

**GROWING
STRONG
WITH
SYNERGY**

ANNUAL
REPORT
2019

CONTENTS



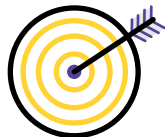
A digitalised background with ascending arrows manifests the innovative standards upheld by JHM Consolidation Berhad as a one-stop engineering solution provider, as seen from its fully-automated lines. The illuminated illustrations of a moving automotive and a soaring plane further express how its cutting edge capabilities in automotive lighting design and assembly drives growth. As the organisation strengthens its capabilities in customised precision sheet metal work alongside its expertise in micro-electronic components (MEC), it is set to realise growth with this synergistic mix of operations.

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VISION

To be the best manufacturing service provider that will enable our customers to gain competitive advantages in the market place.



MISSION

1. Manufacture and deliver products that give our customers the peace of mind.
2. Acquire and enhance technologies with the required skill sets that will continue to provide net positive values.
3. Retain, attract and reward high job performers to provide an unrivalled and sustainable customer experience.

CORPORATE INFORMATION

AUDIT COMMITTEE AND RISK MANAGEMENT COMMITTEE

Wong Chi Yeng

(Chairman, Independent Non-Executive Director)

Lim Chun Thang

(Member, Independent Non-Executive Director)

Lai Fah Hin

(Member, Independent Non-Executive Director)

NOMINATION COMMITTEE

Lim Chun Thang

(Chairman, Independent Non-Executive Director)

Wong Chi Yeng

(Member, Independent Non-Executive Director)

REMUNERATION COMMITTEE

Lim Chun Thang

(Chairman, Independent Non-Executive Director)

Wong Chi Yeng

(Member, Independent Non-Executive Director)

Lai Fah Hin

(Member, Independent Non-Executive Director)

COMPANY SECRETARIES

Chee Wai Hong (BC/C/1470)
SSM Practicing Certificate No.
202008001804

Foo Li Ling (MAICSA 7019557)
SSM Practicing Certificate No.
201908001737

Tan She Chia (MAICSA 7055087)
SSM Practicing Certificate No.
202008001923

REGISTERED OFFICE

51-13-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Georgetown
Pulau Pinang
Tel : 04-228 9700
Fax : 04-227 9800

BOARD OF DIRECTORS

Lim Chun Thang

(Non-Executive Chairman,
Independent Non-Executive Director)



Dato' Tan King Seng

(Executive Director/
Group Chief Executive Officer)



Koh Yew Wah

(Executive Director/
Chief Operating Officer)



Cheah Choon Ghee

(Executive Director)



Khor Thean Lee

(Executive Director)



Wong Chi Yeng

(Independent Non-Executive Director)



Lai Fah Hin

(Independent Non-Executive Director)



Khor Cheng Kwang

(Independent Non-Executive Director)
(Appointed on 3 March 2020)

MANAGEMENT OFFICE

15-1-21 Bayan Point
Medan Kampung Relau
11900 Penang
Tel : 04-646 5121
Fax : 04-645 7326
Email : corpinfo@jhm.net.my
Website : www.jhm.net.my

AUDITORS

Grant Thornton
Chartered Accountants
51-8-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Pulau Pinang
Tel : 04-228 7828
Fax : 04-227 9828

SHARE REGISTRAR

Agriteum Share Registration Services
Sdn. Bhd.
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Pulau Pinang
Tel : 04-228 2321
Fax : 04-227 2391

PRINCIPAL BANKERS

AmBank (M) Berhad
AmBank Islamic Berhad
Hong Leong Bank Berhad
Hong Leong Islamic Bank Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad

SOLICITORS

Allen Chee Ram
Zaid Ibrahim & Co.

STOCK EXCHANGE LISTING

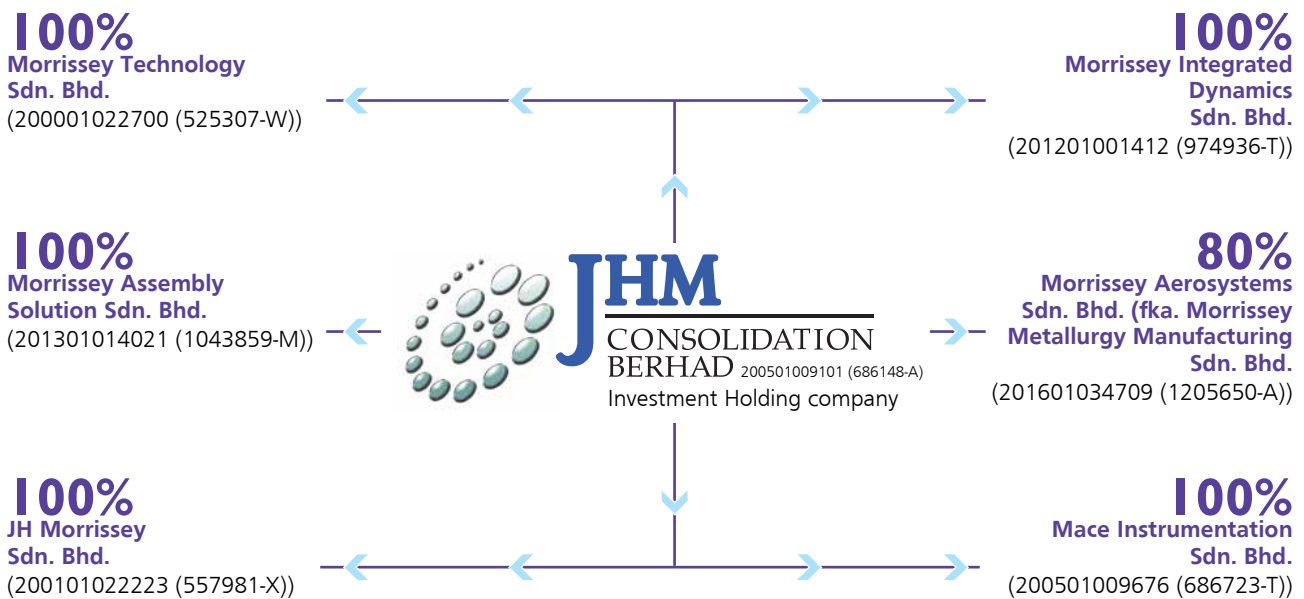
ACE Market of Bursa Malaysia
Securities Berhad
Stock Name : JHM
Stock Code : 0127



GROUP STRUCTURE OF JHM GROUP

JHM Consolidation Berhad ("JHM") was incorporated in Malaysia on 26 March 2005 and listed on the MESDAQ Market (now known as the ACE Market) on 13 July 2006. JHM is principally an investment holding company with six (6) subsidiaries, namely Morrissey Technology Sdn. Bhd. ("MTSB"), Morrissey Assembly Solution Sdn. Bhd. ("MASSB"), JH Morrissey Sdn. Bhd. ("JMSB"), Morrissey Aerosystems Sdn. Bhd. [Formerly known as ("Fka") Morrissey Metallurgy Manufacturing Sdn. Bhd.]) ("MASB"), Morrissey Integrated Dynamics Sdn. Bhd. ("MIDSB") and Mace Instrumentation Sdn. Bhd. ("MISB").

The current group structure is as follows:-



The principal activities of its subsidiaries are as follow:-

Companies	Date of Incorporation	Total Issued Shares	Principal activities
Morrissey Technology Sdn. Bhd.	5 September 2000	1,000,000	Design and manufacture of precision miniature engineering metal parts and components.
Morrissey Assembly Solution Sdn. Bhd.	24 April 2013	5,000,000	Manufacture and assembling of electronic components using surface-mount technology.
JH Morrissey Sdn. Bhd.	5 September 2001	200,000	International procurement office.
Morrissey Aerosystems Sdn. Bhd. (Fka. Morrissey Metallurgy Manufacturing Sdn. Bhd.) (On 10 January 2020, MASB ceased to be a wholly-owned subsidiary of JHM)	18 October 2016	2,500,000	Manufacturing of machined metal parts, secondary processes, sub-assemblies and assembly of LED lighting for aerospace industry. Currently, the company had not commenced operations.
Morrissey Integrated Dynamics Sdn. Bhd.	12 January 2012	2,500,000	Fabrication of all kinds of tools, equipment and industrial machinery and manufacturing of machine metal parts, assembly of LED lighting and sub-assemblies for aerospace industry.
Mace Instrumentation Sdn. Bhd.	31 March 2005	5,000,000	Manufacture and assembly of testing measuring equipment.

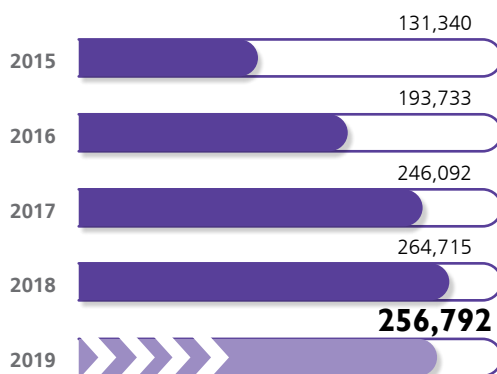
FINANCIAL HIGHLIGHTS

Year Ended 31 December	Audited				
	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue (RM'000)	131,340	193,733	246,092	264,715	256,792
Profit Attributable to Owners of the Company (RM'000)	6,453	20,337	29,647	35,507	30,466
Net Earnings per share (sen) *	1.38	4.34	6.00	6.45	5.46
Net Assets per share (RM) *	0.08	0.12	0.25	0.32	0.36

* The comparative figures for Net Earnings per share and Net Assets per share have been restated to reflect the effects of the bonus issue and share split completed in financial year ended 2017 and 2018 respectively.

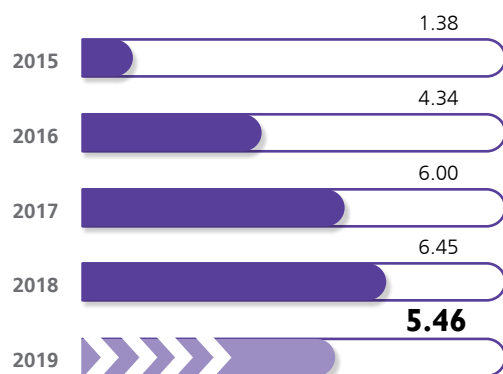
REVENUE

(RM'000) >>>>>>



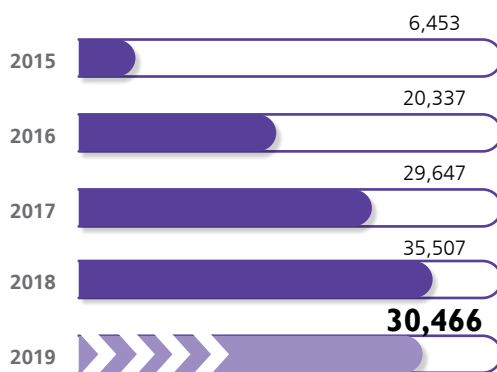
NET EARNINGS PER SHARE

(sen) >>>>>>



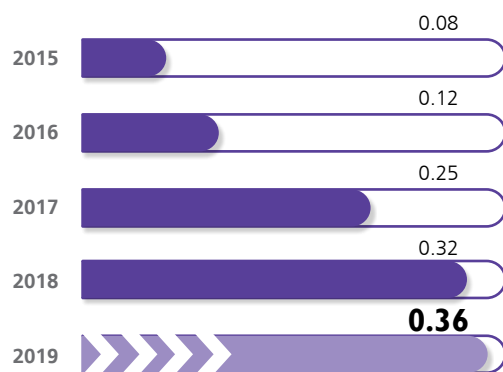
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(RM'000) >>>>>>



NET ASSETS PER SHARE

(RM) >>>>>>



WINNING AWARDS

FOCUS MALAYSIA – BEST UNDER BILLION AWARDS 2019



**BEST CASHFLOW FROM
OPERATIONS CATEGORY
RM500 MIL – RM950 MIL**



WINNING AWARDS (cont'd)



THE EDGE MALAYSIA – CENTURION CLUB & CORPORATE AWARDS 2019



**HIGHEST RETURNS TO
SHAREHOLDERS OVER THREE YEARS
TECHNOLOGY SECTOR**

GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

On behalf of the Board of Directors and Management team of JHM Consolidation Berhad ("JHM"), I am very pleased to present to you the Annual Report and Financial Statements of JHM Consolidation Berhad for the financial year ended 31 December 2019.

JHM's strategic and key business platforms continue to thrive with vigorous traction and integration, delivering a fairly creditable performance despite facing an ongoing robust and challenging business environment, culminating with an admirable business result for the financial year ended 31 December 2019, recording a revenue of RM256.79 million as compared to RM264.71 million recorded in 2018, this represents a slight decline of 2.99% and a profit after tax of RM30.47 million, a decline of 13.93% from RM35.40 million in the previous financial year.

Within this setting, it is with great sincerity that I take this opportunity to thank the JHM Management team for their perseverance and tenacity in driving relentlessly towards excellence and productivity in earnings achievement, despite enduring challenging economic conditions during the financial year.

INDUSTRY TREND, DEVELOPMENT AND BUSINESS OUTLOOK

Last year 2019 was no exception in the automotive lighting demand dynamics, as it continued seamlessly with the broad adoption and acceptance of improved lightings as an essential feature for cars within the automotive LED lighting industry. As with previous years, the demand growth for advanced external lighting applications with newly added technological features and state-of-the-art optics design breakthroughs as well as progressive development of intelligent lighting systems (ILS) will continue to provide a strong base for sustaining the Group's strategic expansion in the automotive LED lighting business.

New technological and design developments again take the lead in establishing a shift in the primary objective of automotive lighting applications beyond its originally intended basic illumination and functional purposes. In this respect, automotive LED lighting innovation and its new applications will become a technological requirement and necessity, probably being featured and fitted even into mid-range vehicle variants moving forward into the future. The constant lighting improvements and changes will augur well both for the safety and comfort of the automotive users as well as the well-being of pedestrians and non-users.

These ongoing progressive customer-centric innovations and advance development in automotive LED lighting applications will definitely be beneficial for the Group's continuous thrust and investment into this specialized area of automotive business.

GROUP'S PROSPECTS

JHM is primarily engaged in the manufacture and assembly of Automotive Surface Mount Technology/Printed Circuit Board Assembly and Automotive Level 2 LED Lighting modules and is one of the main Electronics Manufacturing Services ("EMS") provider in providing one stop solutions from design, fabrication of tooling to final assembly and test of LED Lighting modules/applications. All the LED lighting application modules are Direct Order Fulfillment ("DOF") ready and shipped to well-known Tier 1 automotive manufacturers within the North America Free Trade Agreement ("NAFTA") countries.

As highlighted in the previous year's foreword, JHM has initiated intensive strategic business dealings with new customers into uncharted technological manufacturing territory, specifically proceeding into aerospace mechanical parts machining manufacturing, with an initial focus in high precision, 5-Axis based Computer Numerical Control ("CNC") machining parts and of which are earmarked for production in our newly dedicated focus-facility certified to aerospace AS9100D requirements.

JHM has to-date, proudly passed and exceeded the first phase of machined first article parts' verification and qualification standards and our dedicated aerospace facility has since commenced operations with mass production parts.

REVENUE

RM256.79
MILLION

2018: RM264.71 million

PROFIT AFTER TAX

RM30.47
MILLION

2018: RM35.40 million



GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE (cont'd)

In this respect and by any measure, we have achieved a respectable fast response time to manufacture since the successful signing of the Memorandum of Understanding ("MOU") with Universal Alloy Corporation Europe ("UACE") in March 2019. This strategic collaboration will also help to broaden our business portfolio.

The Group's ongoing performance in sustaining our revenue and earnings also sees a respectable contribution from our advanced, high precision sheet metal fabrication and enclosure assembly plant, Mace Instrumentation Sdn. Bhd. ("MISB"), located in Kulim which currently contributes close to approximately 20% of the Group's total revenue.

With the expansion in equipment capacity and plant floor space at MISB, together with the recovery and ramping up of new automotive projects and the gradual taking off of the aerospace initiatives, we should be able to look forward to a reliable catalyst for a consolidated and integrated growth gradient for JHM.

However, as at the time of composing this foreword for 2019, we have all very unfortunately experienced a global health pandemic crisis since February 2020 and as such we expect some carry over impact on the financial performance for the year ending 2020. The Management team however and as always, will continue to strive and accord the highest efficiency and innovative means with lean manufacturing and effective costs management as key performance drivers. A strong commitment in containing costs and eliminating waste will definitely help to ensure we have a sustainable operation base to ride us over the current crisis so as to minimize the recessionary impact and to elevate our strengths in readiness for recovery and post-crisis opportunities.

BOARD CHANGES AND APPRECIATION

The month of March 2020 saw a minor change in the Board Room composition with the appointment of Mr. Khor Cheng Kwang as an independent non-executive director of the company.

Mr. Khor brings with him almost 22 years of valuable working experience, mainly in the field of manufacturing engineering and corporate marketing and was attached mostly with a well-known Multinational Corporation ("MNC"). He was also part of the Malaysian Development Economic Corporation (MDEC) program 'Grow the Tech Sector' which primarily promoted embedded technology under the country's Economic Transformation Program (ETP). He is currently managing his own company business specializing in eco-friendly initiatives, educational and coaching programs for the corporate sector and educational institutions. He currently holds directorship in other private limited companies as well.

On behalf of the Board of Directors, I would like to take this opportunity to convey our heartfelt thanks and gratitude to all shareholders, affiliates, business partners, suppliers and our esteemed customers for your continuous support and confidence in our Group.

I would also like to extend my sincere appreciation to all our staffs and employees for your perseverance and determination as well as the commendable team spirit you have all exhibited. These very respectable traits and personal attributes will definitely help to secure the Group's continuous success and advancement in all future opportunities amidst the expected challenging business environment in the year ahead.

Last but not least, my sincere thanks to all Board Members for your patience, prudent advice and valuable contributions. As always, I eagerly look forward to your continuous support and commitment to ensure the future growth and success of the Group.



