-of-use assets at cost					
Leasehold land	39,545	-	-	(441)	39,104
Leasehold buildings	4,875	-	(4,794)	(81)	-
Outlet premises	43,308	46,650	-	(29,238)	60,720
Warehouse equipment	161	753	-	(54)	860
Motor vehicles	877	566	-	(286)	1,157
Kitchen equipments	-	6,053	-	(252)	5,801
Staff accommodation	-	46	-	(19)	27
Total	88,766	54,068	(4,794)	(30,371)	107,669

*Adjustment on initial application of MFRS 16 at 1 November 2018, as restated.

The leasehold land is pledged to a licensed bank as security for bank facilities granted to the Group as disclosed in Note 19 to the financial statements.

Lease liabilities

	Group	
	2019 RM'000	2018# RM'000
Current liabilities		
- less than 1 year	26,920	347
Non-current liabilities		
- more than 1 year but less than 5 years	38,664	795
- more than 5 years	2,290	-
	67,874	1,142

Consists of finance lease liabilities in accordance with MFRS 117.

Notes To The Financial Statements

31 October 2019

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (cont'd)

5.1. As lessee (cont'd)

Group (cont'd)

Lease liabilities (cont'd)

The lease liabilities bear interest at rates ranging from 2.3% to 5.0% (2018: 2.4% to 3.7%) per annum.

Set out below is the movements of lease liabilities during the financial year:

	RM'000
At 31 October 2018	1,142
Adjustment on initial application of MFRS 16	43,578
At 1 November 2018, as restated	44,720
Additions	53,698
Accretion of interest	2,854
Payments	(33,398)
At 31 October 2019	67,874

The following are the amounts relating to right-of-use assets and lease liabilities recognised in profit or loss:-

	2019 RM'000	2018 RM'000
Depreciation expense of right-of-use assets	30,371	-
Interest expense on lease liabilities	2,854	70
Expense relating to short-term leases	10,251	-
Variable lease payments	3,481	-
Rental expenses in accordance with MFRS 117	-	37,527

Variable lease payments based on sales

Some leases of premises contain variable lease payments that are based on sales that the Group makes at the retail outlets. Fixed and variable rental payments for the financial year ended 31 October 2019 were as follows:

	Fixed payments RM'000	Variable payments RM'000	Total payments RM'000	Estimated annual impact on rent of a 1% increase in sales RM'000
Leases with lease payments based on sales	17,675	3,481	21,156	212

Notes To The Financial Statements

31 October 2019

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (cont'd)

5.1. As lessee (cont'd)

Group (cont'd)

Extension options

The Group has numerous lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised.

	Within 2 years RM'000	More than 2 years RM'000	Total RM'000
Extension options not reasonably certain to be exercised	12,390	16,750	29,140

6. INVESTMENT PROPERTIES

Group	Freehold land RM'000	Freehold building RM'000	Leasehold buildings RM'000	Total RM'000
At fair value:				
At 31 October 2017/1 November 2018	-	-	-	-
Transfer from :				
- property, plant and equipment	6,983	525	-	7,508
- right-of-use assets	-	-	4,794	4,794
Fair value gain/(loss) on revaluation	17	45	(224)	(162)
At 31 October 2019	7,000	570	4,570	12,140

The carrying amounts of investment properties pledged to licensed banks as securities for bank facilities granted to the Group as disclosed in Note 19 to the financial statements are as follow:-

	2019 RM'000
Freehold building	570
Leasehold buildings	3,200

Notes To The Financial Statements

31 October 2019

6. INVESTMENT PROPERTIES (cont'd)

Fair value basis of investment properties

The fair value represents the amount at which the properties could be exchanged on an open market basis between a knowledgeable willing buyer and a knowledgeable willing seller on an arm's length basis at the reporting date.

Level 2 fair value

The fair values of the Group's investment properties have been arrived at on the basis of valuations carried out by a firm of independent professional valuers, who have appropriate professional qualification and recent experience in the relevant location and assets being valued. The fair values of the investment properties were determined using the Comparison Method of valuation.

Comparison Method of Valuation entails comparing the sales price of the properties in close proximity. Sales price of the properties are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties

There were no transfers between the fair value hierarchies during the financial year.

Income and expenses recognised in profit or loss

	2019 RM'000	2018 RM'000
Rental income	2	-
Direct operating expenses:		
- quit rent and assessment	12	-

7. SUBSIDIARIES

(i) Investment in subsidiaries

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	177,152	177,152

Notes To The Financial Statements

31 October 2019

7. SUBSIDIARIES (cont'd)

(i) Investment in subsidiaries (cont'd)

Details of the subsidiaries which incorporated in Malaysia are as follows:-

Name of companies	Effective equity interest		Principal activities
	2019 %	2018 %	
Mynews Retail Sdn. Bhd.	100	100	Retailer of print media and convenience items
Eemerge Incorporated Sdn. Bhd.	100	100	Retailer of print media and convenience items
Bison Foods Sdn. Bhd.	100	100	Operator of food and beverage restaurant
Mynews Kukuh Sdn. Bhd.	100	100	Retailer of print media, convenience items and involved in money changing business
Mynews Food Sdn. Bhd.	100	100	Investment holding, manufacturer and dealer in bread, flour, biscuits and farinaceous compounds
<u>Subsidiaries of Mynews Retail Sdn. Bhd.</u>			
DKE Technology Sdn. Bhd.	100	100	Research, development and commercialisation of DKE publications and magazine distribution software, provision of implementation, maintenance and technical services relating to this software
Mynews Management Sdn. Bhd.	100	100	Provision of management services
<u>Subsidiaries of Mynews Food Sdn. Bhd.</u>			
Mynews Kineya Sdn. Bhd.	51	51	Production, manufacturing and sale of prepared and ready-to-eat meals
Mynews Ryoyupan Sdn. Bhd.	51	51	Production, manufacturing and sale of bakery products

Notes To The Financial Statements

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7. SUBSIDIARIES (cont'd)

(ii) Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests are as follows:-

	Mynews Kineya Sdn. Bhd.	Mynews Ryoyupan Sdn. Bhd.	Total
2019			
Percentage of equity interest and voting interest (%)	49%	49%	
Carrying amount of non-controlling interests (RM'000)	9,893	8,431	18,324
Loss allocated to non-controlling interests (RM'000)	1,847	1,393	3,240

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interests is as below:

	Mynews Kineya Sdn. Bhd. RM'000	Mynews Ryoyupan Sdn. Bhd. RM'000
Financial position as at 31 October 2019		
Non-current assets	35,971	29,569
Current assets	8,249	10,418
Non-current liabilities	(20,790)	(19,875)
Current liabilities	(3,241)	(2,906)
Net assets	20,189	17,206
Summary of financial performance for the financial year ended 31 October 2019		
Net loss /total comprehensive loss for the financial year	3,770	2,842
Included in the total comprehensive income is:		
Revenue	9,708	3,016
Summary of cash flows for the financial year ended 31 October 2019		
Net cash (outflows)/ inflows from operating activities	(4,098)	3,667
Net cash outflows from investing activities	(2,400)	(6,383)
Net cash inflows from financing activities	6,564	(144)
Net cash inflows/(outflows)	66	(2,860)

Notes To The Financial Statements

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7. SUBSIDIARIES (cont'd)

(ii) Non-controlling interests in subsidiaries (cont'd)

The Group's subsidiaries that have material non-controlling interests are as follows (cont'd):-

	Mynews Kineya Sdn. Bhd.	Mynews Ryoyupan Sdn. Bhd.	Total
2018			
Percentage of equity interest and voting interest (%)	49%	49%	
Carrying amount of non-controlling interests (RM'000)	11,741	7,653	19,394
(Loss)/profit allocated to non-controlling interests (RM'000)	(509)	24	(485)

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interests is as below:

	Mynews Kineya Sdn. Bhd. RM'000	Mynews Ryoyupan Sdn. Bhd. RM'000
Financial position as at 31 October 2018		
Non-current assets	612	-
Current assets	25,776	15,656
Current liabilities	(2,427)	(38)
Net assets	23,961	15,618
Summary of financial performance for the financial year ended 31 October 2018		
Net (loss)/profit /total comprehensive (loss)/income for the financial year	(1,038)	49
Included in the total comprehensive income is:		
Revenue	410	-
Summary of cash flows for the financial year ended 31 October 2018		
Net cash outflows from operating activities	(6,805)	(5,978)
Net cash outflows from investing activities	(19,252)	(7,942)
Net cash inflows from financing activities	26,142	17,851
Net cash inflows	85	3,931

(iii) Amount due from subsidiaries

Amount due from subsidiaries is non-trade in nature, unsecured, bears no interest and repayable on demand.

Notes To The Financial Statements

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8. JOINTLY CONTROLLED ENTITY

(i) Investment in jointly controlled entity

	Group	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost	500	500
Share of results of jointly controlled entity	9,000	5,762
	9,500	6,262

Details of the jointly controlled entity incorporated in Malaysia are as follows:-

Name of company	Effective equity interest		Principal activity
	2019 %	2018 %	
WH Smith Malaysia Sdn. Bhd. *^	50	50	Retailer in magazines and convenience items

* not audited by Grant Thornton Malaysia PLT

^ The latest audited financial statements for this jointly controlled entity is for the financial year ended 31 August 2018. The Directors have equity accounted for the results of this jointly controlled entity based on its 10 months adjusted audited financial statements and unaudited 2 months management financial statements as at 31 October 2019.

The following table summarises the information of the Group's jointly controlled entity:-

	2019 RM'000	2018 RM'000
Financial position as at 31 October		
Non-current assets	2,207	1,674
Current assets	21,883	16,128
Non-current liabilities	(24)	(5)
Current liabilities	(5,065)	(5,273)
Cash and cash equivalents	11,408	8,150
Non-current liabilities (excluding trade and other payables and provisions)	(24)	(5)
Current liabilities (excluding trade and other payables and provisions)	(58)	(518)

Notes To The Financial Statements

31 October 2019

8. JOINTLY CONTROLLED ENTITY (cont'd)

(i) Investment in jointly controlled entity (cont'd)

The following table summarises the information of the Group's jointly controlled entity (cont'd):-

	2019 RM'000	2018 RM'000
Summary of financial performance for the financial year ended 31 October		
Net profit/total comprehensive income for the financial year	6,477	4,484
Included in net profit/total comprehensive income:		
Revenue	39,866	34,806
Depreciation and amortisation	(792)	(848)
Interest income	104	134
Interest expense	(8)	(38)
Tax expense	(1,875)	(1,921)
Reconciliation of net assets to carrying amount as at 31 October		
Group's share of net assets/carrying amount in the statement of financial position	9,500	6,262
Group's share of results for the financial year ended 31 October		
Group's share of net profit/total comprehensive income	3,238	2,242
Other information		
Dividend received	-	600

Contingent liabilities and capital commitments

The jointly controlled entity has no material contingent liabilities or capital commitments as at the reporting date.

(ii) Amount due from jointly controlled entity

Amount due from jointly controlled entity is trade in nature, unsecured and bears no interest.

9. DEFERRED TAX ASSETS

	Group 2019 RM'000	2018 RM'000
At beginning of financial year	-	-
Recognised in profit or loss (Note 26)	837	-
At end of financial year	837	-

Notes To The Financial Statements

31 October 2019

9. DEFERRED TAX ASSETS (cont'd)

The components of deferred tax assets as at the end of the reporting year are made up of the following:-

	Group	
	2019 RM'000	2018 RM'000
Property, plant and equipment	(258)	-
Right-of-use assets	(238)	-
Unabsorbed business losses	711	-
Unutilised capital allowances	622	-
	837	-

10. OTHER INVESTMENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial asset at fair value through other comprehensive income				
<u>Non-current asset</u>				
Quoted shares in Malaysia	5	5	-	-
Financial asset at fair value through profit or loss				
<u>Current asset</u>				
Unit trust funds	18,296	45,096	4,401	18,181

Movement in unit trust funds:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of the financial year	45,096	105,735	18,181	105,735
Additions	6,000	32,450	-	4,450
Dividend income	511	2,156	170	1,952
Gain on fair value adjustment	489	55	50	44
Redemption during the financial year	(33,800)	(95,300)	(14,000)	(94,000)
At end of the financial year	18,296	45,096	4,401	18,181

Notes To The Financial Statements

31 October 2019

11. FIXED DEPOSITS WITH LICENSED BANKS

Group

Fixed deposits with licensed banks earned interest at rates ranging from 2.80% to 4.00% (2018: 2.80% to 4.00%) per annum. RM913,000 (2018: RM800,000) of fixed deposits are pledged to licensed banks for bank guarantee facilities granted to the Group and its jointly controlled entity. Hence, are not available for general use.

12. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
Raw materials	627	141
Packing materials	155	84
Trading goods	61,132	43,817
Trading currencies	172	269
	62,086	44,311
Recognised in profit or loss:		
- Cost of sales	321,933	232,405
- Inventories written off and wastages	5,471	704

13. TRADE RECEIVABLES

	Group	
	2019 RM'000	2018 RM'000
Trade receivables	13,358	10,694
Less: Expected credit losses		
At beginning of financial year	-	-
Recognised	(182)	-
At end of financial year	(182)	-
	13,176	10,694

Trade receivables are generally on 30 to 90 (2018: 30 to 90) days term and are non-interest bearing.

Notes To The Financial Statements

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14. OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables	5,838	6,327	-	-
Deposits	20,300	36,048	2	2
Prepayments	3,904	1,621	7	6
GST receivable	3,716	3,773	-	-
	33,758	47,769	9	8

Included in deposits are sums totalling RM Nil (2018: RM19,334,000) paid as down payment for the purchase of property, plant and equipment, of which RM Nil (2018: RM6,313,000) was paid to a company connected to the non-controlling interests which is a vendor of machineries for the food processing plant.

Included in prepayment is an amount of RM244,026 (2018: RM Nil) paid to a company connected to a corporate shareholder of subsidiaries for purchase of plant and equipment.

15. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2019 Unit ('000)	2018 Unit ('000)	2019 RM'000	2018 RM'000
Issued and fully paid:				
At beginning of the financial year	682,154	341,077	201,581	201,581
Bonus issue	-	341,077	-	-
At end of the financial year	682,154	682,154	201,581	201,581

16. REVALUATION RESERVE

	Group	
	2019 RM'000	2018 RM'000
At beginning of the financial year	5,844	8,561
Addition/(reduction)		
- Revaluation surplus, net of tax	3,548	-
- Transfer to retained earnings for properties disposed	-	(2,717)
At end of the financial year	9,392	5,844

The revaluation reserve represents increases in the fair value of land and buildings, net of tax.

Notes To The Financial Statements

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17. MERGER DEFICIT

The Group's merger deficit represents the excess arising from the nominal value of the shares issued over the nominal value of shares in subsidiaries acquired.

18. PROVISION FOR RESTORATION COSTS

	Group RM'000
Effect of adoption of MFRS 16 at 1 November 2018, as restated	1,634
Provision made during the financial year	371
At 31 October 2019	2,005
<u>Analysed as:</u>	
- Non-current	2,005

The Company has obligation to restore the rented premises after termination of the lease contracts.