**THANK
YOU.**

**DATO'
TAN KING SENG**

**GROUP CHIEF
EXECUTIVE
OFFICER**

MANAGEMENT DISCUSSION & ANALYSIS

1. OVERVIEW OF BUSINESS OPERATION

The business operation is segmented into two (2) business segments i.e. investment holding and electronics products, which was disclosed in Note 29 (Operating Segment) of the notes to the financial statements.

The key performance for the Group is contributed from electronics product segment which is currently subdivided into four (4) business units. Details as below:

(i) Mechanical Business Unit

- One stop solution provider for high precision, high speed tooling design, fabrication and production for Micro Electronic Components.
- Production on LEDs application to support 3D effects as well as signature lighting effect substrate.
- Manufacturing of sheet metal enclosures and value-added electro-mechanical assembly for a broad range of industries which includes electronics (semiconductors and telecommunication), medical device and instrumentation industries.

(ii) Level 2 Assembly for Automotive Business Unit

- Design and assembly of automotive rear lighting for well-known car manufacturers in North Americas countries as well as a few car manufacturers in Japan.

(iii) Electrical & Electronic ("E&E") Business Unit

- Design, SMT production and assembly of automotive rear, interior and front headlamp lighting, inclusive of shifter control and turn signal indicator.
- SMT production and assembly for Industrial products, i.e. motor controller.

(iv) Aerospace Business Unit

- Involves in precision manufacturing solutions with broad portfolio of innovative equipment, services and niche products for aerospace.
- Design, SMT production and assembly of interior lighting for aerospace.

The resource allocation and assessment of performance are mainly based on the nature of business for each of the subsidiaries of JHM and factory location. Morrissey Technology Sdn. Bhd. ("MTSB") is operating Mechanical Business Unit and Level 2 Assembly for Automotive Business Unit, Morrissey Assembly Solution Sdn. Bhd. ("MASSB") is operating E&E Business Unit and Morrissey Integrated Dynamics Sdn. Bhd. ("MIDSB") is operating the Aerospace Business Unit. These three subsidiaries have their location in Sungai Petani, Kedah. Mace Instrumentation Sdn. Bhd. ("MISB") is operating the Mechanical Business Unit at Kulim, Kedah.

For additional segmental information, please refer to Note 29 (Operating Segment) under the notes to the financial statements.

2. FINANCIAL RESULTS AND FINANCIAL CONDITION

Financial performance

The Group achieved revenue of RM256.79 million in the financial year ended 31 December 2019 ("FY2019"), a slight decline of 2.99% against RM264.71 million recorded in the financial year ended 31 December 2018 ("FY2018"). The Group recorded a net profit of RM30.47 million in FY2019, a decrease of 13.93% compared to RM35.40 million in FY2018.

The main factors contributing to the decline in net profits are as follows :

- (i) Decline of other income from RM5.62 million to RM2.95 million mainly attributable from unrealised foreign exchange gain of RM2.22 million in FY2018;
- (ii) Depreciation and amortisation cost have increased from RMRM7.17 million to RM9.26 million with an additional capital expenditure of RM28.77 million in FY2019;

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

2. FINANCIAL RESULTS AND FINANCIAL CONDITION (CONT'D)

Financial performance (cont'd)

- (iii) Increased finance cost by RM0.86 million mainly due to new term loan undertaken to finance the acquisition of properties located at Sungai Petani and Kulim; and
- (iv) Increased taxation expense by RM2.69 million mainly due to lower tax incentive enjoyed by the subsidiaries.

Liquidity and capital resources

As at 31 December 2019, the Group ended with healthy cash and bank balances of RM54.45 million as compared to RM53.96 million in prior year after payment of dividend of RM11.52 million in FY2019 as compared to RM8.36 million in prior year and capital expenditure ("CAPEX") investment of RM24.74 million in FY2019 as compared to RM8.55 million incurred in prior year.

3. REVIEW OF OPERATING ACTIVITIES

Automotive Sector

About 66% of the Group's revenues are currently derived from the automotive sector as compared to 70% in the prior year. JHM has been actively working towards growing its automotive sector and it is expecting new customers to be on board in the upcoming financial year ending 2020.

Industrial Sector

JHM continues to capture growth opportunities for this sector and the contribution to the Group revenue from this sector has increased from 28% for FY2018 to 33% for FY2019.

Aerospace Sector

The revenue contribution from this sector was less than 10% of the Group's revenue for FY2019. The Group's decision to enter into the aerospace sector is a strategic initiative to expand and diversify the Group's business portfolio to minimise its dependency on any single sector which currently exists with the Group's long-standing core business in the automotive sector.

4. OPERATIONAL AND FINANCIAL RISKS

Operational Risks - Dependence on Automotive sector

Our Group is dependent on automotive sector for a significant portion of its revenue. However, the Group is taking the necessary steps to diversify the revenue contribution to other sectors. The effects of the Group's effort is as shown below:

Segmental industry	FYE 2017	FYE 2018	FYE 2019
Automotive	80%	71%	66%
Industrial products	19%	28%	33%
Others	1%	1%	1%
	100%	100%	100%

Financial Risks

The Group's financial risks are set out in Note 30.2 under the notes to the financial statements.

MANAGEMENT DISCUSSION & ANALYSIS (cont'd)

5. FORWARD-LOOKING

Outlook

Looking ahead into the rest of FY2020, the full impact of COVID-19 has yet to be determined in entirety. As addressed in Group CEO's message, prudent and cautious measurement will be taken moving forward.

Despite uncertain outlook for year 2020, the Group believes that with our continuing pursuit of excellence and steadfast execution of our strategies, we are well positioned to navigate through these challenging times and remain resilient.

6. Dividend policy

As a recognition/appreciation to our valued shareholders, the Company had set up a dividend policy to fix a dividend payout of at least 20% of the business profit and to be paid out on a regular basis effective from the financial year ended 2018, subject always to the relevant provisions of the Companies Act 2016.

Dividend payouts to shareholders totalled at RM11.15 million for FY2019 which translates into approximately 36.60% payout ratio of the net profit for FY2019.

Details of dividend payments are as follows:

- i) First interim single tier dividends of 0.5 sen per ordinary share on 557,600,000 ordinary shares paid on 28 June 2019 amounting to RM2,788,000.
- ii) Second interim single tier dividends of 0.5 sen per ordinary share on 557,600,000 ordinary shares paid on 30 September 2019 amounting to RM2,788,000.
- iii) Third interim single tier dividends of 0.5 sen per ordinary share on 557,600,000 ordinary shares paid on 31 December 2019 amounting to RM2,788,000.
- iv) Fourth interim single tier dividends of 0.5 sen per ordinary share on 557,600,000 ordinary shares paid on 31 March 2020 amounting to RM2,788,000.

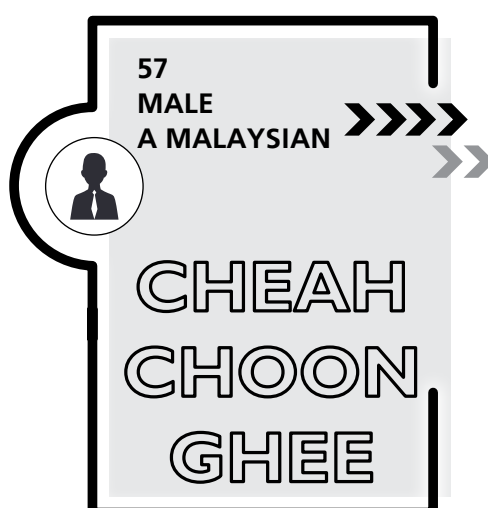
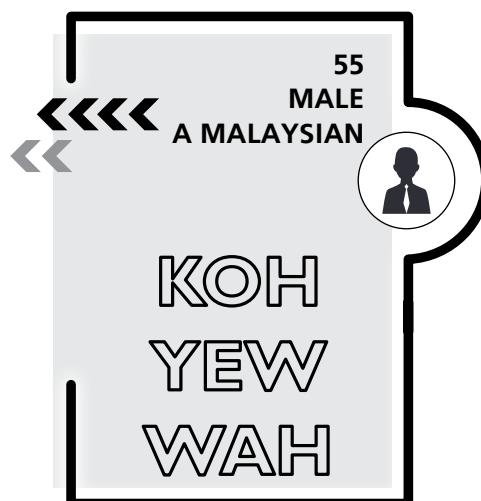
DIRECTORS' PROFILE



Dato' Tan King Seng, was appointed to the Board on 13 April 2006 and is presently the Executive Director/Group Chief Executive Officer of the Company. He graduated with a Bachelor of Science Degree in Mechanical Engineering from National Cheng Kung University of Taiwan in 1983. Dato' Tan started his career as an engineer with Intel Technology Sdn. Bhd. in 1984, and thereafter in Hewlett Packard Sdn. Bhd. in 1989. Prior to starting his own business in 1995, he was a Senior Production Engineer in charge of Optoelectronic Production in Hewlett Packard Sdn. Bhd..

Koh Yew Wah, was appointed to the Board on 1 June 2017 and is presently the Executive Director/Chief Operating Officer of the Company, overseeing the overall business and operations of JHM's subsidiaries. He obtained his Bachelor's degree in Mechanical Engineering from The University of Southwestern Louisiana, Louisiana, USA in 1989. He subsequently earned his Master of Business Administration from Universiti Sains Malaysia in 1995.

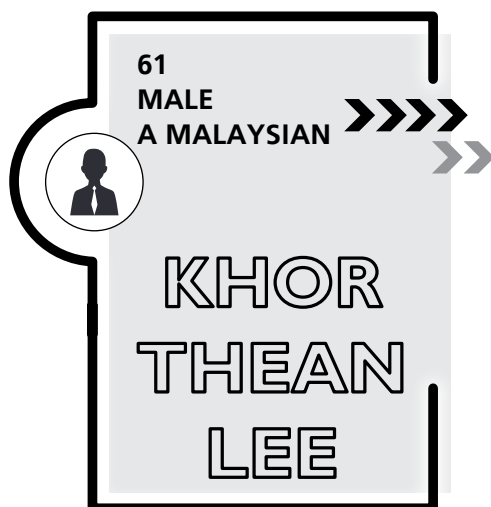
Mr. Koh started his technical and management career in both multinational and local OEM corporations. He ventured into the Electronic Manufacturing Services industry and had held various senior management level positions in EMS companies. He was a Vice President of Operations of a Fortune 500 EMS company prior to joining the Company.



Cheah Choon Ghee, was appointed to the Board on 11 December 2007 and is presently Executive Director of the Company. Prior to his appointment to the Board, he is the Senior Administration Manager of the Group. He graduated with a Diploma in Electronic Engineering from Tunku Abdul Rahman College in 1984. Mr. Cheah started his career as an Assistant Engineer with National Semiconductor Sdn. Bhd. in 1985. He left National Semiconductor Sdn. Bhd. in 1989 and joined Cintronic Marketing Sdn. Bhd. as its Administrator Manager in charge of the company's operation until 1995. In 1996, Mr. Cheah joined Allied Stamping Corporation Sdn. Bhd. as its Sales Director overseeing the company's business and later left in year 2000. Currently, Mr. Cheah is appointed as Chief Operating Officer in charge of the Mace Instrumentation Sdn. Bhd..

He is a director and shareholder of Noble Matters Sdn. Bhd., which is a major shareholder of the Company.

DIRECTORS' PROFILE (cont'd)

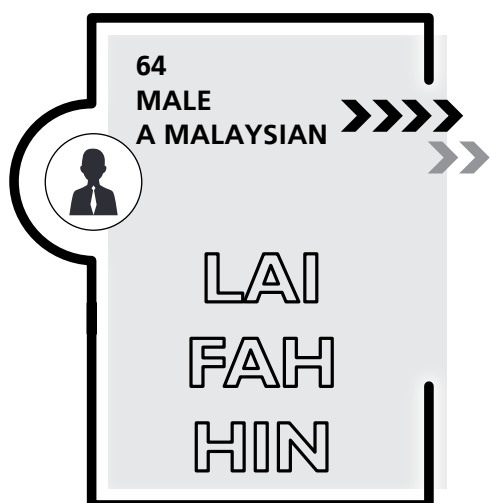


Khor Thean Lee, was appointed to the Board on 29 February 2016 and is presently Executive Director of the Company. Mr. Khor graduated with an Advanced Diploma in Business Administration from the Association of Business Executives (ABE, UK) in 1993 and subsequently furthered his tertiary education with a Master in Business Administration (MBA) from Heriot-Watt University (Edinburgh, UK) in 1995 and a Master in Economics from Universiti Putra Malaysia (KL, UPM) in 1998.

Mr. Khor started his career with Hitachi Semiconductor in Penang and served for 6 years in the Quality Control/Assurance function. For the larger part of his subsequent career, Mr. Khor was attached to Hewlett-Packard/Agilent Technologies in Penang, involving mainly in LED/Optoelectronics components manufacturing for almost 15 years. He has also worked in Varitronix, an LCD manufacturing company in Penang for 7 years. Prior to joining Morrissey Technology Sdn. Bhd. in May 2011, Mr. Khor served in the capacity of General Manager/Director of Eko Metal Industries Sdn. Bhd., a precision aluminium die-casting and sheet metal manufacturing company in Penang for 4 years. He was appointed as an Executive Director of JHM Consolidation Berhad on 8 June 2012 and resigned on 23 April 2014. He is currently the Vice President of Manufacturing overseeing the overall business and operations functions in the subsidiaries located at Sungai Petani, Kedah of JHM.

Wong Chi Yeng, was appointed to the Board on 4 January 2017 and is presently Independent Non-Executive Director. She serves as a member of Nomination Committee and Remuneration Committee. Mdm. Wong was redesignated as Chairman of the Audit Committee and Risk Management Committee on 31 May 2019.

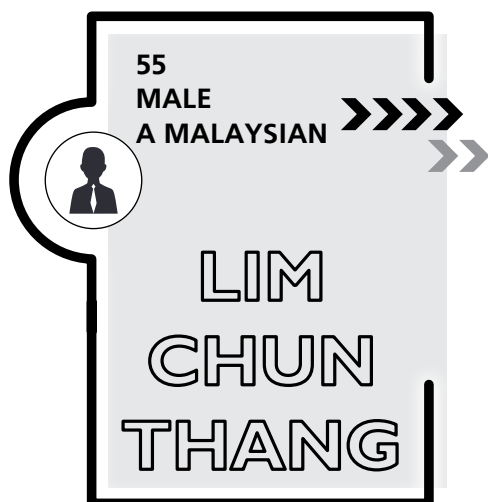
She graduated from University of Malaya, Kuala Lumpur with a Bachelor of Accounting (Honours) in 1987. She started her career as an auditor in a Chartered Accountants firm in Penang in 1987. Mdm. Wong is currently a Director of Interresources Tax Advisory Sdn. Bhd. and Managing Director of UHY LOH. She is a member of both Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia.



Lai Fah Hin, was appointed to the Board on 30 August 2017 and is presently Independent Non-Executive Director. He serves as a member of the Audit Committee and Risk Management Committee and Remuneration Committee. He graduated with Malaysian Certificate of Education in year 1975.

Mr. Lai started his career in the government service (Royal Malaysia Police) on 1 October 1977 as a Police Inspector. In year 2006, he was promoted to Deputy Superintendent of Police (DSP) and he became an officer in charge of Police District (OCPD) (South West District of Penang) in year 2014 until his retirement on 11 July 2016. He is currently a Chief of Security of MTT Group of Companies and Security Consultant of Bandar Kepala Batas Sdn. Bhd., a subsidiary of Hunza Properties Berhad.

DIRECTORS' PROFILE (cont'd)



Lim Chun Thang, was appointed as the Non-Executive Chairman/Independent Non-Executive Director of the Company on 23 August 2018. He was appointed as Chairman of Nomination Committee and Remuneration Committee and member of Audit Committee and Risk Management Committee on 31 May 2019.

He graduated from Middlesex University, London with a Bachelor Degree in Accounting and Finance (Honours). Upon returning from London, he joined Arab-Malaysian Merchant Bank in 1995 and left in 1997 as a Corporate Finance Officer. Subsequently, he joined a few companies with his main scope of work in planning the success of their listings on Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad).

Thenceforth, from 2002 to 2018, he was attached to a public listed company in Malaysia, as the Personal Assistant to the Group Chairman and Managing Director in assisting the Group Chairman and Managing Director mainly in overseeing the Group's corporate planning related matters; investor relations by dealing with fund managers, institutional shareholders, the press and analyst; the Group's compliance in corporate governance and listing requirements. He had also participated in Board meetings and involved in various corporate exercises of the Group.

Khor Cheng Kwang, was appointed as the Independent Non-Executive Director of the Company on 3 March 2020. He graduated with Diploma in Mechanical & Manufacturing Engineering from Tunku Abdul Rahman College (TARC) in 1996 and subsequently further his studies with Master of Science (Msc) in Manufacturing Systems Engineering from The Queen's University of Belfast, United Kingdom in 1997.

In December 1997, he joined Intel Technology (M) Sdn. Bhd. as an engineer. His last position held was Intel marketing manager, responsible for business development for embedded communication products and solutions in the China and Asia-Pacific region, working closely with MNCs, OEMs & ODMs corporations. He was part of the Malaysian Development Economic Corporation's (MDEC) program 'Grow the Tech Sector' which promoted embedded technology under the country's Economic Transformation Program (ETP).

In 2012, he became the Founder and Managing Director of Metro Green Adventure Sdn. Bhd., a company specialising in eco-friendly initiatives, educational, coaching and 'Building Future' programs for the corporates and the educational institutions. In addition to his directorship in the Company, he currently holds directorship in other private limited companies.



Notes:

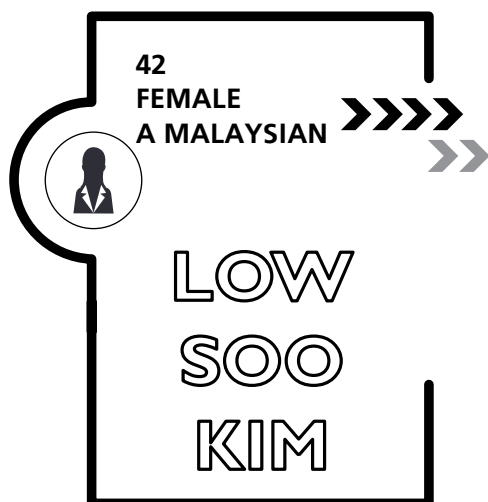
1. None of the Directors of the Company have any family relationship with any Director and/or major shareholder of the Company.
2. All the Directors do not have any conflict of interest with the Company.
3. Other than traffic offences, none of the Directors of the Company have any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
4. The Directors' shareholdings are as disclosed in page 110 of this Annual Report.