19. BANK BORROWINGS

	Group 2019 RM'000	Group 2018 RM'000
Term loans (secured):		
- Non-current	15,109	1,914
- Current	10,950	2,370
	26,059	4,284

The term loans of the Group are secured by:-

- (a) Legal charge over the Group's land and buildings;
- (b) Personal guarantee provided by certain Directors of the Company; and
- (c) Corporate guarantee of the Company.

The term loans bear interest at rates ranging from 4.55% to 5.62% (2018: 4.80% to 6.67%) per annum.

Notes To The Financial Statements

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20. DEFERRED TAX LIABILITIES

	Group	
	2019	2018
	RM'000	RM'000
At beginning of financial year	3,060	2,749
Recognised in profit or loss (Note 26)	1,524	311
Deferred tax relating to revaluation of land and buildings	1,454	-
At end of financial year	6,038	3,060

The components of deferred tax liabilities as at the end of the reporting year are made up of the following:-

	Group	
	2019	2018
	RM'000	RM'000
Property, plant and equipment	6,053	3,253
Right-of-use assets	(635)	-
Investment properties	35	-
Revaluation reserve	1,905	315
Contract liabilities	(81)	(508)
Unutilised capital allowances	(1,239)	-
	6,038	3,060

21. TRADE PAYABLES

Group

The normal trade credit terms of trade payables ranged from 30 to 90 (2018: 30 to 90) days and are non-interest bearing.

Include in trade payables is RM58,000 (2018: RM76,000) due to a company connected to a corporate shareholder.

22. OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other payables	25,950	8,033	-	5
Accruals	15,850	10,642	329	116
	41,800	18,675	329	121

Notes To The Financial Statements

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23. REVENUE

23.1 Revenue

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Types of revenue				
Sales of merchandise goods	447,986	326,891	-	-
Provision of in-store services	4,244	3,395	-	-
Other services income	7,979	7,141	-	-
Promotional income	57,008	46,093	-	-
Dividend income	170	1,952	7,170	8,952
Interest income	18	32	18	32
Trading currencies	338	103	-	-
Fair value gain on other investments	50	44	50	44
	517,793	385,651	7,238	9,028
Timing of recognition				
Satisfied overtime	57,008	46,093	-	-
Satisfied at a point in time	460,785	339,558	7,238	9,028
	517,793	385,651	7,238	9,028

All the revenue of the Group and of the Company are generated in Malaysia.

23.2 Contract assets

	Group	
	2019	2018
	RM'000	RM'000
<u>Current assets</u>		
Promotional income	10,603	6,202

Increase in contract assets in the financial year is consequence of new contracts secured.

Notes To The Financial Statements

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23. REVENUE (cont'd)

23.3. Contract liabilities

	Group	
	2019	2018
	RM'000	RM'000
<u>Current liabilities</u>		
Loyalty points programme	347	27
Services income	175	2,115
	522	2,142

Decrease in contract liabilities in the financial year is mainly due to the expiry of a contract with a customer.

All the prior year contract liabilities have been recognised as revenue during the financial year.

The loyalty points programme and promotional income are for periods of one year or less. As permitted under MFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

24. OTHER INCOME

	Group	
	2019	2018
	RM'000	RM'000
Dividend income	341	204
Fair value gain on investment properties	149	-
Fair value gain on other investments	439	11
Gain on disposal of property, plant and equipment	275	203
Gain on foreign exchange - realised	5	6
Interest income	408	296
Management fees	357	307
Rental income	553	456
Other income	429	75
	2,956	1,558

Notes To The Financial Statements

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25. PROFIT BEFORE TAX

Profit before tax has been determined after charging, amongst others, the following items:-

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- statutory audit	181	161	35	35
- non-statutory audit	45	44	5	5

26. TAX EXPENSE/(INCOME)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current tax				
- current year	7,244	6,040	7	9
- under/(over) provision in prior year	711	(142)	-	(41)
	7,955	5,898	7	(32)
Deferred tax assets/liabilities (Notes 9 and 20)				
- current year	637	637	-	-
- under/(over) provision in prior year	50	(326)	-	-
	687	311	-	-
	8,642	6,209	7	(32)

Malaysian income tax is calculated at the statutory rate of 24% (2018: 24%) of the estimated assessable profits for the financial year.

Notes To The Financial Statements

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26. TAX EXPENSE/(INCOME) (cont'd)

A reconciliation of tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	32,966	32,222	6,613	8,114
Income tax at rate of 24% (2018: 24%)	7,912	7,733	1,587	1,947
Non-allowable expenses	526	592	153	221
Income not subject to tax	(190)	(709)	(1,733)	(2,159)
Income exempted under pioneer status	(1,073)	(939)	-	-
Under/(over) provision in prior years	761	(468)	-	(41)
Deferred tax asset not recognised	1,068	-	-	-
Effect of adoption of MFRS 16	(362)	-	-	-
Tax expense/(income) for the financial year	8,642	6,209	7	(32)

Deferred tax assets have not been recognised in respect of the following items:-

	Group	
	2019 RM'000	2018 RM'000
Property, plant and equipment	(4,677)	(232)
Right-of-use asset	508	-
Unabsorbed business losses	3,460	238
Unutilised capital allowances	5,435	232
	4,726	238

The potential deferred tax assets of the Group have not been recognised in respect of above items as it is not certain that whether sufficient future taxable profits will be available in which the Group can utilise these benefits.

The unabsorbed business losses and unutilised capital allowances of the Group amounting to RM6,423,000 (2018: RM2,380,000) and RM13,189,000 (2018: RM232,000) respectively can be carried forward to offset against future taxable profit of the respective subsidiaries.

Notes To The Financial Statements

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27. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing net profit for the financial year attributable to ordinary equity holders of the Company over the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2019	2018
Net profit for the financial year attributable to ordinary equity holders of the Company (RM'000)	27,564	26,498
Weighted average number of ordinary shares in issue (Number in '000)	682,154	682,154
Basic earnings per share (sen)	4.04	3.88

Diluted earnings per share

No diluted earnings per share is presented as there are no potential dilutive ordinary shares at the end of the financial year.

28. DIVIDEND

	Group and Company RM'000
2019	
<u>In respect of the financial year ended 31 October 2019:-</u>	
An interim single tier dividend of RM0.01 per ordinary share	6,822
2018	
<u>In respect of the financial year ended 31 October 2018:-</u>	
An interim single tier dividend of RM0.01 per ordinary share	6,822

The Directors do not recommend any final dividend payment in respect of the current financial year.

Notes To The Financial Statements

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29. EMPLOYEES' BENEFITS EXPENSES

	Group	
	2019	2018
	RM'000	RM'000
Salaries and other emoluments	57,537	46,965
Directors' remuneration	2,080	2,059
Defined contribution plan	3,547	2,868
Social security contributions	521	402
	63,685	52,294

The details of the Directors' remuneration are as below:-

Group	2019	2018
	RM'000	RM'000
Salaries and other emoluments	1,608	1,574
Defined contribution plan	182	181
Social security contributions	2	2
Fee	288	302
	2,080	2,059

Company

Included in Directors' remuneration are meeting allowances and fees amounting to RM49,000 (2018: RM42,000) and RM288,000 (2018: RM302,000) respectively.

Notes To The Financial Statements

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30. SIGNIFICANT RELATED PARTY DISCLOSURES

30.1 Significant related party transactions

Group	2019 RM'000	2018 RM'000
Dividend income received from jointly controlled entity	-	600
Interest charged to jointly controlled entity	-	19
Management fees charged to jointly controlled entity	797	696
Travelling expenses charged to jointly controlled entity	-	16
Warehouse and storage fee charged to jointly controlled entity	375	451
Advertising and promotion fee charged to related parties *	252	-
Purchases of raw materials from related parties *	5,592	602
Purchases of property, plant and equipment from related parties*	17,120	-
Hostel rental charged by related parties *	8	78
Management fees charged by related parties *	383	94
Lease charged by related parties *	34	-
Hostel rental charged by certain Directors	17	19
Sale of property, plant and equipment to persons connected to Directors	-	3,400

Company	2019 RM'000	2018 RM'000
Dividend income from a subsidiary	7,000	7,000

* Related parties refer to persons or entities that are related to certain Directors of the Company or a corporate shareholder of subsidiaries.

30.2 Compensation of key management personnel

The remuneration of the Directors and other members of key management personnel during the financial year are as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries and other emoluments	3,370	3,170	49	42
Fee	288	302	288	302
Defined contribution plan	312	326	-	-
Social security contributions	6	7	-	-
	3,976	3,805	337	344

Other members of key management personnel comprise persons other than the Directors of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The Directors' fee and remuneration are disclosed in Note 29 to the financial statements.

Notes To The Financial Statements

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30. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd)

30.3 Outstanding balances arising from related parties

The outstanding balances arising from related parties as at the reporting date are disclosed in Notes 7, 8, 14 and 21 to the financial statements.

31. CAPITAL COMMITMENT

	Group	
	2019	2018
	RM'000	RM'000
<u>Authorised and contracted for:</u>		
- Property, plant and equipment	3,428	43,942

32. SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on their products and services, which comprises the following:-

- (i) Retail - operating convenience stores and a cafe
- (ii) Manufacturing – producing bakery products and ready-to-eat meals

The Group has aggregated certain operating segments to form a reportable segment due to their similar nature and operational characteristics.

In 2018, no business segment information was presented as the Directors viewed the Group as a single reportable segment, i.e. retail convenience, before commencing the business in producing bakery products and ready-to-eat meals by two subsidiaries, namely Mynews Ryoyupan Sdn. Bhd. and Mynews Kineya Sdn. Bhd. in 2019.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transactions between segments were entered into the normal course of business and were established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. Inter-segment pricing is determined on negotiated basis.

Notes To The Financial Statements

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32. SEGMENTAL INFORMATION (cont'd)

The effects of such inter-segment transactions are eliminated on consolidation.

2019 Group	Note	Retail RM'000	Manufacturing RM'000	Elimination RM'000	Consolidated RM'000
External revenue		518,374	-	(581)	517,793
Inter segment revenue		-	13,633	(13,633)	-
Total revenue		518,374	13,633	(14,214)	517,793
Depreciation of property, plant and equipment		12,112	1,278	-	13,390
Depreciation of right-of-use assets		30,100	1,914	(1,643)	30,371
Interest income		(322)	(104)	-	(426)
Interest expense		3,353	1,244	(1,140)	3,457
Share of results of jointly control entity		(3,238)	-	-	(3,238)
Tax expense		9,474	(923)	91	8,642
Other material non-cash items	(i)	6,244	(304)	-	5,940
Net profit/(loss) for the financial year	(ii)	30,353	(6,802)	773	24,324
Segment assets	(iii)	462,872	93,638	(75,471)	481,039
Segment liabilities	(iv)	175,471	46,695	(43,144)	179,022
Additions to non-current assets:					
- Property, plant and equipment		82,995	21,662	-	104,657
- Right-of-use assets		47,970	45,533	(39,435)	54,068

(i) Other material non-cash items

	RM'000
Fair value gain on investment properties	(149)
Fair value gain on other investments	(489)
Gain on disposal of property, plant and equipment	(275)
Impairment loss on trade receivables	182
Inventories written off and wastages	5,471
Property, plant and equipment written off	1,200
	5,940

Notes To The Financial Statements

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32. SEGMENTAL INFORMATION (cont'd)

- (ii) Added to/(deducted from) segment profit to arrive at "Profit for the financial year" presented in the consolidated statement of profit or loss and other comprehensive income:

	RM'000
Administrative expenses	(1,920)
Cost of sales	1,643
Finance costs	1,141
Tax expenses	(91)
	<hr/> 773 <hr/>

- (iii) Deducted from segment operating assets to arrive at total assets reported in consolidated statement of financial position:

	RM'000
Right-of-use assets	37,792
Investments in subsidiaries	33,100
Amount due from subsidiaries/ related companies	3,528
Deferred tax assets	91
Other receivables	960
	<hr/> 75,471 <hr/>

- (iv) Deducted from segment operating liabilities to arrive at total liabilities reported in consolidated statement of financial position:

	RM'000
Lease liabilities	38,656
Amount due to subsidiaries/ related companies	3,528
Other payables	960
	<hr/> 43,144 <hr/>

The operations of the Group are primarily carried out in Malaysia.

There is no significant concentration of revenue from any major customers as the Group's revenue is contributed by various customers.

Notes To The Financial Statements

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33. FINANCIAL INSTRUMENTS

33.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:-

- (i) Fair value through profit or loss ("FVTPL");
- (ii) Fair value through other comprehensive income ("FVOCI"); and
- (iii) Amortised cost ("AC");

Group	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	AC RM'000
2019				
Financial assets				
Trade receivables	13,176	-	-	13,176
Other receivables	26,138	-	-	26,138
Amount due from jointly controlled entity	312	-	-	312
Other investments	18,301	18,296	5	-
Fixed deposits with licensed banks	1,413	-	-	1,413
Cash and bank balances	13,736	-	-	13,736
	73,076	18,296	5	54,775
Financial liabilities				
Trade payables	33,367	-	-	33,367
Other payables	41,800	-	-	41,800
Bank borrowings	26,059	-	-	26,059
Lease liabilities	67,874	-	-	67,874
	169,100	-	-	169,100
Company				
2019				
Financial assets				
Other receivables	2	-	-	2
Amount due from subsidiaries	27,124	-	-	27,124
Other investments	4,401	4,401	-	-
Cash and bank balances	50	-	-	50
	31,577	4,401	-	27,176
Financial liability				
Other payables	329	-	-	329

Notes To The Financial Statements

31 October 2019

33. FINANCIAL INSTRUMENTS (cont'd)

33.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows:-

- (i) Fair value through profit or loss ("FVTPL");
- (ii) Loans and receivables ("L&R");
- (iii) Available-for-sale financial assets ("AFS"); and
- (iv) Other liabilities measured at amortised cost ("OL")

Group	Carrying amount RM'000	FVTPL RM'000	L&R RM'000	AFS RM'000	OL RM'000
2018					
Financial assets					
Trade receivables	10,694	-	10,694	-	-
Other receivables	42,375	-	42,375	-	-
Amount due from jointly controlled entity	112	-	112	-	-
Other investments	45,101	45,096	-	5	-
Fixed deposits with licensed banks	1,828	-	1,828	-	-
Cash and bank balances	22,590	-	22,590	-	-
	122,700	45,096	77,599	5	-
Financial liabilities					
Trade payables	30,507	-	-	-	30,507
Other payables	18,675	-	-	-	18,675
Bank borrowings	4,284	-	-	-	4,284
Lease liabilities	1,142	-	-	-	1,142
	54,608	-	-	-	54,608
Company					
2018					
Financial assets					
Other receivables	2	-	2	-	-
Amount due from subsidiaries	13,305	-	13,305	-	-
Other investments	18,181	18,181	-	-	-
Cash and bank balances	100	-	100	-	-
	31,588	18,181	13,407	-	-
Financial liability					
Other payables	121	-	-	-	121

Notes To The Financial Statements

31 October 2019

33. FINANCIAL INSTRUMENTS (cont'd)

33.2 Financial risk management

The Group is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of the Group's business whilst managing its risks. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

As at the reporting date, the Group has concentration of credit risk of which 80% (2018: 69%) of trade receivables are owing by two (2018: two) customers.