Directors' Directorships and Substantial Shareholdings in Other Public Companies

None of our Directors hold or have held any directorships in other public companies and listed companies, save as below:

1. Mr. Lim Chun Thang, who is currently an Independent Non-Executive Director of Eurospan Holdings Berhad, company listed on the Main Market of Bursa Malaysia Securities Berhad.

PROFILE OF KEY SENIOR MANAGEMENT



Low Soo Kim, was appointed as Finance Manager of the Company on 30 November 2015. She graduated with a Bachelor of Accounting (Hons) from University of Malaya in 2002 and is a member of the Malaysian Institute of Accountants. She started her career in the tax division of Ernst & Young Tax Consultants Sdn. Bhd. and left the company in January 2009 when she held the position of Assistant Tax Manager. She joined a manufacturing company, a wholly owned subsidiary of a Public Listed Company ("PLC") as Accounts/ Finance Manager in year 2009 and was promoted to Group Financial Controller of the PLC in year 2013. She gained experience in the areas of financial management, budget planning, preparation of management accounts and financial reports, plantation management and credit controls of the Group. She currently holds the position of Deputy Finance Director in the Company and is in charge of Group's financial reporting and corporate planning.

She has no family relationship with any Director or major shareholder of the Company.

She does not hold any Directorships in other public companies and listed companies.

Notes:

1. The above Key Senior Management does not have any conflict of interest with the Company.
2. Other than traffic offences, none of the Key Senior Management of the Company has any convictions for offences within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") is committed to ensure that a high standard of corporate governance is practiced throughout the Company and its subsidiaries ("the Group") in discharging its responsibilities with integrity, transparency and professionalism to protect and enhance shareholders' value and the financial position of the Group. The Board has always been vigilant of the fiduciary duties entrusted upon the Board as a principle guide in discharging its duties.

The Board is pleased to provide a Corporate Governance Overview Statement pursuant to Paragraph 15.25(1) of the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") that explains an overview of the application of the corporate governance practices of the Group during the financial year ended 31 December 2019 ("FY 2019") in this Annual Report with reference to the following three (3) principles as set out in the Malaysian Code on Corporate Governance issued by Securities Commission Malaysia on 26 April 2017 ("MCCG"):

A. Board Leadership and Effectiveness;

B. Effective Audit and Risk Management; and

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

The Board has also provided specific disclosures on the application of each Practices in its Corporate Governance Report ("CG Report"). This CG Report was announced together with the Annual Report of the Company on 18 June 2020. Shareholders may obtain this CG Report by accessing this link www.jhm.net.my for further details.

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS

(I) Board Responsibilities

The Group acknowledges the pivotal role played by the Board of Directors in the stewardships of its direction and operations. To fulfil this role, the Board is responsible for the following:

- a) Review, approve and monitor the overall strategies and direction of the Group;
- b) Identify the principal risks and implementing appropriate system to manage such risks;
- c) Oversee and evaluate the conduct and performance of the Group's business;
- d) Review the adequacy of the Group's internal control policy; and
- e) Ensure that appropriate plans are in place in respect of the succession plan of the Group.

The Board has overall responsibility for the proper conduct of the Group.

Clear functions of the Board and Management

To ensure the effective discharge its function and responsibilities, the Board had established a Board Charter which clearly set out the relevant matters reserved for the Board's approval, as well as those is delegated to the Board committees and Group Chief Executive Officer.

Key matters reserved for Board's decision include, inter alia, the following:-

- a) Approval of business strategy and group operational plan and annual budget;
- b) Acquisition and disposal of assets of the Company or its subsidiaries that are material in nature;
- c) Approval of investment or divestment in a company/business/property/undertaking;
- d) Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities;
- e) Any other significant business direction; and
- f) Corporate proposal on fund raising.

Appointment to the Board

The Board has established the Nomination Committee for the purpose of making recommendations on suitable candidates for appointment to the Board and for assessing Directors on an ongoing basis. Candidates recommended must be approved and appointed by the Board. The Nomination Committee is responsible for recommending the right candidates with the required skills, experience and attributes to the Board for appointment.

Further details on the Nomination Committee are set out on pages 21 and 22 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

(I) Board Responsibilities (cont'd)

Retirement and Re-election of Directors

In accordance with the Company's Constitution, one-third (1/3) of the Directors including the Group Chief Executive Officer shall retire by rotation from office at each Annual General Meeting ("AGM") and they shall be eligible for re-election at the AGM. The Directors to retire shall be the Directors who have been longest in office since their appointment or last re-election. In addition, all Directors including the Group Chief Operating Officer shall be subject to retirement by rotation at least once every three (3) years.

Directors who are standing for re-election at the Fifteenth AGM of the Company to be held on 26 August 2020 are as per detailed set out in the Notice of the Fifteenth AGM.

Board Meetings and Time Commitment

The Board is to meet at least four (4) times a year with additional meetings convened as and when necessary. Besides Board meetings, the Board also exercises control on matters that require Board's approval through Directors' Circular Resolutions. Among others, key matters such as approval of annual and quarterly results, financial statements, major acquisitions and disposals, major capital expenditure, risk management policies are discussed and decided by the Board.

During the financial year, the Board met four (4) times. The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for FY2019 as evidenced by the attendance record of the Directors at the Board Meeting. The details of attendance of the Directors during FY2019 are as follows: -

Name of Directors	Number of Meetings Attended	Percentage of Attendance
Lim Chun Thang	4/4	100%
Dato' Tan King Seng	4/4	100%
Koh Yew Wah	4/4	100%
Cheah Choon Ghee	4/4	100%
Khor Thean Lee	3/4	75%
Wong Chi Yeng	4/4	100%
Lai Fah Hin	3/4	75%
Khor Cheng Kwang (appointed on 3 March 2020)	N/A	N/A
Loh Chye Teik (retired on 31 May 2019)	2/2	100%
Dato' Dr. Loh Hock Hun (retired on 31 May 2019)	2/2	100%

The Directors are in the compliance with the provision of AMLR on the restriction of not holding more than five directorships in the listed issuers.

Company Secretaries

The Board is of the view that current Company Secretaries are suitably qualified, competent and can support the Board in carrying out its roles and responsibilities. The Company Secretaries ensures there is a quorum for all meetings and that such meetings are convened in accordance with the relevant Terms of Reference. The minutes prepared by the Company Secretaries memorialise the proceedings of all meetings including pertinent issues, the substance of inquiries and responses, members' suggestions and the decision made. This reflects the fulfillment of the Board's fiduciary duties and the significant oversight role performed by the respective Board Committees.

The Board obtained appropriate advice and services, if necessary, from Company Secretaries to ensure adherence to Board meeting procedures and compliance with regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

(I) Board Responsibilities (cont'd)

Code of Ethics

The Directors observed the code in accordance with the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

Code of Conduct

In order to enhance the standard of corporate governance and behaviours, the Board observed the Company's Code of Conduct which set out standards of business and ethical conduct based on general principles including, amongst others, integrity and honesty, fair dealing and confidentiality as guidance to all directors and employees in the conduct of their business.

Board Charter

The Board has adopted a charter to provide a reference for directors in relation to the Board's role, duties and responsibilities, division of responsibilities between the Board, the Board Committees, the Chairman and Group Chief Executive Officer. The Charter, which serve as referencing point for Board's activities to enable Director to carry out their stewardship role and discharge their fiduciary duties to the Group, also contains a formal schedule of matters reserved to the Board for deliberation and decision so that control and direction of the Group's business are in its hands.

The Charter is available on the Company's website at www.jhm.net.my in line with Practice 2.1 of the MCCG 2017. The Board will review the Board Charter from time to time in order to ensure consistency with the Board's strategic intent and relevant standards of corporate governance.

Sustainability

The Group recognises the importance of sustainability and its increasing impact to the business and is committed to the goal of developing a sustainable future.

The Group is committed to providing a safe workplace for its employees and conducting its business in a way that is environmentally safe and sound. The sustainability activities are set out in the Sustainability Statement on pages 26 to 32 of this Annual Report.

Gender, Ethnicity and Age Diversity Policy

The Board has adopted gender diversity policy which can be found on the company's website at www.jhm.net.my. In considering Board member appointment, the Board provides equal opportunity to candidates who have the necessary skills, experience, competencies and other attributes regardless of gender, ethnicity and age. The Board is taking steps to identify women candidates for appointment to the Board. Currently, the Board has one woman member out of eight members.

The Group is an equal opportunity employer and all employment is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender, ethnicity and age. The Group will provide equal opportunity to candidates with merit.

Internal Corporate Disclosure Policies and Procedures

Along with good corporate governance practices, the Company is committed to provide to investors and the public with comprehensive, accurate and material information on a timely basis.

In line with this commitment and in order to enhance transparency and accountability, the board has adopted an Internal Corporate Disclosure Policies and Procedures to facilitate the handling and disclosure of material information in a timely and accurate manner.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

(I) Board Responsibilities (cont'd)

Directors' Training

The Directors are encouraged to attend continuous education programmes such as seminars and conferences. This is to keep themselves abreast with the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and the need to be cognizant of commercial opportunities and risks as well as to be adequately equipped to execute judicious decision making.

All members of the Board have attended and successfully completed the Mandatory Accreditation Programme ("MAP") as required by the Bursa Securities. Mr. Khor Cheng Kwang who was appointed on 3 March 2020 has on 20 to 22 April 2020 attended the MAP.

During the financial year ended 31 December 2019, the Directors of the Company had attended seminar or conference organised externally. The programmes attended by the Directors during the financial year, include the following:

Name	No. of days	Mode of Training	Title
Dato' Tan King Seng Koh Yew Wah Khor Thean Lee Cheah Choon Ghee Lai Fah Hin	Half day	Briefing	FX & Economic Outlook Briefing 2019 by RHB Bank.
Wong Chi Yeng	1 day	Seminar	Quarterly Tax Updates 2019.
	1 day	Seminar	The Art of Taxation and Staying Relevant in Changing Times.
	2 days	Conference	National Tax Conference 2019.
	1 day	Seminar	Evaluating Effective Internal Audit Function-Audit Committee's Guide on How to.
	2 days	Conference	MIA Conference 2019.
	1 day	Seminar	2020 Budget Seminar.
Lim Chun Thang	1 day	Seminar	2020 Budget Seminar.

In addition to the above training attended, the Directors also received updates from time to time from Company Secretaries on the amendments to the Listing Requirements, Companies Act 2016 as well as Malaysian Code on Corporate Governance.

Supply of Information

The Board members have full and unrestricted access to information on the Group's business and affairs in discharging their duties. Prior to the meetings, all Directors are provided with sufficient and timely reports and supporting documents which are circulated in advance of each meeting to ensure sufficient time is given to understand the key issues and contents. In addition, the Board is kept informed of the updates and requirements issued by Bursa Securities and various regulatory authorities.

Where necessary, the Directors may engage independent professional advice at the Company's expense on specific issues to enable the Board to discharge their duties on the matters being deliberated.

Committees of the Board

The Board, in discharging its fiduciary duties and responsibilities has appointed the following Board Committees with specific terms of reference to assist the Board:-

- Audit Committee and Risk Management Committee
- Nomination Committee
- Remuneration Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

(I) Board Responsibilities (cont'd)

Audit Committee and Risk Management Committee

The summary of the activities of the Company's Audit Committee and Risk Management Committee during the financial year are set out under the Audit Committee Report on pages 35 to 38 of this Annual Report.

Nomination Committee

The Nomination Committee currently comprises of the following members:-

Name of Directors	Designation
Lim Chun Thang (Chairman)	Independent Non-Executive Director
Wong Chi Yeng	Independent Non-Executive Director

The Committee consists entirely of Non-Executive Directors, where all its members are independent. The Nomination Committee meets at least once a year and as and when necessary and may make decisions by way of circular resolutions.

The duties and responsibilities of the Nomination Committee are guided by its terms of reference. The main responsibilities of the Nomination Committee included the following:-

- Nominate the right candidates with the required skills, experience and attributes for recommendation to and appointment by the Board.
- Regularly review the structure, size and composition (including the skills, knowledge and experience) required by the Board compared to its current position and make recommendations to the Board with regard to any changes.
- Review and recommend the membership of the Audit Committee and Risk Management Committee and Remuneration Committee, in consultation with the Chairman of those committees.
- Assess the effectiveness of the Board and the contribution of individual directors and his independence where applicable.
- To develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors.

The Nomination Committee has developed criteria to assess the effectiveness of the Board, the Board committees and individual Director. The evaluation on the Board's effectiveness is divided into four sections on the following key areas:-

- Adding value
- Conformance
- Stakeholder Relationship
- Performance management

The process also assess the competencies of each Director in the areas of integrity and ethics, governance, strategic perspective, business acumen, judgement and decision making, teamwork, communication and leadership.

The Nomination Committee also undertakes annual assessment of the independence of the independent directors based on required mix skills, criteria of independence as per requirements of AMLR, meeting attendance, ability to ensure effective checks and balances on the Board's decision making process, constructively challenge business propositions and contributes to the development of business strategy and direction of the Company, ensures that adequate systems and controls to safeguard the interests of the Company are in place and continuous updating of knowledge and enhancing of skills through attendance of business related trainings.

When considering new appointment, the Nomination Committee shall evaluate the balance of skills, knowledge and experience on the board, and in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall consider candidates from a wide range of backgrounds and consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position.

The Nomination Committee and the Board does not set any target on gender diversity. The Company will provide equal opportunity to candidates with merit. The Board is taking steps to identify women candidates for appointment to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

(I) Board Responsibilities (cont'd)

Nomination Committee (cont'd)

A familiarisation programme, including visits to the Group's business and operations premises and meetings with senior management will be arranged for new Directors to facilitate their understanding of the Group.

The Nomination Committee had met three (3) times during FY2019 and activities of the Nomination Committee are summarised as follows:

- (a) Reviewed and assessed the effectiveness of the Board, the committees of the Board and the contribution of each individual director, including Independent Non-Executive Directors and principal officer.
- (b) Reviewed and recommended the re-election and re-appointment of Directors who were retiring and seeking for re-election and re-appointment at Fourteenth AGM.
- (c) Reviewed and assessed the independence of the Independent Non-Executive Directors.
- (d) Reviewed and recommended the appointment of Ms. Wong Chi Yeng as Chairman of the Audit Committee and Risk Management Committee of the Company.
- (e) Reviewed and recommended the appointment of Mr. Lim Chun Thang as member of the Audit Committee and Risk Management Committee and Chairman of the Remuneration Committee as well as Chairman of Nomination Committee of the Company.
- (f) Reviewed and recommended the change of member of Remuneration Committee of the Company from Dato' Tan King Seng to Mr. Lai Fah Hin.
- (g) Reviewed the terms of office and performance of an Audit Committee and its members.

Remuneration Committee

The Remuneration Committee currently comprises the following members:

Name of Directors	Designation
Lim Chun Thang (Chairman)	Independent Non-Executive Director
Wong Chi Yeng	Independent Non-Executive Director
Lai Fah Hin	Independent Non-Executive Director

The Committee consists of three (3) Independent Non-Executive Directors. The Committee is responsible for recommending to the Board the appropriate remuneration of the Executive Directors in all forms to commensurate with the respective contributions of the Executive Directors. The Executive Directors are to abstain from deliberation and voting on the decision in respect of their own remuneration packages.

The remuneration of the Non-Executive Directors is a matter for the Board as a whole and the Director concerned is required to abstain from deliberation and voting on decisions relating to his/her own remuneration. Directors' fees and benefit payable are subject to shareholders' approval at the forthcoming AGM.

(II) Board Composition

The Company is led and managed by a well-balanced Board which consists of members with wide range of business, technical and financial background. The Board is entrusted with the proper stewardship of the Company's resources for the best interest of its shareholders and also to steer the Group towards achieving the maximum economic value. The members of the Board, who have extensive experience and expertise in a wide range of related and unrelated industries, have been selected based on their skills, knowledge and their ability to add strength to the leadership. The business and financial experience of each member of the Board has inevitably contributed to the success in steering the Group toward sustaining its financial performance.

With the appointment of Mr. Khor Cheng Kwang as Independent Non-Executive Director on 3 March 2020, the Board is currently made up of eight (8) members as follows:-

- Four (4) Executive Directors, and
- Four (4) Independent Non-Executive Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

(II) Board Composition (cont'd)

This is in compliance with the one-third requirement for Independent Non-Executive Directors to be appointed to the Board under AMLR. The Nomination Committee and the Board assesses the independence of the Independent Non-Executive Directors annually, taking into account the individual Director's ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board. The Nomination Committee and the Board had reviewed and assessed its Independent Non-Executive Directors.

There is a clear division of authority between the Chairman and Executive Directors, to ensure a balance of power and authority. The Independent Non-Executive Directors are independent from Management and have no relationships that could interfere with the exercise of their independent judgement. They play a key role in providing unbiased and independent views, advice and contributing their knowledge and experience toward the formulation of policies and in the decision making process.

All decisions of the Board are made based on majority decision and no individual Board member can make any decision on behalf of the Board, unless duly authorised by the Board. As such, no individual or a group of individuals dominate the decision-making process.

Separation of Roles of Chairman and Group Chief Executive Officer

The role of the Independent Non-Executive Chairman and Group Chief Executive Director are distinct and separate to ensure that there is a balance of power and authority. The Independent Non-Executive Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board.

The Group Chief Executive Officer has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions. The Group Chief Executive Officer is responsible to ensure due execution of strategic goals, effective operations within the Group, and to explain, clarify and inform the Board on key matters pertaining to the Group.