The following are the areas where the Group and the Company are exposed to credit risk:-

(i) Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

Notes To The Financial Statements

31 October 2019

33. FINANCIAL INSTRUMENTS (cont'd)

33.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

The following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

(i) Receivables (cont'd)

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references.

Most of the Group's customers have been transacting with the Group for long-term basis, and none of these customer's balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their characteristics, including whether are an individual or a legal entity, whether they are wholesale, retail or end-user customers, their geographical location, industry, trading history with the Group and existence of previous financial difficulties.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar pattern (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or collateral). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about the past events, current conditions and forecasts of future economic conditions. Generally, the receivables are written-off if the Directors deemed them uncollectable. The maximum exposure to credit risk arising from trade receivables are limited to the carrying amounts as stated in the statements of financial position. Collateral is consider integral part of loan receivables and considered in the calculation of impairment.

Notes To The Financial Statements

31 October 2019

33. FINANCIAL INSTRUMENTS (cont'd)

33.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

The following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

(i) Receivables (cont'd)

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

	Expected credit loss rate %	Total gross carrying amount RM'000	Expected credit loss RM'000
2019			
Not past due	-	10,950	-
Past due 1 to 30 days	-	546	*
Past due 31 to 60 days	-	800	*
Past due 61 to 90 days	-	104	*
Past due more than 90 days	19.00	958	182
		13,358	182
Contract assets	-	10,603	-

* The Group assessed its expected credit losses to be immaterial.

	Gross RM'000	Individually impaired RM'000	Net RM'000
2018			
Not past due	5,835	-	5,835
Past due 1 to 30 days	778	-	778
Past due 31 to 60 days	3,623	-	3,623
Past due 61 to 90 days	44	-	44
More than 90 days	414	-	414
	10,694	-	10,694

As at 31 October 2018, trade receivables of RM4,859,000 that are past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Notes To The Financial Statements

31 October 2019

33. FINANCIAL INSTRUMENTS (cont'd)

33.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

The following are the areas where the Group and the Company are exposed to credit risk (cont'd):-

(ii) Intercompanies balances

The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The Group and the Company have trade transactions with and also provide advances to the jointly controlled entity and subsidiaries. The Group and the Company monitor their results regularly.

As at the reporting date, there was no indication that the amounts due from jointly controlled entity and subsidiaries are not recoverable.

(iii) Cash and cash equivalents

The credit risk for cash and cash equivalents of the Group and of the Company is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(iv) Financial guarantee

The Company provides unsecured financial guarantee to financial institutions in respect of finance lease facilities and guarantee for rental of premises by certain subsidiaries. The Company monitors on an on-going basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting year, there was no indication that any subsidiaries would default on repayment on finance lease liabilities or rental payments.

The maximum exposure to credit risk is RM31,459,000 (2018: RM1,549,000), represented by the outstanding lease liabilities and bank borrowings of the subsidiaries as at the reporting date.

Notes To The Financial Statements

31 October 2019

33. FINANCIAL INSTRUMENTS (cont'd)

33.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due, due to shortage of fund.

In managing their exposures to liquidity risk arises principally from their various payables, loans and borrowings, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet their liabilities as and when they fall due.

The Group and the Company aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The summary of the maturity profile based on the contractual undiscounted repayment obligation is as follows:-

Group	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000
2019						
Unsecured:						
Trade payables	33,367	33,367	33,367	-	-	-
Other payables	41,800	41,800	41,800	-	-	-
Secured:						
Bank borrowings	26,059	28,389	11,774	4,598	11,626	391
Lease liabilities	67,874	86,893	28,506	38,760	16,890	2,737
	169,100	190,449	115,447	43,358	28,516	3,128
2018						
Unsecured:						
Trade payables	30,507	30,507	30,507	-	-	-
Other payables	18,675	18,675	18,675	-	-	-
Secured:						
Bank borrowings	4,284	4,816	2,524	369	1,498	425
Lease liabilities	1,142	1,262	403	328	531	-
	54,608	55,260	52,109	697	2,029	425

Notes To The Financial Statements

31 October 2019

33. FINANCIAL INSTRUMENTS (cont'd)

33.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) Liquidity risk (cont'd)

Company	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000
2019						
Unsecured:						
Other payables	329	329	329	-	-	-
Financial guarantee for subsidiaries	-	31,459	12,137	19,322	-	-
2018						
Unsecured:						
Other payables	121	121	121	-	-	-
Financial guarantee for subsidiaries	-	1,549	1,549	-	-	-

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The Group's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debts based on assessment of its existing exposure and desired interest rate profile.

Notes To The Financial Statements

31 October 2019

33. FINANCIAL INSTRUMENTS (cont'd)

33.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(c) Interest rate risk (cont'd)

The interest rate profile of the Group's significant interest bearing financial instruments based on the carrying amounts as at the reporting date are as follows:-

Group	2019 RM'000	2018 RM'000
Fixed rate instruments		
<u>Financial asset</u>		
Fixed deposits with licensed banks	1,413	1,828
<u>Financial liability</u>		
Lease liabilities	67,874	1,142
Floating rate instruments		
<u>Financial liability</u>		
Bank borrowings	26,059	4,284

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change in 0.5% in interest rate at the end of the reporting year would have (decreased)/increased the net profit for the financial year by the amount shown below. This analysis assumes that other variables, remain constant.

	Increase/(Decrease) Net profit for the financial year	
	RM'000 +0.5%	RM'000 -0.5%
2019	(130)	130
2018	(21)	21

Notes To The Financial Statements

31 October 2019

33. FINANCIAL INSTRUMENTS (cont'd)

33.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the Company and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group and Company's financial instruments will fluctuate because of changes in market prices (other than exchange or interest rates). Market price risk arises from the Group's and the Company's investments in quoted equity securities and the unit trust investments.

Management of the Group and of the Company monitors the unit trust investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis.

The carrying amounts of the Group's and of the Company's financial assets that subject to market risk are as follows:-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Quoted shares	5	5	-	-
Unit trust funds	18,296	45,096	4,401	18,181
	18,301	45,101	4,401	18,181

Market price risk sensitivity analysis:

A change in 0.5% in the market price at the end of the reporting year would have increased/(decreased) the net profit for the financial year by the amount shown below. This analysis assumes that other variables, remain constant.

	Increase/(Decrease) Net profit for the financial year	
	RM'000 +0.5%	RM'000 -0.5%
Group		
2019	92	(92)
2018	226	(226)
Company		
2019	22	(22)
2018	91	(91)

Notes To The Financial Statements

31 October 2019

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities of the Group and the Company at the reporting date approximate their fair values due to their relatively short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date or insignificant impact of discounting.

The table below analyses the level of financial instruments carried at fair value of which the carrying amounts (same as their fair values) as shown in the statements of financial position.

Fair value of financial instruments carried at fair value	
	Level 1
	RM'000
Group	
2019	
Financial assets	
Unit trust	18,296
Real estate investment trusts	5
2018	
Financial assets	
Unit trust	45,096
Real estate investment trusts	5
Fair value of financial instruments carried at fair value	
	Level 1
	RM'000
Company	
2019	
Financial assets	
Unit trust	4,401
2018	
Financial assets	
Unit trust	18,181

Notes To The Financial Statements

31 October 2019

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Fair value of financial instruments

There were no transfers between Level 1 and Level 2 during the financial year (2018: no transfer in either direction).