(III) REMUNERATION

The objective of the Company's policy on Directors' remuneration is to attract and retain the appropriate Directors of caliber to run the Group successfully. In general, the remuneration is structured so as to link rewards to corporate and individual performance, as in the case of the Executive Directors and senior management. As for the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken individually by the Director concerned.

While the Board has formalised its remuneration policies, it is the policy of the Company and the Group that all Executive Directors and Senior Management are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and/or special skills and expertise they bring to the Board. This policy is available on the Company's website at www.jhm.net.my.

The aggregate remuneration paid or payable to all Directors of the Company during the financial year ended 31 December 2019 is listed on named basis with the detailed remuneration breakdown available on Practice 7.1 of CG Report.

The disclosure on the remuneration of Senior Management in relation to Practice 7.2 of MCCG are provided in the CG Report.

PRINCIPAL B : EFFECTIVE AUDIT AND RISK MANAGEMENT

(I) Audit Committee and Risk Management Committee

The Board has established an effective and independent Audit Committee. The members of Audit Committee comprising fully Independent Non-Executive Directors and the Chairman of the Audit Committee is not the Chairman of the Board. With the present composition structure and practice, the Audit Committee is able to objectively review and report its findings and recommendations to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

(I) Audit Committee and Risk Management Committee (cont'd)

A summary of the activities of the Audit Committee during the financial year are set out in Audit Committee's Report on pages 35 to 37 of this Annual Report.

The Audit Committee discusses the nature and scope of audit and reporting obligations with the external auditors before commencement of audit engagement. It is also the practice of the Audit Committee to respond to auditors' enquiries and recommendations, if any, to ensure compliance with various approved accounting standards in the preparation of the Group's financial statements.

The Audit Committee is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of external auditors. The Audit Committee has also assessed the suitability and independence of the external auditors. The external auditor attends Audit Committee meetings when necessary and have direct access to the Audit Committee and Internal Auditors for independent discussion.

The external auditors met with the Audit Committee twice in the financial year ended 31 December 2019 without the presence of the Executive Directors, with the purposes of finalising the Group's audited financial statement and approving the audit planning memorandum. The external auditors have confirmed that they are independent throughout the conduct of audit engagement in accordance with terms of professional and regulatory requirements.

(II) Risk Management and Internal Control Framework

The Board affirms the importance of maintaining a sound system of internal controls and risk management practices to good corporate governance. In order to enhance consistency within the Group, the Board has appointed an external consultant to provide professional services for internal control assessment and to carry out internal audit function for the Group.

The Statement on Risk Management and Internal Control set out on page 33 and 34 of this Annual Report provides an overview of the state of internal control within the Group.

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

(I) Communication with Stakeholders

The Group acknowledges the importance of timely dissemination of information to shareholders and accordingly, ensures that they are well informed of any major developments of the Group. Such information is communicated through:

- Announcements and corporate disclosure to Bursa Securities that are available on the website www.bursamalaysia.com;
- Company website at www.jhm.net.my provides corporate information on the Group; and
- Annual Report of the Company.

(II) Conduct of General Meetings

The AGM is the principal forum for dialogue with all shareholders and the Board encourages shareholders to attend and participate in the AGM. Shareholders are provided with an opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns. Shareholders are also encouraged to participate in the question and answer session.

In compliance with the AMLR, all resolutions set out in the notice of any general meeting or notice of resolution will be voted by the poll.

A copy of the Annual Report and the notice of the AGM are sent to all shareholders at least 28 days before the AGM. The notice of AGM is also published in a nationally circulated daily newspaper. The Board is available to respond to shareholders' questions during the meeting. Where appropriate, the Board will undertake to provide written answers to any questions that cannot be readily answered at the meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

(II) Conduct of General Meetings (cont'd)

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

Shareholders are also informed of and invited to attend any Extraordinary General Meetings through circulars and notices of meetings.

Statement of Compliance with Corporate Governance

The Company is committed to achieve high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied substantially with the principles and recommendations as stipulated in the MCCG throughout FY2019.

This statement is made in accordance with the resolution of the Board dated 18 May 2020.

SUSTAINABILITY STATEMENT

CORPORATE SUSTAINABILITY STATEMENT

The Board of Directors is pleased to present the Sustainability Statement of the Group, which has been prepared based on the Bursa Malaysia Sustainability Reporting Guide and toolkits.

Sustainability in the context of this Statement is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

To sustain its operations for the long term, the Board recognises that sustainable development is an important and integral part of the pursuit of value creation for shareholders, employees, customers and society at large. In this regard, the Board is responsible for setting the Group's sustainability strategies. In fact, sustainability practices are embedded in the Group's day to day operations. In this report, the Board has set the key elements of the Group's practices with respect to economic, environmental and social sustainability matters.

A. GOVERNANCE STUCTURE

The Group is presently at Phase 2 of the governance structure as prescribed by the Bursa Malaysia Sustainability Reporting Guide. The governance structure for the Group's Sustainability is as per below.



B. SCOPE

This Sustainability Statement covers the following subsidiaries, as they are the two most significant subsidiaries of the Group, together contributing approximately 79% of Group's revenue:

- (a) Morrissey Technology Sdn. Bhd. ("MTSB")
- (b) Morrissey Assembly Solution Sdn. Bhd. ("MASSB")

In order to enable the Group to achieve sustainable growth and enhance long-term value for its shareholders, the Group applies a good corporate governance framework, environmentally responsible practices and sound social policies. In 2019, the Group continues with this commitment as a good and responsible corporate citizen.

SUSTAINABILITY STATEMENT (cont'd)

C. STAKEHOLDERS' ENGAGEMENT

The Board of Directors recognises that the Directors can make better progress in their sustainability journey by collaborating with the stakeholders. The Group continuously engage with the stakeholders to identify and respond to their concerns.

We strive to improve our stakeholders' engagement approach by identifying the sustainability stakeholders as follows.

Key Stakeholders	Engagement objectives	Stakeholders' Interest
Shareholders and Investors	To assist investors in making informed investment decisions by providing timely and regular updates on financial performance, business strategy and other issues.	- Strong financial performance - Sustainability reporting
Employees	To create a safe and healthy workplace and provide training programmes.	- Employee welfare - Training and development
Customers	To create stronger market integrity.	- Operational matters - Customers' satisfaction
Suppliers	To drive sustainability across the supply chain.	- Sustainable practices
Government and Regulators	To comply with applicable laws and regulations across all operations.	- Regulatory compliance - Annual reporting - Sustainability reporting
Local Communities	To support local communities in economic, environmental and social development.	- Financial contributions and non-financial contributions

D. MATERIAL SUSTAINABILITY MATTERS

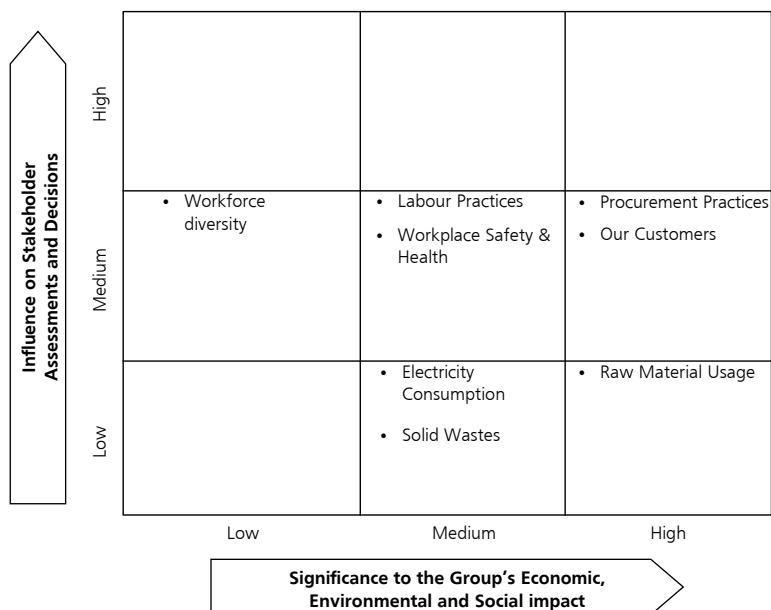
The principal businesses of the Group are designing and manufacturing of precision of metal parts and components as well as manufacturing and assembling of electronic components. These businesses require the hiring of many operational employees.

The Group's operations do not release harmful emissions into the air or discharging hazardous effluent into the drainage system. By their nature, there are minimal industrial wastes generated from operations which go to the landfill. For example, metal scraps generated from the production of cables and wires are fully recyclable.

In view of the significance of human capital to the Group, the Board has placed the highest priority on social sustainability matters, followed by economic and environmental.

Materiality Matrix

The Materiality Matrix shows the Material Sustainability Matters with their significance to the Group's economic, environmental and social impact and the influence on the stakeholder's assessments and decision:



SUSTAINABILITY STATEMENT (cont'd)

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Sustainability Management

The Sustainability efforts of the Group are set out below.

Economic

We recognise the value brought to our stakeholders by building sustainable relationships with stakeholders and utilising our resources to contribute to economic growth.

The Group's products play an important role in supporting the local economy. As one of the key local microelectronics components suppliers for the automotive as well as industrial sectors, we place high priority on customer engagement with various customer feedback channels in order to ensure our customers are satisfied, not only with our products but also services.

(1) Our Customers

In fulfilling the Group's objective of ensuring that the Group provide one-stop engineering solution to our customers, from the design and development of our automotive and industrial products to the complete design, fabrication and assembly of toolings to ensure high quality performance, the subsidiaries, MTSB and MASSB successfully maintained ISO 9001:2015, ISO 14001: 2015 and IATF 16949: 2016 certifications in the financial year 2019. Consistency in delivering high and acceptable quality products ensure that the Group's products are of high quality, minimising wastages as well as avoiding unnecessary costs associated with product returns.

Product acceptance level is one of the key matrices the management uses to measure the Group's performance in meeting customer's satisfaction. In the financial year 2019 ("FY2019"), the average defective return rate received from customers was below 5 defect parts per million.

(2) Our Suppliers

As a Malaysian entity, the management emphasises in buying from local suppliers. By supporting local suppliers, the management hopes to grow the local vendors' capability and capacity in serving the manufacturing industry as well as strengthening the microelectronics components supply chain. A strong and competitive supply chain will in turn enable the Group to consistently produce high quality products. In addition, with their support, the Group will be in better position to move up the value chain in the long term.

In FY2019, the number of local vendors accounted for 68% [2018: 81%] of the total vendors of the Group.

(3) Business Strategy

On 26 March 2019, JHM entered into a memorandum of understanding ("MOU") with Universal Alloy Corporation Europe ("UACE") to supply metal machining and sub-assembling of aerospace products to UACE for the aerospace sector as well as to collaborate together to create an efficient and effective manufacturing process for machined sub-assembled aerospace components and products.



SUSTAINABILITY STATEMENT (cont'd)

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Sustainability Management (cont'd)

Environmental

We are committed to a holistic approach in incorporating sustainability practices into our daily activities. Metal scraps generated from the production of cables and wires are fully recyclable. The Group's operations do not release harmful emissions into the air or discharge hazardous effluent into the drainage system. By their nature, there are minimal industrial wastes generated from operations which go to the landfill. The Group comply with the sustainability conditions set by our customers, which include not using environmentally harmful raw materials in its products. These environmental-friendly measures have significantly reduced wastage on materials and electricity consumption to a minimum level. We also ensure that our manufacturing factories are certified as an ISO 14001 organisation holder by an international body. We also ensure compliance with the Environmental Quality Act 1994 ("EQA") at all times. In FY2019, none of the Group's subsidiaries was subject to penalties due to non-compliance with EQA.

(1) Wastage and Scraps

In our industry metal scraps are the by-products of production. Thus, the minimisation of metal scraps is one of the primary objectives of the Group in achieving greater production efficiency, lowering production costs, and eventually resulting in higher profitability. While meeting financial objective is essential, a reduction of metal scraps will reduce the energy consumption at the downstream level in scrap recycling.

Non-recyclable production waste are disposed off responsibly through Department Of Environment approved scheduled waste contractors.

The percentage of metal scraps per tonnage of goods produced in the current financial year was 59% [2018: 57%].

(2) Electricity Consumption

The Group's manufacturing process involves the use of machines and equipment that are powered by electricity. In seeking to improve the efficiency of electricity consumption and costs, the management monitors the Group's electricity usage on a monthly basis. The Group seeks to progressively increase automation in production, and inevitably, the consumption of electricity is expected to increase while overall production cost is expected to reduce.

Measures to control electricity use are an important factor in the Group's business sustainability. Apart from financial profitability, an efficient use of electricity energy will result in lesser harm to the environment.

For the financial year 2019, the electricity consumption was 5.04 million kw/mt [2018: 4.44 million kw/mt].

Social

As a responsible manufacturing employer, the Group strives to provide and maintain a safe and healthy workplace for its employees. As a corporate citizen, we are conscious about the impact we have on society.

(1) Employees

We recognise that our employees are key to the success of the Group. In this respect, the Group has always ensured that laws and regulations relating to labour are fully complied with.

i. Training and Learning

To support lifelong learning, employees are provided with training programmes in numerous areas. During the financial year, our employees were trained in the following areas:

- Safety & Health
- Waste Management
- Accounting & Tax rules and regulations
- Quality/Systems Compliance Training

SUSTAINABILITY STATEMENT (cont'd)

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Sustainability Management (cont'd)

Social (cont'd)

(1) Employees (cont'd)

ii. Workforce Diversity

The Group provides equal opportunity for employees to progress in their careers in the Group. Employees are evaluated based on a set of matrices which include performance targets and job dedication.

The Management practices gender neutrality in its hiring practices. The gender representation in the Group as at the end of the financial year is as follows:

	FEMALE	MALE	TOTAL
Management and executive positions	45.36%	54.64%	100%
Other positions	67.40%	32.60%	100%

iii. Employee welfare and motivational activities

The management recognises the importance of employees having a work-life balance. In addition to compliance with employer obligations under the law, employees are celebrated at events such as employee appreciation dinner in conjunction with Labour Day, annual dinner, team building and recreational activities for the employees.

On 15th January 2019, we had hosted a special visit from the former Menteri Besar of Kedah, Yang Amat Berhormat Dato' Seri Haji Mukhriz Bin Tun Mahathir together with other Kedah State Authority. "Sesi minum petang" with employees after factory visit and plaque signing ceremony.



SUSTAINABILITY STATEMENT (cont'd)

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Sustainability Management (cont'd)

Social (cont'd)

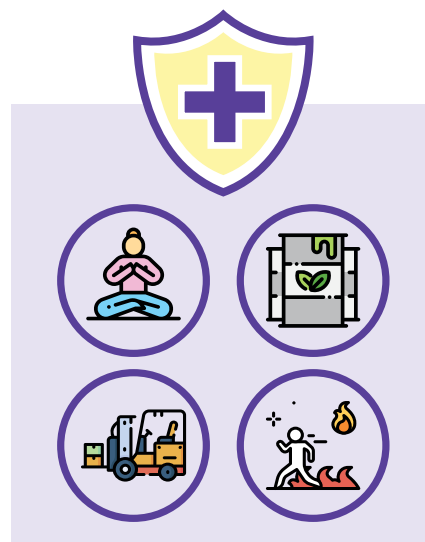
(1) Employees (cont'd)

iv. Safety at Workplace

The Group places a high priority in ensuring a safe and healthy working environment at all its factories. In doing so, the Board ensures that the requirements of Occupation Safety and Health 1994 ("OSHA") are complied with as well as observing good safety and health practices. In FY2019, none of the Group's subsidiaries was subject to penalties due to non-compliance with OSHA.

The key safety and health measures in place in the Group are as follows:

- (a) Appointment of an interim safety officer. The responsibility of the safety officer is to manage matters relating to safety and health. In addition to safety officers, there is a safety committee set up at each factory with the purpose of providing a forum for management and workers to identify and resolve safety and health related issues.
- (b) Ensuring that employees are well aware of the safety and health procedures. The Group provides personal protective equipment to employees in the production areas, which are required to be worn during work.
- (c) Providing adequate training to employees. Safety and health related trainings attended by employees in FY2019 include:
 - Forklift operation
 - Chemical and scheduled waste management
 - Posture at workplace
 - Fire safety and fire drill



(2) Society

i. Contribution to the Community

Being a corporate citizen, we are aware of our responsibilities towards the local society and community. Our contribution continues with our participation and donations in fund raising activities to local charitable organisations. We contribute by sponsoring RM1,000,000 to the Penang Rotary Club Dialysis Centre for a five-year period from 2017-2021.

SUSTAINABILITY STATEMENT (cont'd)

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Sustainability Management (cont'd)

Social (cont'd)

(2) Society (cont'd)

i. Contribution to the Community (cont'd)

We also actively sponsor charitable events as below :

- a. 19th May 2019 – Event sponsor for Charity Giant Teddy Coin Mosaic organised by Penang Adventist Hospital



- b. 28th September 2019 – Platinum sponsor for Charity Light Run organised by Penang Adventist Hospital



- c. 28th April 2019 – Visit of Old Folks programme at Happy Retirement Home, Kepala Batas.
- d. 15th December 2019 – School uniform sponsor for Charity Christmas Party organised by Family Hope Welfare Association.
- e. 22nd September 2019 – Sponsor for Charity Dinner organised by Family Hope Welfare Association.

ii. Internship Programmes

In support of undergraduates from local universities and colleges in gaining practical experience and relevant skills, the Group provides opportunity for undergraduates to undertake their internship programmes within the Group.

In 2019, the Group offered internships for students of universities, colleges and polytechnics from different states of Malaysia, which have benefited a total of 17 students.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(A) INTRODUCTION

The Board of Directors is pleased to provide this Statement on Risk Management and Internal Control. This Statement has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers issued by the Institute of Internal Auditors Malaysia and as adopted by Bursa Malaysia Securities Berhad.

(B) BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the adequacy and effectiveness of the Group's risk management and internal control system. Effective risk management and internal control processes play a key role in the pursuit of the Group's business objectives and sustaining success.

The risk management and internal control system are designed to identify and manage the Group's risk with the acceptable risk profile, rather than to eliminate the risk of failure in achieving the business objectives. Thus, they provide reasonable but not absolute assurance against material misstatement of financial information or losses, contingencies, fraud or any irregularities.

(C) RISK MANAGEMENT FRAMEWORK

The Board has engaged an external consultant to assist the Board in establishing a risk management framework for the Group. Under this framework, risks relevant to the Group were identified and quantified and have been compiled into the risk profiles of the various operating units in the Group.

Relevant business risks and their potential impact and likelihood of crystallisation are evaluated on an ongoing basis by the key executives and senior management. Key risks affecting the Group are deliberated at Board meetings.

The Group's Risk Management Working Group ("RMWG") is responsible to perform a periodic review and assessment. The RMWG consist of the Group Chief Operating Officer, Business Unit Directors and the Department Heads.

The risks are identified and assessed by employing the following methodologies:

- Identification of risks by the process owners
- Assessment of the likelihood and impact of the risks identified
- Evaluating the control strategies in relation to the risks
- Formulating action plan to address control deficiencies
- Setting Key Risk Indicators to monitor the risks

Formal database of risks and controls information arising from the annual risk assessment exercise shall be captured in the format of risk registers. The identified risks are assessed and rated from low, moderate, high to significant depending on the severity of the consequence, the likelihood of its occurrence and financial impact on the Group's cash flow and profit. Thereafter, RMWG and where applicable the owner of the risk profile shall present the Group's Risk Report and updates the Audit Committee and Risk Management Committee annually on the status of the Group's Enterprise Risk Management process, changes in risk profiles and their controls which are in place.

(D) KEY ELEMENTS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The risk management and internal control systems are embedded in the various work processes and procedures of the Group.

The key elements of risk management and controls in place are as follows:

- Authorising Board Committee members to investigate and report on any areas of improvement for the betterment of the Group;
- Conducting in-depth study on major variances and deliberating irregularities at Board meetings and Audit Committee and Risk Management Committee meetings so as to identify the causes and to formulate appropriate solutions;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

(D) KEY ELEMENTS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

The key elements of risk management and controls in place are as follows: (cont'd)

- Delegating necessary authority to the Group Chief Executive Officer in order for him to play a major role as the link between the Board and Senior Management in implementing the Board's expectation of effective system of internal control and managing the Group's various operations;
- Maintaining an organisational chart which sets out each individual's responsibility, authority and reporting lines;
- Ensuring that the Management is informed of the development of action plan for enhancing system of internal control and allowing various management personnel to have access to important information for effective decision-making;
- Senior Management personnel make frequent on-site visits to the business and operating premises so as to acquire a first-hand information on various operational matters and addressing the issues accordingly; and
- Systematic and regular audit on the compliance of ISO14001, ISO9001, IATF16949 AS9100 Rev C and ISO13485 by external quality assurance auditors.

(E) INTERNAL AUDIT FUNCTION

The Board has outsourced the internal audit function to an external consultant. The Board believes that, due to its independence and objectivity, the consultant has provided the Board much assurance about the state of internal controls of the Group. The internal auditors report directly to the Audit Committee and Risk Management Committee.

The internal audit function carries out its internal audit works through a risk-based approach. Based on the risk profile of the Group, the internal audit function prepares its audit plan by focusing on areas of high risk. During the course of carrying out their reviews, full cooperation of the staff and unrestricted access to all information were given to the internal auditors in order to discharge their duties.

During the financial year, the internal auditors carried out reviews on the following areas to assess the adequacy and effectiveness of internal controls and risk management processes:

- Control environment in the purchasing cycle;
- Financial reporting;
- Purchases and account payables; and
- Payment procedures.

The internal auditors noted some weaknesses in the controls, and these together with improvement recommendations have been reported to the Audit Committee and Risk Management Committee. However, none of the weaknesses have resulted in material losses, contingencies or uncertainties to the Group.

The fees paid to the internal auditors in respect of the internal audit functions of the Group for the financial year 2019 amounted to RM33,898.

(F) CONCLUSION

The Board has received assurance from the Group Chief Executive Officer and the Deputy Finance Director that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group.

Overall, the Board and Management are satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives are in place. There are continuing efforts to strengthen the internal control environment taking into consideration the recommendations from the internal auditors.

This statement is made in accordance with the resolution of the Board dated 18 May 2020 and has been reviewed by the External Auditors.

AUDIT COMMITTEE REPORT

FORMATION

The Audit Committee (the "AC") was formed by the Board of Directors on 14 April 2006. The said Committee now known as Audit Committee and Risk Management Committee.

MEMBERS

The AC currently consists of the following members: -

1. Wong Chi Yeng - Chairman
(Independent Non-Executive Director)
2. Lim Chun Thang - Member
(Independent Non-Executive Director)
3. Lai Fah Hin - Member
(Independent Non-Executive Director)

MEETINGS AND ATTENDANCE

During the financial year under review, the AC held four (4) meetings with all the members of the AC attendance as follows: -

Name of AC Members	Number of Meetings Attended	Percentage of Attendance
Wong Chi Yeng	4/4	100%
Lim Chun Thang (appointed on 31 May 2019)	2/2	100%
Lai Fah Hin	3/4	75%
Loh Chye Teik (retired on 31 May 2019)	2/2	100%
Dato' Dr Loh Hock Hun (retired on 31 May 2019)	2/2	100%

The AC meetings were attended by the AC members and Senior Management. The Company Secretaries acted as Secretaries at the meetings to record and maintains minutes for the proceedings of the meetings.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the terms and reference of the AC, the following activities were carried out by AC during the financial year ended 31 December 2019 ("FY2019") in discharging its functions and duties:-

- i. Financial Reporting Oversight
 - a) Reviewed the quarterly unaudited financial results with the finance team and thereafter recommended to the Board for approval, for announcement to Bursa Malaysia Securities Berhad ("Bursa Securities").
- ii. Oversee Activities of External Auditors in dealing with the Group
 - a) Discussed and reviewed the external auditors' audit planning report for the FY2019 outlining their audit team, audit timeline, recent development of the Group, key areas of audit focus, fraud risk, communication of other significant audit matters, updates on accounting standards, and audit fees.
 - b) The AC reviewed the external auditors' findings arising from audits and their recommendation.
 - c) The AC also discussed and reviewed with external auditors the applicability of the new accounting standards and new financial reporting regime issued by the Malaysian Accounting Standards Board.
 - d) The AC reviewed the external auditors' audit completion for the financial year ended 31 December 2018.
 - e) The AC met two times with the external auditors without the presence of the Executive Directors and management staff to discuss any issues of concern to the External Auditors arising from the annual statutory audit.
 - f) The AC reviewed the audit fees of the external auditors for the ensuing year prior to the Board of Directors for approval.
 - g) The AC reviewed and evaluated the performance and independence of the external auditors. The AC was satisfied with the performance and independence of the external auditors and recommended their re-appointment to the Board.

AUDIT COMMITTEE REPORT (cont'd)

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

- iii. Internal Audit ("IA")
 - a) Reviewed the IA plan for the financial year ending 31 December 2020 as tabled by the internal auditors.
 - b) Reviewed IA report from internal auditors and assessed the internal auditors' findings, recommendations together with the management's comments.
- iv. Related Party Transaction
 - a) Reviewed any related party transaction and conflict of interest situation that may arise within the Company and the Group.
- v. Other matters considered by Committee
 - a) Reviewed the Financial Analysis and Debtors Ageing Report prepared by the Management.

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR

a) Financial Reporting

The Audit Committee reviewed the quarterly unaudited financial results of the Company and the Group and made recommendations to the Board for approval and for announcement to Bursa Securities as follows:

Date of meetings	Financial Statements
27 February 2019	Unaudited Fourth Quarter Interim Financial Report for the quarter ended 31 December 2018
31 May 2019	Unaudited First Quarter Interim Financial Report for the quarter ended 31 March 2019
23 August 2019	Unaudited Second Quarter Interim Financial Report for the quarter ended 30 June 2019
28 November 2019	Unaudited Third Quarter Interim Financial Report for the quarter ended 30 September 2019

b) External Auditors

- i) The Audit Committee met twice with the External Auditors on 27 February 2019 and 28 November 2019 respectively without the presence of any Executive Director or Management of the Company to review on the issues relating to financial controls and operational efficiencies of the Company and its subsidiaries arising from the audit.
- ii) On 27 February 2019, the Audit Committee reviewed the External Auditors' Audit Finding Report for the financial year ended 31 December 2018.
- iii) On 27 February 2019, the Audit Committee also evaluated the performance and independence of the External Auditors covering areas such as calibre, quality process/performance, audit team, independence and objectivity, audit scope and planning, audit fees as well as the audit communications of the External Auditors. The Audit Committee having been satisfied with the independence and performance of Messrs Grant Thornton ("GT"), had recommended the re-appointment of GT as External Auditors to the Board for consideration and tabled to the shareholders for approval at the Fourteenth Annual General Meeting.
- iv) On 28 November 2019, the Audit Committee reviewed and evaluated the audit planning memorandum prepared by GT for the financial year ended 31 December 2019 which covered the following subject matters:
 - audit team;
 - audit timeline;
 - recent developments of the Group;
 - key areas of audit focus;
 - fraud risk;
 - communication of other significant audit matters;
 - updates on Malaysian Financial Reporting Standard ("MFRS") for financial period beginning on 1 January 2019 which are relevant to the Group; and
 - proposed audit fees.

AUDIT COMMITTEE REPORT (cont'd)

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

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR (CONT'D)

b) External Auditors (cont'd)

- v) The proposed audit fees for the External Auditors in respect of their audit of the financial statements of the Company and its subsidiaries were analysed and reviewed by the Audit Committee for recommendation to the Board for approval.

c) Internal audit

- i) On 27 February 2019, the Audit Committee evaluated the performance of the internal audit function of the Company covering the adequacy of scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- ii) On 31 May 2019, the Audit Committee reviewed the internal audit report ("IAR") which covering the following scope for Morrissey Technology Sdn. Bhd. ("MTSB") and Morrissey Assembly Solution Sdn. Bhd. ("MASSB"):
 - Control environment in the purchasing cycle;
 - Financial reporting;
 - Purchases and account payables; and
 - Payment.
- iii) On 23 August 2019, the Audit Committee reviewed the risk management report for MTSB and MASSB on the areas of strategic, operations and financial.
- iv) On 28 November 2019, the Audit Committee reviewed the internal audit report which covering the following scope for Mace Instrumentation Sdn. Bhd.:
 - Control environment in the purchasing cycle;
 - Financial reporting;
 - Purchases and account payables; and
 - Payment.

The IAR on audit findings, description, implications, recommendation to improve any weaknesses and the management action plan and comments thereto were tabled to the audit committee for their review and deliberation. The management was invited to attend the meetings as and when necessary to brief the Audit Committee on matters relating to their area of responsibility.

Some weaknesses in the internal control were identified for the year under review and measure have been or are being taken to address these weaknesses. The Internal Auditors monitored the implementation of management's action plan on the outstanding issues through follow up reports to ensure that all key risk and control weaknesses are being properly addressed.

EXECUTIVE SHARE OPTION SCHEME

Executive Share Option Scheme ("ESOS") which had been approved by the shareholders of the Company at an Extraordinary General Meeting held on 24 January 2018 and shall be in force for a duration of five (5) years from 3 April 2018 until 2 April 2023. However, the ESOS may at the absolute discretion of the Board upon the recommendation by the ESOS committee be extended, provided always that the initial ESOS period stipulated above and such extension made pursuant to the By-Laws shall not in aggregate exceed a duration of ten (10) years.

No share options were granted to the employees pursuant to the ESOS during the financial year.

AUDIT COMMITTEE REPORT (cont'd)

INTERNAL AUDIT FUNCTION

The Group has appointed an independent professional firm to carry out internal audit function. In order to act independently from the management, the external consultant will report directly to the Audit Committee and Risk Management Committee and assists the Board in monitoring and reviewing the effectiveness of the risk management, internal control and corporate governance process within the Group.

The independent internal audit function and activities were carried out according to the internal audit plan presented by the external consultant. The internal audit plan is derived based on a risk-based assessment of all units and operations of the Group. The internal audit reports highlight any deficiencies or findings which are discussed with the management and relevant action plans agreed and to be implemented. Significant findings are presented in the Audit Committee and Risk Management Meetings for consideration and reporting to the Board. A follow-up audit review is also conducted to determine whether all audit recommendations are effectively implemented.

Further details on the internal audit function and its activities are set out in the Statement On Risk Management And Internal Control on pages 33 to 34 of this Annual Report.

The Board is of the view that there is no significant breakdown or weaknesses in the systems of internal controls of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

This statement is prepared pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The Directors are required to prepare audited financial statements that give a true and fair view of the state of affairs, including the cash flow and results, of the Group and the Company as at the end of each financial year.

In preparing these financial statements, the Directors have considered the following:-

- The Group and the Company have used appropriate accounting policies, and are consistently applied;
- That reasonable and prudent judgements and estimates were made; and
- That the approved accounting standards in Malaysia have been applied.

The Directors are responsible for ensuring that the Company maintains proper accounting records which disclose with reasonable accuracy of the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the applicable Malaysian Financial Reporting Standards, the International Financial Reporting Standards and the requirements of the Companies Act 2016.

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

This statement is made in accordance with the resolution passed by the Board Of Directors dated 18 May 2020.

ADDITIONAL COMPLIANCE INFORMATION

1. MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE OR MAJOR SHAREHOLDERS' INTEREST

There were no material contracts entered into by the Company and its subsidiaries involving interests of Directors, chief executive who is not a Director or major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

2. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

There was no recurrent related party transactions of a revenue or trading nature during the financial year ended 31 December 2019.

3. UTILISATION OF PROCEEDS

During the financial year, there were no proceed raised by the Company from any corporate exercise.

4. AUDIT FEES

During the financial year ended 31 December 2019, the amount of audit fees payable to external auditors by the Company and the Group respectively were as follow:-

	Audit Fee (RM)
Company	25,000
Group	105,000

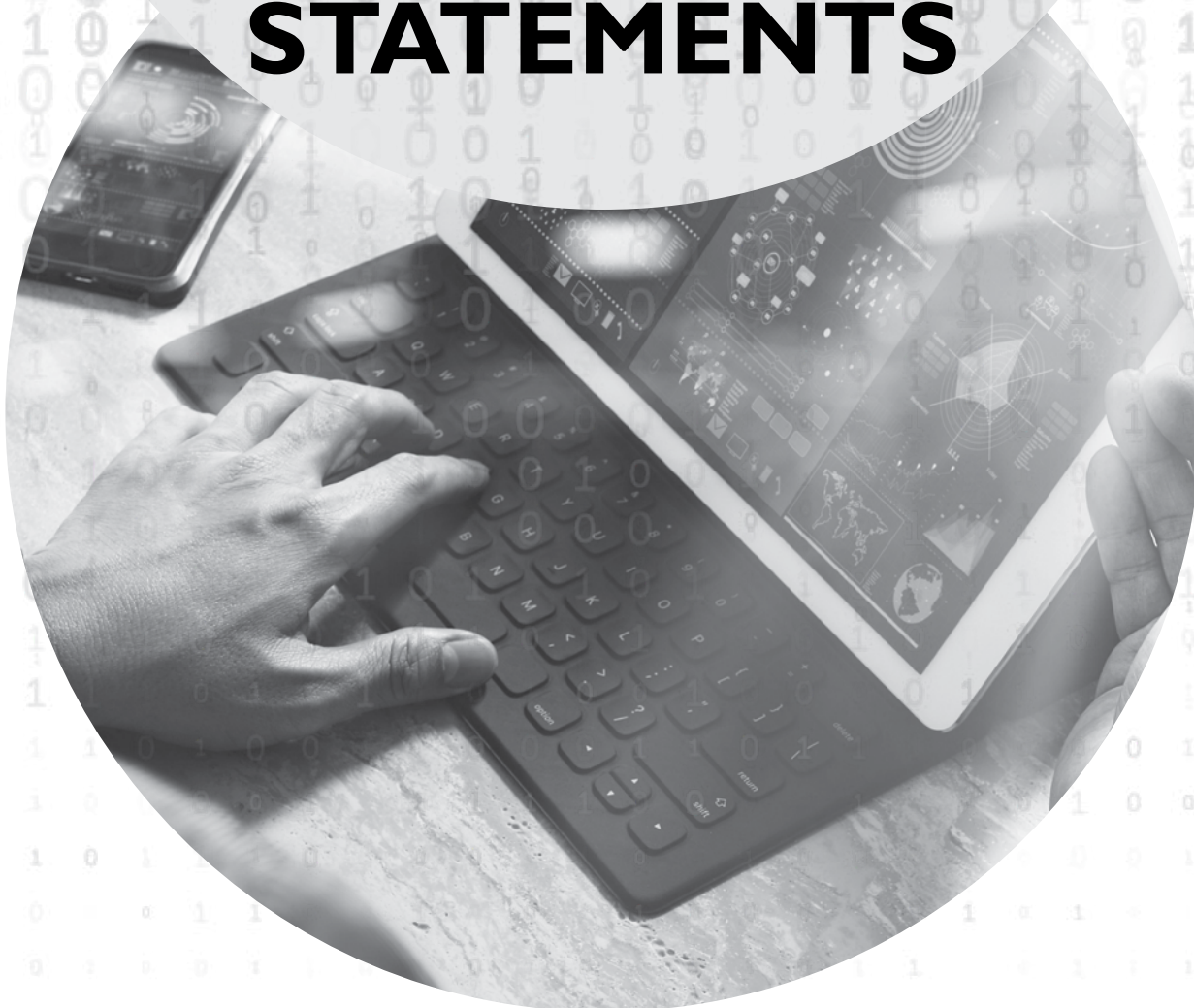
5. NON-AUDIT FEES

During the financial year ended 31 December 2019, the amount of non-audit fees paid/payable to external auditors and its affiliates by the Company and the Group respectively were as follow:-

	Non-Audit Fee * (RM)
Company	7,500
Group	36,100

- * Non-audit services rendered by Grant Thornton and their affiliates for:
- Review statement on risk management and internal control
 - Tax services fee

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DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 December 2019**.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	GROUP RM	COMPANY RM
Profit after tax for the financial year	<u>30,465,658</u>	<u>14,782,312</u>

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 December 2019** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event of a material and unusual nature occurred in the interval between the end of that financial year and the date of this report that is likely to affect substantially the results of the operations of the Group and of the Company for the current financial year.