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

34. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain shareholders, creditors and market confidence and to sustain future growth and development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio and ensure that the Group complies with debt covenants imposed by bankers.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

There were no changes in the Group's approach to capital management during the financial year.

List of Properties

No.	Location/ Postal address	Description/ Existing use/ Age of building	Land / Built-up area (sq. ft.)	Tenure / Date of expiry of lease	NBV as at 31 October 2019 (RM'000)
1.	Geran 212277, Lot 21191, Mukim Rawang, Daerah Gombak, Negeri Selangor bearing postal address of Lot 142, Jalan Industri 2/4, Rawang Integrated Industrial Park, 48000 Rawang, Selangor	A double-storey detached building with two units of guard houses/ Warehouse Age of building - 15 years	Land are: 108,715 (equivalent to 10,100 sq. m.) Built-up area 125,270 (equivalent to 11,638 sq. m.)	Freehold/ Perpetuity Revaluation date: 31 October 2019	22,000
2.	HS(D) 158129, PT 41071, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor bearing postal address of No. 48, Jalan Nova K U5/K, Seksyen U5, 40150 Shah Alam, Selangor	5 storey terrace shop office/ Vacant Age of building - 5 years	Land area: 2,433 (equivalent to 226 sq. m.) Built-up area: 12,163 (equivalent to 1,130 sq. m.)	99 years, expires on 22 May 2095 Revaluation date: 31 October 2019	3,200
3.	HS(D) 296565, PT 36936 (previously held under HS(D) 264383), PT 26534, Mukim Bukit Raja, District of Petaling, State of Selangor identified as Parcel No. B-30-15, Storey No. 30, Type A1-Trefoil, Block No. Tower B, Accessory Parcel No. L4-305, Project Trefoil located at Shah Alam, Selangor bearing postal address of B-30-15, Trefoil @ Setia City, No. 2, Jalan Setia Dagang AH U13/AH, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor	1 unit of office lot in a multi-storey building comprising 3 office towers (Tower B - 36 storeys)/ Vacant Age of building - 4 years	Built-up area: 486 (equivalent to 45 sq. m.)	Freehold/ Perpetuity Revaluation date: 31 October 2019	285
4.	HS(D) 296565, PT 36936 (previously held under HS(D) 264383, PT 26534), Mukim Bukit Raja, District of Petaling, State of Selangor identified as Parcel No. B-30-16, Storey No. 30, Type A1-Trefoil, Block No. Tower B, Accessory Parcel No. L4-304, Project Trefoil located at Shah Alam, Selangor bearing postal address of B-30-16, Trefoil @ Setia City, No. 2, Jalan Setia Dagang AH U13/AH, Setia Alam, Seksyen U13, 40170 Shah Alam, Selangor U13, 40170 Shah Alam, Selangor	1 unit of office lot in a multistorey building comprising 3 office towers (Tower B - 36 storeys)/ Vacant Age of building - 4 years	Built-up area: 486 (equivalent to 45 sq. m.)	Freehold/ Perpetuity Revaluation date: 31 October 2019	285

List of Properties

No.	Location/ Postal address	Description/ Existing use/ Age of building	Land / Built-up area (sq. ft.)	Tenure / Date of expiry of lease	NBV as at 31 October 2019 (RM'000)
5.	Geran 212288, Lot 21203, Mukim Rawang, Daerah Gombak, Negeri Selangor bearing postal address of Lot 66 (Pecahan Lot 1289), Jalan Industri 2/3, Rawang Integrated Industrial Park, 48000 Rawang, Selangor	Vacant Land Age of building - N/A	Land area: 59,998 (equivalent to 5,574 sq. m.)	Freehold/ Perpetuity Revaluation date: 31 October 2019	7,000
6.	A-11- Block A Jaya One No. 72A, Jalan Universiti, Petaling Jaya, Selangor held under Strata Pajakan Negeri 96662/M1-a/2/162, No Bangunan: M1-A, Tingkat 2, No. Petak 162 Lot No 82, Seksyen 13, Bandar Petaling Jaya, Dearah Petaling, Selangor	Office Suite/ vacant Age of building - 6 years	Built-up area: 2,175 (equivalent to 202 sq. m.)	99 years, expires on 28 May 2105 Revaluation date: 31 October 2019	1,370
7.	HS(D) 560918, PTD 186476, Mukim Tebrau, Dearah Johor Bahru, Negeri Johor also known as No 2, Jalan Ekoperniagaan 1/11, Taman Ekoperniagaan, 81100 Johor Bahru, Johor	2 storey semi- detached factory/ warehouse Age of building - 3 years	Land area: 0.25 hectare (equivalent to 2,500 sq. m.) Built-up area: 17,000 (equivalent to 1,579 sq. m.)	Freehold/ Perpetuity Revaluation date: 31 October 2019	6,000
8.	HS(D) 242970, PT 10567, Pekan Baru Sungai Buloh, District of Petaling, State of Selangor bearing postal address of Lot No. 3, Jalan Teknologi 3/1, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor.	Single storey with an annexed 3-storey office building/ FPC and Corporate Office Age of building - 15 years	Land area: 17,869 square metres Built-up area: (approximately 120,626 sq ft) 11,206.52 sq metres	99 years, expires on 19 January 2107 Purchase date: 30 August 2017 Factory constructed in May 2019	72,609*

Note: Item 8 is stated at cost.

*Excludes kitchen equipment, furniture and fittings.

Additional Compliance Information

The following information is provided in accordance with Chapter 9.25 of the Main Market Listing Requirements of Bursa Malaysia as set out in Appendix 9C thereto.

1. Audit and non-audit fees

Description	Fees paid or made payable to Grant Thornton (RM)		
	Company	Subsidiaries	Total
Audit	38,000	143,000	181,000
*Non-audit	7,500	37,500	45,000
Total	45,500	180,500	226,000

* Comprised tax services and review of Statement on Risk Management and Internal Control

2. Recurrent Related Party Transactions (“RRPT”)

There were no RRPT of a revenue or trading nature between Mynews and its related parties which required shareholders’ mandate during FY 2019.

3. Material Contracts Involving Directors, Major Shareholders and/or Persons Connected with Them

There were no material contracts involving directors, major shareholders and/or persons connected with them during FY 2019.

Analysis of Shareholdings

As at 31 January 2020

Total number of issued shares	: 682,154,000
Issued and Paid-Up Share Capital	: RM201,580,756
Class of Shares	: Ordinary Shares
Voting Rights	: One (1) vote per Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 31 JANUARY 2020

Size of shareholding	No. of shareholders		No. of shares	
	No.	%	No.	%
Less than 100	37	2.57	394	*0.00
100 to 1,000	295	20.47	170,686	0.03
1,001 to 10,000	639	44.34	3,139,800	0.46
10,001 to 100,000	313	21.72	10,266,020	1.50
100,001 to less than 5% of issued shares	156	10.83	314,800,100	46.15
5% and above of issued shares	1	0.07	353,777,000	51.86
Total	1,441	100.00	682,154,000	100.00

Note:

* Negligible by virtue of it being less than 0.01%.

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 31 JANUARY 2020

No.	Shareholder	Shareholding	
		No.	%
1	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for D&D Consolidated Sdn Bhd (PB)	353,777,000	51.86
2	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	22,225,300	3.258
3	Dang Tai Kien	20,465,000	3.00
4	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for D&D Consolidated Sdn Bhd	20,000,000	2.93
5	Kumpulan Wang Persaraan (Diperbadankan)	16,066,300	2.35
6	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 1)	15,314,600	2.25
7	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	12,936,100	1.90
8	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad – Kenanga Growth Fund	12,903,600	1.90
9	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	12,470,200	1.83

Analysis of Shareholdings

As at 31 January 2020

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 31 JANUARY 2020 (cont'd)

No.	Shareholder	Shareholding	
		No.	%
10	Citigroup Nominees (Asing) Sdn Bhd Exempt An for Citibank New York (Norges Bank 14)	9,254,900	1.36
11	Dang Tai Gean	9,178,000	1.35
12	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for D&D Consolidated Sdn Bhd	9,000,000	1.32
13	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for D&D Consolidated Sdn Bhd	9,000,000	1.32
14	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	8,545,300	1.25
15	Maybank Nominees (Tempatan) Sdn Bhd Affin Hwang Asset Management Berhad for Hong Leong Assurance Berhad (PAR-220082)	7,250,000	1.06
16	Maybank Nominees (Tempatan) Sdn Bhd National Trust Fund (IFM Kenanga)	5,550,900	0.81
17	HSBC Nominees (Asing) Sdn Bhd Exempt An for Morgan Stanley & Co International PLC (IPB Client Acct)	5,100,100	0.75
18	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Tenaga Nasional Berhad Retirement Benefit Trust Fund (RB-TNB-AHAM) (420317)	4,426,000	0.65
19	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Affin Hwang SM CF)	4,203,900	0.62
20	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	3,730,000	0.55
21	Red Orchid Sdn Bhd (Formerly known as Evertop Cleaners Sdn Bhd)	3,721,200	0.55
22	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (Non Par 16)	3,700,000	0.54
23	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon for the Board of Regents of the University of Texas System	3,625,200	0.53
24	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen) (419500)	3,260,000	0.48
25	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for CIMB-Principal Small Cap Fund (240218)	3,191,000	0.47
26	Liew Heng Heng	3,188,200	0.47
27	HSBC Nominees (Asing) Sdn Bhd JPMCB Na for Scotgems PLC	3,040,300	0.45
28	CIMB Group Nominees (Tempatan) Sdn Bhd Exempt An for Petrolia Nasional Berhad (Affin)	2,812,200	0.41

Analysis of Shareholdings As at 31 January 2020

LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 31 JANUARY 2020 (cont'd)

No.	Shareholder	Shareholding	
		No.	%
29	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon for GreatLink Asean Growth Fund	2,610,400	0.38
30	HSBC Nominees (Asing) Sdn Bhd HSBC-FS I for JPMorgan Asian Smaller Companies Fund	2,449,600	0.36

SUBSTANTIAL SHAREHOLDERS AS AT 31 JANUARY 2020

(As per the Register of Substantial Shareholders of the Company)

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
D & D Consolidated Sdn Bhd	391,777,000	57.43	-	-
Dang Tai Luk	-	-	* 395,498,200	57.98
Dang Tai Wen	-	-	*395,498,200	57.98
Dang Tai Hock	-	-	*395,498,200	57.98
Employees Provident Fund Board	35,161,400	5.15	-	-
Kumpulan Wang Persaraan (Diperbadankan)	16,066,300	2.36	**18,254,600	2.68

Notes:

* Deemed interested by virtue of Section 8(4) of the Companies Act, 2016 through their shareholding in D & D Consolidated Sdn Bhd and their parent's shareholding in Red Orchid Sdn Bhd (formerly known as Evertop Cleaners Sdn Bhd).

** Held by Kumpulan Wang Persaraan's Fund Managers.

DIRECTORS' SHAREHOLDINGS AS AT 31 JANUARY 2020

(As per the Register of Directors' Shareholdings of the Company)

Name	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Ding Lien Bing	605,000	0.09	-	-
Dang Tai Luk	-	-	*395,498,200	57.98
Dang Tai Wen	-	-	*395,498,200	57.98
Dang Tai Hock	-	-	*395,498,200	57.98
Soon Dee Hwee	400,000	0.06	-	-
Mohd Suffian Bin Suboh	90,000	0.01	-	-

Note:

Deemed interested by virtue of Section 8(4) of the Companies Act, 2016 through their shareholding in D & D Consolidated Sdn Bhd and their parent's shareholding in Red Orchid Sdn Bhd (formerly known as Evertop Cleaners Sdn Bhd).

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting (7th AGM) of the Company will be held at Olympia Room, The Club, Bukit Utama Golf Resort, 1 Club Drive, Bukit Utama, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan on 25 March 2020, Wednesday at 10.00 a.m.

AGENDA

AS ORDINARY BUSINESS:

- | | |
|--|--|
| 1. To receive the Audited Financial Statements for the year ended 31 October 2019 together with the Reports of Directors and Auditors thereon. | (Please refer to Explanatory Note A to this Agenda) |
| 2. To approve the payment of Directors' fees of RM287,500 for the financial year ended 31 October 2019. | Ordinary Resolution 1 |
| 3. To approve the payment of Directors' meeting allowances of up to RM63,000 for the period from 25 March 2020 (7th AGM) until the next Annual General Meeting of the Company. | Ordinary Resolution 2
(Please refer to Explanatory Note B to this Agenda) |
| 4. To re-elect the following Directors who are retiring in accordance with Article 114(1) of the Company's Constitution: | |
| 4.1 Dang Tai Luk | Ordinary Resolution 3 |
| 4.2 Dang Tai Wen | Ordinary Resolution 4 |
| 5. To re-appoint Messrs. Grant Thornton Malaysia PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |

AS SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modifications, the following Ordinary Resolution:

Authority to Allot Shares Pursuant to Section 75 and 76 of the Companies Act, 2016

"**THAT** subject always to the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 75 and 76 of the Companies Act, 2016, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the total issued capital of the Company at the time of issue **AND THAT** the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares to be issued on Bursa Malaysia Securities Berhad.

AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

**Ordinary Resolution 6
(Please refer to Explanatory Note C to this Agenda)**

Notice of Annual General Meeting

AGENDA

7. To consider and, if thought fit, with or without any modifications, to pass the following Ordinary Resolutions:

- 7.1 **Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out in Section 2.4 (i), (ii) & (iii) of the Circular to Shareholders dated 25 February 2020**

**Ordinary Resolution 7
(Please refer to Explanatory
Note D to this Agenda)**

“THAT, subject to the provision of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to Mynews Holdings Berhad and its subsidiaries (**“Mynews Group”**) to enter into and to give effect to specified recurrent related party transactions of a revenue or trading nature with the Related Parties as set out in Section 2.4 (i), (ii) and (iii) of the Circular to Shareholders dated 25 February 2020 which are necessary for its day-to-day operations, to be entered into by Mynews Group on the basis that these transactions are entered into on transaction prices and terms which are not more favourable to the Related Parties than generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT the Proposed New Shareholders' Mandate is subject to annual renewal, **AND THAT** any authority conferred by the Proposed New Shareholders' Mandate, shall only continue to be in force until:

- (i) the conclusion of the next annual general meeting (“AGM”) of the Company following the general meeting at which the Proposed New Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the general meeting, the authority is renewed; or
- (ii) the expiration of the period within which the AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (iii) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earliest;

AND FURTHER THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed New Shareholders' Mandate.”