DIVIDENDS

Since the end of the financial year, the Company has paid the following dividends in respect of the financial year ended 31 December 2019:

- (i) First interim single tier dividend of 0.5 sen per share amounting to RM2,788,000;
- (ii) Second interim single tier dividend of 0.5 sen per share amounting to RM2,788,000; and
- (iii) Third interim single tier dividend of 0.5 sen per share amounting to RM2,788,000.

On 26 February 2020, the Company has declared a fourth interim single tier dividend of 0.5 sen per share amounting to RM2,788,000 in respect of the financial year ended 31 December 2019 which was paid on 31 March 2020.

The directors do not recommend any final dividend payment for the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the notes to the financial statements.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The effective date for the implementation of the Company's ESOS is 3 April 2018 which is the date of full compliance of all relevant requirements of Rule 6.44(1) of ACE Market Listing Requirements of Bursa Securities Malaysia Berhad. The ESOS shall be in force for a period of five (5) years from 3 April 2018 and will expire on 2 April 2023.

There were no options granted during the financial year.

The salient features of the ESOS are disclosed in Note 34 to the financial statements.

DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

DIRECTORS

The directors of the Company in office since the beginning of the financial year to the date of this report are:

Directors of the Company:

Dato' Tan King Seng
Cheah Choon Ghee
Khor Thean Lee
Koh Yew Wah
Wong Chi Yeng
Lai Fah Hin
Lim Chun Thang
Khor Cheng Kwang (appointed on 3.3.20)
Loh Chye Teik (retired on 31.5.19)
Dato' Dr. Loh Hock Hun (retired on 31.5.19)

Directors of the subsidiaries:

Ong Hock Seng
Ooi Yeok Hock (resigned on 8.4.19)
Tan Chin Hong (resigned on 20.6.19)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:

	Number of ordinary shares			
	Balance at 1.1.19	Bought	Sold	Balance at 31.12.19
Direct Interest:				
Dato’ Tan King Seng	192,202,000	-	-	192,202,000
Cheah Choon Ghee	5,830,000	-	-	5,830,000
Khor Thean Lee	119,000	-	-	119,000
Koh Yew Wah	500,000	-	-	500,000
Wong Chi Yeng	30,000	-	-	30,000
Lai Fah Hin	23,000	-	-	23,000
Deemed Interest:				
¹ Dato’ Tan King Seng	14,924,380	-	-	14,924,380
² Cheah Choon Ghee	82,976,652	-	(7,535,200)	75,441,452
³ Lai Fah Hin	14,000	-	-	14,000

¹ Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his substantial shareholdings in First Share Sdn. Bhd..

² Deemed interested pursuant to Section 8 of the Companies Act 2016 by virtue of his substantial shareholdings in Noble Matters Sdn. Bhd..

³ Deemed interested pursuant to Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by spouse.

By virtue of his interests in the shares of the Company, **Dato' Tan King Seng** is also deemed interested in the shares of all the subsidiaries, to the extent that the Company has interests.

DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the directors of the Company are as follows:

	COMPANY RM	SUBSIDIARIES RM	GROUP RM
Salaries, allowance and bonus	12,000	1,796,435	1,808,435
Defined contribution plan	-	280,169	280,169
Fees	150,000	-	150,000
Benefits-in-kind	-	65,750	65,750
	<u>162,000</u>	<u>2,142,354</u>	<u>2,304,354</u>

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling 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 of the Company has received or become entitled to receive any benefit (other than a benefit as disclosed above) by reason of a contract made by the Company or a related corporation with a 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, other than those related party transactions disclosed in the notes to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

No indemnity has been given to or insurance effected for any of the directors, officers or auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.

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

- (i) that would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Company; or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) that would render any amount stated in the financial statements of the Group and of the Company misleading; or
- (iv) that have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

OTHER STATUTORY INFORMATION (cont'd)

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

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

In the opinion of the directors, 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.

PROPOSED TRANSFER OF LISTING TO THE MAIN MARKET

On 31 December 2019, the Company announced that it proposes to undertake a proposed transfer of the listing of and quotation for its entire issued share capital from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad.

On 31 March 2020, the Company announced that the application to the Securities Commission shall be extended for 3 months to 30 June 2020.

EVENT AFTER THE REPORTING PERIOD

Details of event after the reporting period are disclosed in Note 35 to the financial statements.

AUDITORS

The total amount of fees paid to or receivable by the auditors, **Grant Thornton**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 December 2019 are RM105,000 and RM25,000 respectively.

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

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

.....
Dato' Tan King Seng

.....
Koh Yew Wah

Penang,

Date: 18 May 2020

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 51 to 108 are properly 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 December 2019** and of their financial performance and cash flows for the financial year then ended.

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

.....
Dato' Tan King Seng

.....
Koh Yew Wah

Date: 18 May 2020

STATUTORY DECLARATION

I, **Low Soo Kim**, the officer primarily responsible for the financial management of **JHM Consolidation Berhad** do solemnly and sincerely declare that the financial statements set out on pages 51 to 108 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Penang, this **18th**)
day of **May 2020**.)

.....
Low Soo Kim
MIA No. 28242
(I/C No. 780425-07-5252)

Before me,

.....
Goh Suan Bee
No. P125
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To The Members of JHM CONSOLIDATION BERHAD
Company No. 200501009101 (686148-A) (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **JHM Consolidation Berhad**, which comprise the statements of financial position as at **31 December 2019** of the Group and of the Company, and the statements of 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 the accounting policies, as set out on pages 51 to 108.

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 December 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 for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the 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 judgment, 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.

Key Audit Matters	How our audit addressed the Key Audit Matters
Revenue recognition (Note 22 to the financial statements) The revenue recognition from the design, manufacture and assembly of automotive lightning modules, precision miniature engineering metal parts and metal casing depends on the nature of the contractual arrangement with the customer and this could impact the point at which the control is transferred to the customer. The revenue from these activities amounted to RM257 million. We have identified revenue recognition as a key audit matter as there is a risk that revenue maybe incorrectly recognised as different contractual arrangements with customers will result in different timing in which revenue can be recognised.	Our audit procedures in relation to the revenue recognition included: • Evaluating the assessment performed by management on compliance with revenue recognition policies. • Obtaining an understanding of the Group's revenue recognition process and their application and thereafter testing controls on the occurrence of revenue. • Performed analytical procedures on the trend of revenue recognised to identify for any abnormalities. • On sampling basis, we have performed substantive testing to verify that revenue recognition criteria are being properly applied. • Assessing the correct period for the revenue recognised by testing cut-off through assessing sales transactions taking place at either side of the end of reporting period as well as checking credit notes and sales return issued after the reporting date.

INDEPENDENT AUDITORS' REPORT

To The Members of JHM CONSOLIDATION BERHAD (cont'd)
Company No. 200501009101 (686148-A) (Incorporated in Malaysia)

Key Audit Matters (cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment of trade receivables (Refer to Note 10 to the financial statements) The Group has significant trade receivables as at the reporting date and it is subject to credit risk exposure. We focus on this area as deriving the expected credit losses of receivables involves management's judgement and estimates in determining the probability of default occurring by considering the ageing of receivables, historical loss experience and forward-looking information.	Our audit procedures included, amongst others: - Obtaining an understanding of: - the Group's control over the trade receivables' collection process; - how the Group identifies and assesses the loss allowance of trade receivables; and - how the Group makes the accounting estimates for loss allowance. - Reviewing the application of the Group's policy for calculating the expected credit loss against the requirements of MFRS 9. - Reviewing the aging of trade receivables and testing the reliability thereof. - Reviewing subsequent collections for major customers and overdue amounts. - Assessing the estimated future cash flows by examining the historical repayment records, historical loss rate of receivables, information regarding the current creditworthiness and any significant changes in credit quality of the debtors, evidence of subsequent settlements and other relevant information.
Valuation of inventories (Refer to Note 9 to the financial statements) The Group has significant balance of inventories as at 31 December 2019 which exposed the Group to a risk that the inventories may become slow moving or obsolete and eventually non-saleable or selling below their carrying values. Management's judgement and estimation were involved in identifying inventories with net realisable values that are lower than their costs, and obsolescence, with reference to the condition of the inventories, historical and current sales information, as well as the ageing of inventories to identify slow-moving items to ascertain the amount of allowance for inventories.	Our audit procedures included, amongst others: - Obtaining an understanding of: - the Group's inventory management process; - how the Group identifies and assesses inventory write-downs; and - how the Group makes the accounting estimates for inventory write-downs. - Attending inventory counts and reconciling the count results to the inventory listings for completeness. - Reviewing and testing the accuracy of the cost absorption against the underlying documents on a sampling basis. - Reviewing and testing the net realisable value of inventories on a sampling basis. - Examining the perpetual records for inventory movements to identify slow moving items. - Evaluating the consistency of the application of management's methodology for calculating the allowance for inventory write-downs from year to year and assessing the adequacy of the allowance estimated and provided in the financial statements.

INDEPENDENT AUDITORS' REPORT

To The Members of JHM CONSOLIDATION BERHAD (cont'd)
Company No. 200501009101 (686148-A) (Incorporated in Malaysia)

Key Audit Matters (cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
Goodwill impairment assessment (Refer to Note 7 to the financial statements) As at the reporting date, the Group has goodwill which has been allocated to its manufacturing segment as the cash generating unit ("CGU"). The management is required to perform annual impairment assessment for its goodwill. We focus on this area as management's assessment of the 'value in use' of the CGU involves estimation uncertainty and judgements about the future results of the business and key assumptions applied to future cash flows projection.	Our audit procedures in relation to the goodwill impairment assessment included amongst others: - Evaluating the model used in determining the value in use of the CGU. - Challenging the reasonableness of key assumptions such as revenue growth and discount rate applied based on our knowledge of the business and industry. - Comparing actual performance of the CGU to assumptions applied in prior years' model and to assess accuracy of management's estimates. - Performing sensitivity analysis on the key assumptions inputted to the model and understand the impact on the overall carrying value of goodwill with the alterations to the key assumptions. - Assessing the adequacy of disclosures in the financial statements.

There are no key audit matters 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 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 the 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 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.

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.

INDEPENDENT AUDITORS' REPORT

To The Members of JHM CONSOLIDATION BERHAD (cont'd)
Company No. 200501009101 (686148-A) (Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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

- Identify and assess the risks of material misstatement of the financial 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 from 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 and 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 of 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 identify during our audit.

We also provide 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.

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 Matter

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
No. AF: 0042
Chartered Accountants

Penang

Date: 18 May 2020

John Lau Tiang Hua
No. 01107/03/2022 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	NOTE	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	88,440,957	69,194,816	30,778,221	12,959,710
Right-of-use assets	5	2,819,296	-	-	-
Investment in subsidiaries	6	-	-	62,466,000	62,466,000
Goodwill on consolidation	7	21,531,534	21,531,534	-	-
Amount due from subsidiaries	8	-	-	8,047,432	-
		<u>112,791,787</u>	<u>90,726,350</u>	<u>101,291,653</u>	<u>75,425,710</u>
Current assets					
Inventories	9	31,239,260	27,429,946	-	-
Trade receivables	10	103,401,082	96,138,977	-	-
Other receivables, deposits and prepayments	11	3,774,016	3,195,629	115,934	3,262
Amount due from subsidiaries	8	-	-	16,016,000	25,573,908
Tax recoverable		158,032	2,007,800	45,500	17,332
Cash and cash equivalents	12	54,445,821	53,964,425	27,376,140	29,249,500
		<u>193,018,211</u>	<u>182,736,777</u>	<u>43,553,574</u>	<u>54,844,002</u>
TOTAL ASSETS		<u>305,809,998</u>	<u>273,463,127</u>	<u>144,845,227</u>	<u>130,269,712</u>
EQUITY AND LIABILITIES					
Equity attributable to owners of the company					
Share capital	13	113,230,900	113,230,900	113,230,900	113,230,900
Capital reserve	14	(15,956,976)	(15,956,976)	-	-
Retained profits	15	104,147,548	84,833,890	9,540,395	5,910,083
Total equity		<u>201,421,472</u>	<u>182,107,814</u>	<u>122,771,295</u>	<u>119,140,983</u>
Non-current liabilities					
Lease liabilities	5	1,814,213	-	-	-
Borrowings	16	33,678,873	25,822,438	19,824,123	10,089,210
Deferred tax liabilities	17	1,140,973	1,595,696	-	-
		<u>36,634,059</u>	<u>27,418,134</u>	<u>19,824,123</u>	<u>10,089,210</u>
Current liabilities					
Trade payables	18	25,393,922	27,667,428	-	-
Other payables and accruals	19	14,655,831	15,706,832	58,704	112,572
Contract liabilities	20	251,561	-	-	-
Refund liabilities	21	83,627	-	-	-
Lease liabilities	5	672,001	-	-	-
Borrowings	16	24,549,992	18,541,971	2,191,105	926,947
Tax payable		2,147,533	2,020,948	-	-
		<u>67,754,467</u>	<u>63,937,179</u>	<u>2,249,809</u>	<u>1,039,519</u>
Total liabilities		<u>104,388,526</u>	<u>91,355,313</u>	<u>22,073,932</u>	<u>11,128,729</u>
TOTAL EQUITY AND LIABILITIES		<u>305,809,998</u>	<u>273,463,127</u>	<u>144,845,227</u>	<u>130,269,712</u>

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	NOTE	GROUP		COMPANY	
		2019	(Restated) 2018	2019	2018
		RM	RM	RM	RM
Revenue	22	256,791,830	264,714,581	16,704,184	12,106,120
Cost of sales		(195,287,444)	(204,044,473)	-	-
Gross profit		61,504,386	60,670,108	16,704,184	12,106,120
Other income		2,949,013	5,622,397	-	-
Administrative expenses		(22,666,897)	(23,130,342)	(1,054,387)	(1,183,174)
Operating profit		41,786,502	43,162,163	15,649,797	10,922,946
Finance costs		(2,137,331)	(1,273,164)	(644,919)	(116,758)
Profit before tax	23	39,649,171	41,888,999	15,004,878	10,806,188
Tax expense	24	(9,183,513)	(6,491,467)	(222,566)	(242,629)
Net profit, representing total comprehensive income for the financial year		30,465,658	35,397,532	14,782,312	10,563,559
Total comprehensive income attributable to:					
Owners of the Company		30,465,658	35,506,837	14,782,312	10,563,559
Non-controlling interests		-	(109,305)	-	-
		30,465,658	35,397,532	14,782,312	10,563,559
Earnings per share attributable to owners of the Company (sen)					
- Basic/Diluted	25	5.46	6.45		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Attributable to owners of the Company						
NOTE	Non-distributable		Distributable		Non-controlling Interests	Total Equity
	Share Capital RM	Capital Reserve RM	Retained Profits RM	Total RM		
2019						
Balance at beginning	113,230,900	(15,956,976)	84,833,890	182,107,814	-	182,107,814
Total comprehensive income for the financial year	-	-	30,465,658	30,465,658	-	30,465,658
Transactions with owners:						
Dividends	-	-	(11,152,000)	(11,152,000)	-	(11,152,000)
Balance at end	113,230,900	(15,956,976)	104,147,548	201,421,472	-	201,421,472
2018						
Balance at beginning	65,230,900	(276,976)	58,068,246	123,022,170	1,232,112	124,254,282
Total comprehensive income for the financial year	-	-	35,506,837	35,506,837	(109,305)	35,397,532
Transactions with owners:						
Issuance of shares during the year	48,000,000	-	-	48,000,000	-	48,000,000
Acquisition of a subsidiary	-	(15,680,000)	-	(15,680,000)	-	(15,680,000)
Acquisition of non-controlling interests	-	-	(377,193)	(377,193)	(1,122,807)	(1,500,000)
Dividends	-	-	(8,364,000)	(8,364,000)	-	(8,364,000)
Total transactions with owners	48,000,000	(15,680,000)	(8,741,193)	23,578,807	(1,122,807)	22,456,000
Balance at end	113,230,900	(15,956,976)	84,833,890	182,107,814	-	182,107,814

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Share Capital RM	Distributable Retained Profits RM	Total Equity RM
	NOTE			
2019				
Balance at beginning		113,230,900	5,910,083	119,140,983
Total comprehensive income for the financial year		-	14,782,312	14,782,312
<i>Transactions with owners:</i>				
Dividends	26	-	(11,152,000)	(11,152,000)
Balance at end		113,230,900	9,540,395	122,771,295
2018				
Balance at beginning		65,230,900	3,710,524	68,941,424
Total comprehensive income for the financial year		-	10,563,559	10,563,559
<i>Transactions with owners:</i>				
Issuance of shares	13	48,000,000	-	48,000,000
Dividends	26	-	(8,364,000)	(8,364,000)
Total transactions with owners		48,000,000	(8,364,000)	39,636,000
Balance at end		113,230,900	5,910,083	119,140,983

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	39,649,171	41,888,999	15,004,878	10,806,188
Adjustments for:				
Allowance for slow moving inventories				
- (reversal)/addition	(645,367)	1,405,235	-	-
Depreciation of property, plant and equipment	9,257,682	7,167,234	116,188	29,579
Depreciation of right-of-use assets	651,034	-	-	-
Interest expense	2,137,331	1,273,164	644,919	116,758
Interest income	(1,336,269)	(1,260,994)	(1,972,634)	(1,977,420)
Gain on disposal of property, plant and equipment	(175,043)	(37,793)	-	-
Property, plant and equipment written off	9,392	19,682	-	-
Unrealised loss/(gain) on foreign exchange	2,564,997	(2,216,072)	-	-
Operating profit before working capital changes	52,112,928	48,239,455	13,793,351	8,975,105
(Increase)/Decrease in inventories	(3,163,947)	3,046,468	-	-
Increase in receivables	(10,394,001)	(6,955,447)	(112,672)	(2,262)
Decrease in payables	(3,292,312)	(8,585,568)	(53,868)	(60,770)
Increase in refund liabilities	83,627	-	-	-
Increase in contract liabilities	251,561	-	-	-
Cash generated from operations	35,597,856	35,744,908	13,626,811	8,912,073
Income tax paid	(8,365,422)	(8,455,988)	(314,168)	(295,880)
Income tax refunded	703,539	30,656	63,434	-
Interest paid	(2,037,049)	(1,273,164)	(644,919)	(116,758)
Net cash from operating activities	25,898,924	26,046,412	12,731,158	8,499,435
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of non-controlling interests	-	(1,500,000)	-	-
Additions to right-of-use assets	(408,798)	-	-	-
Interest received	1,336,269	1,260,994	1,972,634	996,220
Net cash outflow from acquisition of a subsidiary (Note 6)	-	(3,932,909)	-	-
Purchase of investments in subsidiaries	-	-	-	(1,500,000)
Placement of fixed deposits	(157,177)	(157,686)	-	-
Proceeds from disposals of property, plant and equipment	429,642	131,777	-	-
* Purchase of property, plant and equipment	(24,743,470)	(8,548,401)	(17,934,699)	(1,738,996)
Net cash used in investing activities	(23,543,534)	(12,746,225)	(15,962,065)	(2,242,776)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(11,152,000)	(8,364,000)	(11,152,000)	(8,364,000)
Net drawdown of bankers acceptance	5,194,820	4,474,285	-	-
Net change in subsidiaries' balances	-	-	1,510,476	(3,267,566)
Net drawdown/(repayment) of term loans	10,696,372	(2,487,072)	10,999,071	(233,843)
Payment of hire purchase loans	(6,131,553)	(4,462,871)	-	-
Payment of lease liabilities	(675,600)	-	-	-
Net cash (used in)/from financing activities	(2,067,961)	(10,839,658)	1,357,547	(11,865,409)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS CARRIED FORWARD	287,429	2,460,529	(1,873,360)	(5,608,750)

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

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD	287,429	2,460,529	(1,873,360)	(5,608,750)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(43,683)	185,628	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING	45,235,820	42,589,663	29,249,500	34,858,250
CASH AND CASH EQUIVALENTS AT END	45,479,566	45,235,820	27,376,140	29,249,500
The cash and cash equivalents are represented by:				
Cash and bank balances	54,445,821	53,964,425	27,376,140	29,249,500
Less: Fixed deposits pledged to licensed banks	(5,005,272)	(4,848,095)	-	-
	49,440,549	49,116,330	27,376,140	29,249,500
Bank overdrafts	(3,960,983)	(3,880,510)	-	-
	45,479,566	45,235,820	27,376,140	29,249,500
* Purchase of property, plant and equipment				
Total acquisition cost	28,767,814	32,304,787	17,934,699	12,988,996
Acquired under hire purchase loans	(4,024,344)	(23,756,386)	-	(11,250,000)
Total cash acquisition	24,743,470	8,548,401	17,934,699	1,738,996

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The registered office of the Company is located at 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang, Malaysia.

The principal place of business of the Company is located at 15-1-21, Bayan Point, Medan Kampung Relau, 11900 Bayan Lepas, Penang, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 May 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 applicable 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 unless otherwise indicated in the summary of accounting policies under Note 3.

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 by 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 best economic interest.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency.

2.4 Adoption of Amendments/Improvements to MFRSs

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial years except for the adoption of the following standards that are mandatory for the current financial year:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16 Leases

Amendments to MFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128 Investments 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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of Amendments/Improvements to MFRSs (cont'd)

Effective for annual periods beginning on or after 1 January 2019 (cont'd)

Initial application for the above standards did not have any material impacts to the financial statements of the Group and of the Company upon adoption except for:

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Company is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application.

The effect of adopting MFRS 16 on 1 January 2019 is to increase the Group assets and liabilities as at that date as follows:

Consolidated Statement of Financial Position

	RM
ASSETS	
Non-current assets	
Right-of-use assets	<u>1,878,857</u>
LIABILITIES	
Non-current liabilities	
Lease liabilities	1,386,563
Current liabilities	
Lease liabilities	<u>492,294</u>
	<u>1,878,857</u>

In the previous financial years, the Group has ascertained that leases of factory buildings and equipments were operating leases and therefore payments for the lease rentals were charged out as expense to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Effective for annual periods beginning on or after 1 January 2020

Amendments to References to the Conceptual Framework in MFRS Standards

Amendments to MFRS 3 Business Combinations: Definition of a Business

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material

Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 101, Classification of Liabilities as Current or Non-current

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 12 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standards is not expected to have any material impact to the financial statements of the Group and of the Company upon adoption.

2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.6.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.2 Key sources of estimation uncertainty

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

(i) Useful lives of depreciable assets

Plant and machineries are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the plant and machinery to be within 2 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and machinery.

(ii) Impairment of plant and equipment

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the plant and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

(iii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in assumptions are disclosed in Note 7 to the financial statements.

(iv) Inventories

The management reviews for slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories. The inventories written-down to their net realisable value are disclosed in Note 9 to the financial statements.

(v) Provision for expected credit loss ("ECL") of receivables

The Group uses a provision matrix to calculate ECL for receivables. 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 are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, 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 expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecasted economic conditions. The Group's historical credit loss experience and forecasted of economic conditions may also not be representative of customer's actual default in the future.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

3.1 Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in a subsidiary is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Upon disposal of an investment in a subsidiary, the difference between the net disposal proceed and its carrying amount is recognised in profit or loss.

(ii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Consolidation (cont'd)

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserve.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary 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 comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

<u>Categories</u>	<u>Years</u>
Leasehold land	30 to 37
Freehold office lot	50
Buildings	50
Plant and machinery	2 to 10
Office equipment, furniture and fittings	3 to 10
Electrical installation	10
Renovation	10
Motor vehicles	5

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, Plant and Equipment (cont'd)

Freehold land is not amortised as it has an infinite life.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period 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.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

3.3 Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.4 Leases

As described in Note 2.4 to the financial statements, the Group has applied *MFRS 16 Leases* using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under *MFRS 117* and *IC Interpretation 4*.

Accounting policies applied from 1 January 2019:

The Group assess 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.

As a lessee

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 recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) 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 of factory buildings are depreciated on a straight-line basis over their lease term of 1 to 6 years.

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 3.5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases (cont'd)

(ii) Lease liabilities

At the commencement date of the lease, lease liabilities are recognised and measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease 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 an 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 use 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.

(iii) Short term leases and leases of low-value assets

The Group applies (i) the short-term lease recognition exemption to short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option), and (ii) the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

As a lessor

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 other operating income in the statements of comprehensive income.

Accounting policies applied until 31 December 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.

Finance leases

Leases in terms of which the Group assume substantially all the risks and rewards of ownership, which include hire purchase arrangement, are classified as finance lease.

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 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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases (cont'd)

Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised as expense 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 period in which they are incurred.

3.5 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (except for inventories and non-current assets or disposal groups classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that has indefinite useful life or that are not yet available for use, its recoverable amount is estimated at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset of CGU is the greater of its value in use and its fair value less costs of disposal. To compute 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 or CGU.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment loss recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (groups of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3.6 Financial Instruments

3.6.1 Initial recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial Instruments (cont'd)

3.6.2 Classification and measurement of financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

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

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

However, in the current financial year, the Group does not have any financial assets which are categorised as FVTPL and FVOCI.

Financial assets at amortised cost

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. The Group's and the Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

3.6.3 Impairment of financial assets

Impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss ("ECL") model'. Instruments within the scope of the new requirements include loans, trade and other receivables and other debt-type financial assets measured at amortised cost and financial assets at FVOCI.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring ECL, 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 ECL' are recognised for the first category while 'lifetime ECL' are recognised for the second category.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial Instruments (cont'd)

3.6.3 Impairment of financial assets (cont'd)

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are 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 on a collective basis as they possess shared credit risk characteristics and they are grouped based on the days past due.

3.6.4 Classification and measurement of financial liabilities

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

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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.

3.6.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is currently a legally enforceable 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.

3.6.6 Derecognition

A financial asset or part of it is derecognised, when and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.6.7 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Fair value arising from the issuance of financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw materials and consumables is determined on the first-in, first-out basis.

Cost of work-in-progress and finished goods includes materials, direct labour and attributable production overheads and is determined on the weighted average basis.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.8 Cash and Cash Equivalents

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

3.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

3.10 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to 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 expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3.11 Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods. The Group and the Company have generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Revenue of the Group and of the Company are measured on the following basis:

3.11.1 Sales of electronic components and enclosures

Revenue from sale of electronic components and enclosures encompass automotive light emitting diode ("LED") lighting modules, printed circuit board assemblies ("PCBA"), metal enclosures and high precision aerospace components is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the shipment to the customers.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Revenue Recognition (cont'd)

3.11.1 Sales of electronic components and enclosures (cont'd)

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained only to the extent that it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Some contracts for the sales of metal enclosures provide customers with volume rebates. The volume rebates give rise to variable consideration.

Volume rebates

The Group provides volume rebates to certain customer once the customer had made settlement for goods transferred as specified in the contract. Rebates are offset against future amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the expected value method. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

3.11.2 Interest income

Interest income is recognised on the accrual basis and is calculated using the prevailing effective interest rate.

3.11.3 Dividend income

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

3.11.4 Revenue from lease rental

Rental income is recognised on a straight-line basis over the lease terms.

3.11.5 Contract balances

Contract balances comprise of the closing balances of trade receivables, contract assets and contract liabilities from contracts with customers.

Trade receivables

A receivable represents the Group's right to receive an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

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 satisfies its performance obligation under the contract.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer for which the Group is not entitled, and is measured at the amount to be returned to the customer, such as volume rebates. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period for changes in circumstances.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Employee Benefits

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by 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.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred.

3.13 Income Tax

Income tax expense comprises current 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.

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 period, and any adjustment to tax payable in respect of previous years.

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 in respect of the initial recognition of goodwill and/or the initial recognition of assets or 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 period.

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 period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that are not tax base of assets, are recognised as deferred tax assets to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentives can be utilised.

3.14 Goods and Services Tax ("GST") and Sales and Service Tax ("SST")

GST is a consumption tax based on the 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% in Malaysia. Input tax that a company pays on business purchases is offset against output tax.

Revenue, expenses and assets are recognised net of GST except:

- where the GST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with GST inclusive.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Goods and Services Tax ("GST") and Sales and Service Tax ("SST") (cont'd)

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

The Finance Ministry of Malaysia has zero rated the GST effective from 1 June 2018. The government has replaced the GST with SST which came into effect on 1 September 2018.

The SST has two elements: a service tax that is charged and levied on taxable services provided by any taxable person in Malaysia in the course and furtherance of business, and a single stage sales tax levied on imported and locally manufactured goods, either at the time of importation or at the time the goods are sold or otherwise disposed of by the manufacturer.

The rate for sales tax is fixed at 5% or 10%, while the rate for service tax is fixed at 6%.

3.15 Foreign Currency Translations

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

3.16 Segment Reporting

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

3.17 Share Capital, Share Issuance Costs and Dividends

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared and approved.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.19 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) Has control or joint control over the Group.
 - (ii) Has significant influence over the Group.
 - (iii) Is a member of the key management personnel of the Group or of its ultimate holding company.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group.
 - (ii) One entity is an associate or joint venture of the other entity.
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
 - (vii) A person identified in (a) (i) above has significant influence over the Group or is a member of the key management personnel of the entity.
 - (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

2019

	At cost					
	Balance at beginning RM	Additions RM	Disposals RM	Write offs RM	Reclassification RM	Balance at end RM
Freehold land	8,576,720	-	-	-	-	8,576,720
Leasehold land	10,565,010	4,785,240	-	-	-	15,350,250
Freehold office lot	687,389	-	-	-	-	687,389
Buildings	4,412,276	4,139,753	-	-	-	8,552,029
Plant and machinery	81,081,446	6,213,748	(81,655)	(787,771)	(341,395)	86,084,373
Office equipment, furniture and fittings	7,679,168	1,484,561	(106,985)	(6,340)	550,316	9,600,720
Electrical installation	2,119,744	214,828	-	-	-	2,334,572
Renovation	7,853,039	468,241	-	-	928,676	9,249,956
Motor vehicles	5,389,227	797,107	(987,536)	-	-	5,198,798
Capital work-in-progress	1,268,793	10,664,336	-	-	(1,137,597)	10,795,532
	129,632,812	28,767,814	(1,176,176)	(794,111)	-	156,430,339

	Accumulated depreciation				
	Balance at beginning RM	Current charge RM	Disposals RM	Write offs RM	Balance at end RM
Leasehold land	1,285,053	313,314	-	-	1,598,367
Freehold office lot	136,431	13,748	-	-	150,179
Buildings	29,404	115,855	-	-	145,259
Plant and machinery	45,206,835	6,385,774	(680)	(778,560)	50,813,369
Office equipment, furniture and fittings	4,663,026	852,325	(1,770)	(6,159)	5,507,422
Electrical installation	1,401,023	129,581	-	-	1,530,604
Renovation	4,614,428	595,548	-	-	5,209,976
Motor vehicles	3,101,796	851,537	(919,127)	-	3,034,206
	60,437,996	9,257,682	(921,577)	(784,719)	67,989,382

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP

2019

	Carrying amount RM
Freehold land	8,576,720
Leasehold land	13,751,883
Freehold office lot	537,210
Buildings	8,406,770
Plant and machinery	35,271,004
Office equipment, furniture and fittings	4,093,298
Electrical installation	803,968
Renovation	4,039,980
Motor vehicles	2,164,592
Capital work-in-progress	10,795,532
	88,440,957

Group

2018

	At cost						
	Balance at beginning RM	Additions RM	Acquisition through business combination RM	Disposals RM	Write offs RM	Reclassification RM	Balance at end RM
Freehold land	-	8,576,720	-	-	-	-	8,576,720
Leasehold land	6,315,010	-	4,250,000	-	-	-	10,565,010
Freehold office lot	687,389	-	-	-	-	-	687,389
Buildings	-	4,412,276	-	-	-	-	4,412,276
Plant and machinery	43,093,395	16,436,125	21,646,060	(45,930)	(48,204)	-	81,081,446
Office equipment, furniture and fittings	4,998,944	769,597	2,136,201	-	(225,574)	-	7,679,168
Electrical installation	964,918	213,802	941,024	-	-	-	2,119,744
Renovation	5,109,857	294,521	1,432,266	-	-	1,016,395	7,853,039
Motor vehicles	3,722,030	1,052,229	1,043,415	(428,447)	-	-	5,389,227
Capital work-in- progress	1,735,671	549,517	-	-	-	(1,016,395)	1,268,793
	66,627,214	32,304,787	31,448,966	(474,377)	(273,778)	-	129,632,812

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP

2018

	Accumulated depreciation					
	Balance at beginning RM	Current charge RM	Acquisition through business combination RM	Disposals RM	Write offs RM	Balance at end RM
Leasehold land	694,565	278,667	311,821	-	-	1,285,053
Freehold office lot	122,683	13,748	-	-	-	136,431
Buildings	-	29,404	-	-	-	29,404
Plant and machinery	26,571,095	4,904,179	13,805,970	(44,278)	(30,131)	45,206,835
Office equipment, furniture and fittings	2,791,292	592,048	1,503,651	-	(223,965)	4,663,026
Electrical installation	623,310	103,907	673,806	-	-	1,401,023
Renovation	3,005,362	455,570	1,153,496	-	-	4,614,428
Motor vehicles	1,838,488	789,711	809,712	(336,115)	-	3,101,796
	<u>35,646,795</u>	<u>7,167,234</u>	<u>18,258,456</u>	<u>(380,393)</u>	<u>(254,096)</u>	<u>60,437,996</u>
						Carrying amount RM
Freehold land						8,576,720
Leasehold land						9,279,957
Freehold office lot						550,958
Buildings						4,382,872
Plant and machinery						35,874,611
Office equipment, furniture and fittings						3,016,142
Electrical installation						718,721
Renovation						3,238,611
Motor vehicles						2,287,431
Capital work-in-progress						<u>1,268,793</u>
						<u>69,194,816</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY

	Freehold land RM	Buildings RM	Office equipment, furniture and fittings RM	Capital expenditure in progress RM	Total RM
2019					
At cost					
Balance at beginning	8,576,720	4,412,276	1,750	-	12,990,746
Additions	4,785,240	4,139,753	6,500	9,003,206	17,934,699
Balance at end	13,361,960	8,552,029	8,250	9,003,206	30,925,445
Accumulated depreciation					
Balance at beginning	-	29,404	1,632	-	31,036
Current charge	-	115,855	333	-	116,188
Balance at end	-	145,259	1,965	-	147,224
Carrying amount	13,361,960	8,406,770	6,285	9,003,206	30,778,221
2018					
At cost					
Balance at beginning	-	-	1,750	-	1,750
Additions	8,576,720	4,412,276	-	-	12,988,996
Balance at end	8,576,720	4,412,276	1,750	-	12,990,746
Accumulated depreciation					
Balance at beginning	-	-	1,457	-	1,457
Current charge	-	29,404	175	-	29,579
Balance at end	-	29,404	1,632	-	31,036
Carrying amount	8,576,720	4,382,872	118	-	12,959,710

- (i) The Group's and the Company's freehold land, leasehold land, office lot and buildings are pledged to a licensed bank for banking facilities granted to the Company and certain subsidiaries.
- (ii) The carrying amount of property, plant and equipment acquired and collateralised under hire purchase loans are as follows:

	GROUP	
	2019 RM	2018 RM
Plant and machinery	21,390,853	23,704,362
Motor vehicles	1,791,139	2,084,496
	23,181,992	25,788,858

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group as a lessee

The Group has lease contracts for the rental of factory buildings used in its operations. Leases of factory buildings are between 1 to 3 years, with an option to renew the lease for another 1 to 3 years. The Group also leases certain premises where the lease payments are increased every three years to reflect prevailing market rentals.