Notice of Annual General Meeting

7.2 Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature as set out in Section 2.4 (iv) of the Circular to Shareholders dated 25 February 2020

Ordinary Resolution 8
(Please refer to Explanatory Note D to this Agenda)

“THAT, subject to the provision of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to Mynews Holdings Berhad and its subsidiaries (**“Mynews Group”**) to enter into and to give effect to specified recurrent related party transactions of a revenue or trading nature with the Related Parties as set out in Section 2.4 (iv) of the Circular to Shareholders dated 25 February 2020 which are necessary for its day-to-day operations, to be entered into by Mynews Group on the basis that these transactions are entered into on transaction prices and terms which are not more favourable to the Related Parties than generally available to the public and are not detrimental to the minority shareholders of the Company;

THAT the Proposed New Shareholders' Mandate is subject to annual renewal, **AND THAT** any authority conferred by the Proposed New Shareholders' Mandate, shall only continue to be in force until:

- (i) the conclusion of the next annual general meeting (“AGM”) of the Company following the general meeting at which the Proposed New Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the general meeting, the authority is renewed; or
- (ii) the expiration of the period within which the AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (iii) revoked or varied by resolution passed by the shareholders of the Company in general meeting,

whichever is the earliest;

AND FURTHER THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed New Shareholders' Mandate.”

BY ORDER OF THE BOARD

CHONG SIEW HOONG (MIA 5062)
ISAAC LIM FUNG SERN (MIA 21288)
Company Secretaries

Selangor Darul Ehsan
25 February 2020

Notice of Annual General Meeting

NOTES:

1. In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors as at 18 March 2020 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at the meeting.
2. A member entitled to vote and attend at the meeting is entitled to appoint a proxy to attend and vote at the meeting on his/her behalf. In case of a corporation, a duly authorised representative to attend and vote in its stead. The proxy may but need not be a member of the Company and there is no limitation as to the qualification of the proxy. A proxy/representative appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.
3. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the meeting and the appointment shall be invalid unless he/she specifies the proportions of his/her shareholding to be represented by each proxy.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. If the appointor is a corporation this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy must be deposited at the Share Registrar's Office at Tricor Investor and Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than twenty-four (24) hours before the time set for the meeting or any adjournment thereof.

EXPLANATORY NOTES TO THE AGENDA

- A. Item 1 of the Agenda
To receive the Audited Financial Statements for the year ended 31 October 2019 together with the Reports of Directors and Auditors thereon

This is meant for discussion only, as the provision of Section 340(1) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item of the Agenda is not put forward for voting.

- B. Item 3 of the Agenda – Ordinary Resolution 2
Payment of Directors' meeting allowances

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors shall be approved at a general meeting.

The Proposed Ordinary Resolution 2 is to facilitate payment of Directors' meeting allowances for the period from 25 March 2020 (7th AGM) until the next Annual General Meeting (8th AGM).

The meeting allowances are calculated based on the number of scheduled Board and Committee meetings for the said period and assuming, that all Non-Executive Directors will hold office from the date of 7th AGM to the date of 8th AGM. In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional meeting allowance to meet the shortfall.

Notice of Annual General Meeting

C. Item 6 of the Agenda – Ordinary Resolution 6 Authority to Allot Shares Pursuant to Section 75 and 76 of the Companies Act, 2016

The Ordinary Resolution 6 is a proposed general mandate by the shareholders for the Company to issue and allot shares at any time to such persons in its absolute discretion without convening a general meeting provided, that the aggregate number of shares issued does not exceed 10% of the issued share capital of the Company.

The proposed Ordinary Resolution 6, if passed, will give the Directors of the Company, from the date of the meeting, the authority to issue and allot ordinary shares from the unissued share capital of the Company up to an amount not exceeding in total ten per centum (10%) of the total issued share capital of the Company for the time being for such purposes as the Directors of the Company consider would be in the best interest of the Company.

The mandate, if passed, will provide the flexibility to the Company and empower the Directors to speedily allot and issue new shares in the Company of up to ten per centum (10%) of its issued share capital for purposes of funding the working capital or strategic development of the Group. This would expedite the process and eliminate the costs for convening a general meeting to seek shareholders' approval. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

At this juncture, there is no decision to issue new shares. If there should be such a decision to do so after the general mandate is granted, the Company will make an announcement in respect thereof.

D. Item 7 of the Agenda – Ordinary Resolutions 7 and 8 Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The detailed text on Resolution 7 and Resolution 8 on the Proposed New Shareholders' Mandate are included in the Circular to Shareholders dated 25 February 2020 which is enclosed with the Annual Report.

GENERAL MEETING RECORD OF DEPOSITORS

To determine whether a member is entitled to attend this meeting, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd in accordance with Article 77 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 18 March 2020. Only a depositor whose name appears on the Record of Depositors as at 18 March 2020 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his/her stead.

**MYNEWS HOLDINGS BERHAD**

(Company No.:201301010004/ 1039846-T) (Incorporated in Malaysia)

CDS Account	
Number of shares held	
*NRIC/ Company No.	

PROXY FORM

I/We _____ of _____
being a member/members of MYNEWS HOLDINGS BERHAD
hereby appoint _____ of _____
and/or _____ of _____
or failing *him/her the Chairman of the Meeting as my/our Proxy(ies) to vote for *me/us and on *my/our behalf at the Seventh Annual General Meeting of the Company to be held at Olympia Room, The Club, Bukit Utama Golf Resort, 1 Club Drive, Bukit Utama, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan on 25 March 2020, Wednesday at 10.00 a.m and at any adjournment thereof.

*My/*our Proxy(ies) is/are to vote as indicated below:

Ordinary Resolution		For	Against
1.	To approve the payment of Directors' fees of RM287,500 for the financial year ended 31 October 2019.		
2.	To approve the payment of Directors' meeting allowances of up to RM63,000 for the period from 25 March 2020 (7th AGM) until the next Annual General Meeting of the Company.		
3.	To re-elect Dang Tai Luk as Director.		
4.	To re-elect Dang Tai Wen as Director.		
5.	To re-appoint Messrs. Grant Thornton Malaysia PLT as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.		
6.	Authority for Directors to issue and allot shares in the Company pursuant to Section 75 and 76 of the Companies Act, 2016.		
7.	New Shareholders' Mandate on Recurrent Related Party Transactions. - Section 2.4 (i), (ii) and (iii) of the Circular.		
8.	New Shareholders' Mandate on Recurrent Related Party Transactions. - Section 2.4 (iv) of the Circular.		

[Please indicate with (X) in the spaces provided how you wish your vote to be cast. If no specific direction as to voting is given, the Proxy/ies will vote or abstain at his/her discretion]

For appointment of two (2) proxies, number of shares and percentages of shareholding to be represented by each proxy:		
	No. of shares	% of shareholding
Proxy 1		
Proxy 2		
Total		

Dated thisday of.....2020

[Signature/Common Seal of Shareholder]
[* Delete if not applicable]

Notes:

- In respect of deposited securities, only members/shareholders whose names appear in the Record of Depositors as at 18 March 2020 ("General Meeting Record of Depositors") shall be eligible to attend, speak and vote at the meeting.
- A member entitled to vote and attend at the meeting is entitled to appoint a proxy to attend and vote at the meeting on his/her behalf. In case of a corporation, a duly authorised representative to attend and vote in its stead. The proxy may but need not be a member of the Company and there is no limitation as to the qualification of the proxy. A proxy/representative appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.
- A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the meeting and the appointment shall be invalid unless he/she specifies the proportions of his/her shareholding to be represented by each proxy.
- Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- If the appointor is a corporation this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Share Registrar's Office at Tricor Investor and Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than twenty-four (24) hours before the time set for the meeting or any adjournment thereof.

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AFFIX
STAMP

Tricor Investor & Issuing House Services Sdn Bhd
Customer Service Centre
Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur

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Fold this flap for sealing



MYNEWS HOLDINGS BERHAD
1039846-T

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