The Group also has short term leases of hostel of 12 months and below, and leases of low-value assets such as office equipment. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognised and their movements during the period:

Right-of-use assets

	Factory buildings RM
2019	
Balance at 1 January upon adopting MFRS 16	1,878,857
Additions	1,591,473
Depreciation	<u>(651,034)</u>
Balance at end	<u>2,819,296</u>

Lease liabilities

	RM
2019	
Balance at beginning	1,878,857
Additions	1,182,675
Accretion of interest	100,282
Payments	<u>(675,600)</u>
Balance at end	<u>2,486,214</u>
Represented by:	
Non-current liabilities	1,814,213
Current liabilities	<u>672,001</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

Group as a lessee (cont'd)

The following are the amounts recognised in profit or loss:

	RM
Depreciation expense of right-of-use assets	651,034
Interest expense on lease liabilities	100,282
Lease rentals on lease of low-value assets	21,930
Lease rental on short leases	<u>1,115,889</u>
Total amount recognised in profit or loss	<u>1,889,135</u>

Company as a lessor

The Company has leased part of its factory building to a third party for a period of 1 year. Rental income recognised by the Company for the year is **RM216,750** (2018: RM Nil).

6. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2019	2018
	RM	RM
Unquoted shares, at cost	<u>62,466,000</u>	<u>62,466,000</u>

Details of the subsidiaries, which were all incorporated and domiciled in Malaysia, are as follows:

Name of Company	Effective		Principal Activities
	Equity Interest		
	2019	2018	
Morrissey Technology Sdn. Bhd.	100%	100%	Design and manufacture of precision miniature engineering metal parts and components.
JH Morrissey Sdn. Bhd.	100%	100%	International procurement office.
Morrissey Assembly Solution Sdn. Bhd.	100%	100%	Manufacture and assembly of electronic components using surface-mount technology.
Morrissey Aerosystems Sdn. Bhd. (formerly known as Morrissey Metallurgy Manufacturing Sdn. Bhd.)	100%	100%	Manufacturing of machined metal parts, secondary processes, sub-assemblies and assembly of LED lighting for aerospace industry. Currently, the Company had not commenced operations.
Morrissey Integrated Dynamics Sdn.Bhd.	100%	100%	i) Fabrication of all kinds of tools, equipment and industrial machinery; and ii) Manufacturing of machine metal parts, assembly of LED lighting and sub-assemblies for aerospace industry.
Mace Instrumentation Sdn. Bhd.	100%	100%	Manufacture and assembly of testing measuring equipment.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

2018

- (i) On 9 April 2018, the Company acquired the entire share capital of Mace Instrumentation Sdn. Bhd. ("MISB"), for a purchase consideration of RM48,000,000 which was fully satisfied by the issue of 32,000,000 new ordinary shares at an issue price of RM1.50 per share to the vendors.

Impact of the acquisition of MISB

The effect of the acquisition on the financial results of the Group for the financial year ended 31 December 2018 is as follows:

	RM
Revenue	30,401,720
Cost of sales	(23,883,052)
Gross profit	6,518,668
Other income	1,313,390
Administrative expenses	(3,994,434)
Operating profit	3,837,624
Finance cost	(502,710)
Profit before tax	3,334,914
Tax expense	(950,370)
Increase in Group's profit	2,384,544

The effect of the acquisition on the financial position of the Group as at 31 December 2018 is as follows:

	RM
Property, plant and equipment	18,483,105
Inventories	11,079,124
Receivables	9,177,532
Tax recoverable	586,783
Cash and cash equivalents	1,347,572
Deferred tax liabilities	(705,000)
Borrowings	(15,340,356)
Payables	(9,954,815)
Tax payable	(912,694)
Increase in Group's net assets	13,761,251

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

2018 (cont'd)

Fair value of MISB's assets and liabilities assumed at the date of acquisition on 9 April 2018:

	RM
Property, plant and equipment	13,190,510
Inventories	8,333,391
Receivables	10,071,846
Cash and cash equivalents	88,056
Payables	(9,761,495)
Borrowings	(10,529,606)
Tax recoverable	63,088
Deferred tax liabilities	(667,324)
Share of net identifiable assets	10,788,466
<u>Goodwill arising from acquisition:</u>	
Consideration, satisfied by way of issuance of Company's shares	48,000,000
Fair value adjustment to the shares issued (Note 14)	(15,680,000)
	32,320,000
Less : Fair value of net identifiable assets	(10,788,466)
Goodwill on consideration	21,531,534

Net cash outflow arising from acquisition of a subsidiary:

	RM
Purchase consideration	48,000,000
Less : Consideration, satisfied by way of issuance of Company's shares	(48,000,000)
Less : Cash and cash equivalents	
- Cash and bank balances	88,056
- Bank overdraft	(4,020,965)
	(3,932,909)
Cash and cash equivalents	(3,932,909)

- (ii) On 28 February 2018, the Company acquired the remaining 1,000,000 ordinary shares in Morrissey Integrated Dynamics Sdn. Bhd. ("MIDSB") for a total cash consideration of RM1,500,000. Prior to the above acquisition MIDSB was a 60% owned subsidiary of the Company.

The carrying amount of the non-controlling interests acquired as at the date of acquisition was RM1,122,807. The difference between the consideration and the book value of the interest acquired was RM377,193 and is reflected in equity as premium paid on acquisition of non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

7. GOODWILL ON CONSOLIDATION

The goodwill is allocated to the Group's cash-generating units ("CGUs") identified as follows:

	GROUP	
	2019	2018
	RM	RM
Arising from acquisition of a subsidiary	21,531,534	21,531,534

Management has assessed the recoverable amount of goodwill based on value-in-use calculations determined by discounting future cash flows generated from use of the CGUs covering a period of 5 years and having considered the terminal value of the CGUs.

The key assumptions on which the management has based on for the computation of value-in-use are as follows:

- (i) Cash flow projections and growth rate
The cash flow projections is based on a detailed budget covering 3 years approved by the management and extrapolated using a steady growth rate of **5.4%** (2018: 18.0%) for the remaining period.
- (ii) Pre-tax discount rate
The pre-tax discount rate of **13.10%** (2018: 7.48%) is applied to the cash flow projections, which is based on the weighted average cost of capital of the Group adjusted to reflect the specific risks relating to the relevant business segments.

Sensitivity to changes in key assumptions

The management believes that any reasonable change in the key assumptions would not cause the recoverable amounts of the CGUs to differ materially from their carrying amounts except for changes in prevailing operating environment which is not ascertainable.

8. AMOUNT DUE FROM SUBSIDIARIES

	COMPANY	
	2019	2018
	RM	RM
Non-current:		
Interest bearing at 4% (2018: Nil) per annum	7,528,875	-
Non-interest bearing	518,557	-
	8,047,432	-
Current:		
Interest bearing at 4% (2018: 4%) per annum	15,400,000	24,530,000
Non-interest bearing	616,000	1,043,908
	16,016,000	25,573,908

The amount due from subsidiaries is non-trade related, unsecured and classified based on the expected timing of realisation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

9. INVENTORIES

	GROUP	
	2019	2018
	RM	RM
Raw materials	16,420,309	14,650,150
Work-in-progress	6,127,021	4,838,106
Finished goods	6,421,450	7,393,725
Consumables	647,231	547,965
Goods-in-transit	1,623,249	-
	31,239,260	27,429,946
Cost of inventories recognised in profit or loss:		
Inventories recognised as cost of sales	195,932,811	202,639,238
Allowance for slow moving inventories		
- Net (reversal)/addition	(645,367)	1,405,235

The reversal of allowance for slow moving inventories was made during the year when the related inventories were sold above their carrying amounts.

10. TRADE RECEIVABLES

The currency profile of trade receivables is as follows:

	GROUP	
	2019	2018
	RM	RM
Ringgit Malaysia	16,631,802	21,604,591
US Dollar	86,769,280	74,534,386
	103,401,082	96,138,977

The trade receivables are non-interest bearing and are generally on **30 to 150 days** (2018: 30 to 150 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM	RM	RM	RM
Other receivables	179,192	155,318	2,250	-
Refundable deposits	1,051,707	983,412	1,000	1,000
Deposits for purchase of machinery	636,004	-	-	-
Prepayment for purchase of raw materials	214,314	-	-	-
Others prepayments	1,500,347	1,002,300	112,542	2,120
GST claimable	192,452	1,054,599	142	142
	3,774,016	3,195,629	115,934	3,262

The currency profile of other receivables, deposits and prepayments is as follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM	RM	RM	RM
Ringgit Malaysia	3,200,875	3,193,547	115,934	3,262
Euro	239,636	-	-	-
Japanese Yen	200,532	-	-	-
US Dollar	117,738	2,082	-	-
Singapore Dollar	15,235	-	-	-
	3,774,016	3,195,629	115,934	3,262

12. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM	RM	RM	RM
Unencumbered:				
Repo	3,802,529	603,000	-	-
Short term funds with licensed financial institutions	33,546,609	29,066,112	23,646,609	29,066,112
Cash and bank balances	12,091,411	19,447,218	3,729,531	183,388
	49,440,549	49,116,330	27,376,140	29,249,500
Encumbered:				
Fixed deposits with licensed banks	5,005,272	4,848,095	-	-
	54,445,821	53,964,425	27,376,140	29,249,500

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

12. CASH AND CASH EQUIVALENTS (CONT'D)

The currency profile of cash and cash equivalents is as follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM	RM	RM	RM
Ringgit Malaysia	47,768,527	50,571,684	27,376,140	29,249,500
US Dollar	6,677,065	3,392,506	-	-
Others	229	235	-	-
	54,445,821	53,964,425	27,376,140	29,249,500

The encumbered fixed deposits are pledged to licensed banks for banking facilities granted to certain subsidiaries.

Short term funds with licensed financial institutions of the Group and of the Company are primarily invested in a mixture of money market instruments with different maturity period.

The effective interest rates per annum of the cash and cash equivalents at the end of the reporting period are as follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
	%	%	%	%
Repo	2.90	2.70	-	-
Short term placements with licensed financial institutions	3.14 to 3.18	3.73	3.14	3.73
Fixed deposits with licensed banks	2.85 to 3.35	3.10 to 3.35	-	-

13. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2019	2018	2019	2018
			RM	RM
Issued and fully paid:				
Balance at beginning	557,600,000	262,800,000	113,230,900	65,230,900
Allotment pursuant to:				
- ¹ Share split	-	262,800,000	-	-
- ² Issuance ²	-	32,000,000	-	48,000,000
Balance at end	557,600,000	557,600,000	113,230,900	113,230,900

¹ Share split of one (1) share into two (2) shares.

² Allotment of 32,000,000 new shares at an issue price of RM1.50 per share as satisfaction for the purchase consideration of RM48,000,000 for the acquisition of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

14. CAPITAL RESERVE

	GROUP	
	2019	2018
	RM	RM
Balance at beginning	15,956,976	276,976
Addition	-	15,680,000
Balance at end	15,956,976	15,956,976
Represented by:		
- premium paid to non-controlling interests to acquire additional equity interest in an existing subsidiary	276,976	276,976
- fair value adjustment on shares issued for the acquisition of a subsidiary (Note 6)	15,680,000	15,680,000
	15,956,976	15,956,976

15. RETAINED PROFITS

COMPANY

The franking of dividends of the Company is under the single tier system and therefore, there is no restrictions on the Company to distribute dividends subject to the availability of retained profits.

16. BORROWINGS

	GROUP	
	2019	2018
	RM	RM
Non-current liabilities		
Secured:		
* <u>Hire purchase loans</u>		
Minimum payments:		
Within 1 year	6,202,588	6,801,494
Later than 1 year but not later than 2 years	5,605,541	5,392,215
Later than 2 years but not later than 5 years	7,944,594	10,169,182
	19,752,723	22,362,891
Future finance charges	(1,796,322)	(2,299,281)
	17,956,401	20,063,610
Amount due within 1 year under current liabilities	(5,365,733)	(5,835,439)
	12,590,668	14,228,171
<u>Term loans</u>		
Total amount repayable	23,518,945	12,822,573
Amount due within 1 year under current liabilities	(2,430,740)	(1,228,306)
	21,088,205	11,594,267
	33,678,873	25,822,438

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

16. BORROWINGS (CONT'D)

	GROUP	
	2019	2018
	RM	RM
Current liabilities		
Secured:		
Bank overdraft	3,960,983	3,880,510
Bankers acceptance	12,792,536	7,597,716
* <u>Hire purchase loans</u>	5,365,733	5,835,439
Term loans	2,430,740	1,228,306
	<u>24,549,992</u>	<u>18,541,971</u>
Total borrowings	<u>58,228,865</u>	<u>44,364,409</u>

* In the previous financial year, this was described as finance lease liabilities.

	COMPANY	
	2019	2018
	RM	RM
Non-current liabilities		
Secured:		
<u>Term loans</u>		
Total amount repayable	22,015,228	11,016,157
Amount due within 1 year under current liabilities	(2,191,105)	(926,947)
	<u>19,824,123</u>	<u>10,089,210</u>
Current liabilities		
Secured:		
Term loans	2,191,105	926,947
Total borrowings	<u>22,015,228</u>	<u>11,016,157</u>

The borrowings (except for hire purchase loans) of certain subsidiaries are secured by way of:

- (i) A facility agreement;
- (ii) A first party first legal charge over the leasehold land and freehold office lot of certain subsidiaries;
- (iii) A first party legal charge over the freehold land and buildings of the Company;
- (iv) Open All Monies Facilities Agreement;
- (v) Pledge of fixed deposits of a subsidiary company;
- (vi) A third party first fixed charge over the properties of a company in which a director of the Company has substantial financial interest; and
- (vii) Corporate guarantees of the Company.

The hire purchase loans are secured over the corresponding assets acquired (Note 4), and corporate guarantees of the Company and a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

16. BORROWINGS (CONT'D)

A summary of the effective interest rates and maturities of the borrowings is as follows:

GROUP	Average effective interest rate per annum (%)	Total RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM	More than 5 years RM
2019						
Bank overdraft	6.70 to 6.75	3,960,983	3,960,983	-	-	-
Bankers acceptance	4.35 to 4.70	12,792,536	12,792,536	-	-	-
Hire purchase loans	2.34 to 6.15	17,956,401	5,365,733	5,036,512	7,554,156	-
Term loans	3.90 to 4.60	23,518,945	2,430,740	2,484,749	7,805,108	10,798,348
2018						
Bank overdraft	6.95	3,880,510	3,880,510	-	-	-
Bankers acceptance	4.87 to 5.05	7,597,716	7,597,716	-	-	-
Hire purchase loans	2.26 to 3.33	20,063,610	5,835,439	4,788,397	9,439,774	-
Term loans	4.55 to 7.00	12,822,573	1,228,306	1,205,397	4,225,446	6,163,424
COMPANY						
2019						
Term loans	3.90 to 4.30	22,015,228	2,191,105	2,233,840	6,979,425	10,610,858
2018						
Term loans	4.55	11,016,157	926,947	969,412	3,182,926	5,936,872

17. DEFERRED TAX LIABILITIES

	GROUP	
	2019 RM	2018 RM
Deferred tax assets:		
Balance at beginning	-	108,000
Transfer to profit or loss	-	(120,000)
	-	(12,000)
Under provision in prior year	-	12,000
Balance at end	-	-
Deferred tax liabilities:		
Balance at beginning	(1,595,696)	(788,731)
Acquisition of a subsidiary	-	(667,324)
Transfer from profit or loss	(649,649)	(331,965)
	(2,245,345)	(1,788,020)
Over provision in prior year	1,104,372	192,324
Balance at end	(1,140,973)	(1,595,696)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

17. DEFERRED TAX LIABILITIES (CONT'D)

The components of deferred tax liabilities of the Group as at the end of the reporting period are as follows:

	GROUP	
	2019	2018
	RM	RM
Liabilities		
Property, plant and equipment	(1,234,564)	(1,636,000)
Inventories	41,559	40,304
Others	52,032	-
	<u>(1,140,973)</u>	<u>(1,595,696)</u>

18. TRADE PAYABLES

The currency profile of trade payables is as follows:

	GROUP	
	2019	2018
	RM	RM
Ringgit Malaysia	10,493,690	11,137,679
US Dollar	14,646,532	16,344,463
Singapore Dollar	178,339	136,197
Euro	69,922	-
Taiwan Dollar	5,439	35,583
Others	-	13,506
	<u>25,393,922</u>	<u>27,667,428</u>

Included in trade payables is an amount of **RM359,718** (2018: RM194,474) due to a company in which certain directors of the Company have substantial financial interest.

The trade payables are non-interest bearing and are normally settled within **30 to 180 days** (2018: 30 to 120 days) credit terms.

19. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM	RM	RM	RM
Other payables	8,575,110	7,471,902	15,704	57,572
Accruals	6,080,721	8,234,930	43,000	55,000
	<u>14,655,831</u>	<u>15,706,832</u>	<u>58,704</u>	<u>112,572</u>

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

19. OTHER PAYABLES AND ACCRUALS (CONT'D)

GROUP

Included in other payables is an amount of **RM662,090** (2018: RM662,090) due to a director of a subsidiary.

The currency profile of other payables and accruals is as follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM	RM	RM	RM
Ringgit Malaysia	14,403,372	14,955,464	58,704	112,572
US Dollar	140,499	607,153	-	-
Thai Baht	-	63,503	-	-
Singapore Dollar	57,301	35,110	-	-
Others	54,659	45,602	-	-
	14,655,831	15,706,832	58,704	112,572

20. CONTRACT LIABILITIES

	GROUP	
	2019	2018
	RM	RM
Deposits due from customers upon placing sales orders as at the reporting period	251,561	-

Contract liabilities comprised of deposits received and/or receivable from customers for manufacturing orders.

When the Group receives or has a right to a deposit before the production commences, this will give rise to contract liabilities at the start of a contract. The deposit will be reversed and recognised as revenue upon satisfying the performance obligation within the contract.

The consideration due from customers is expected to be settled within one year.

21. REFUND LIABILITIES

	GROUP	
	2019	2018
	RM	RM
Arising from volume rebates	83,627	-

Refund liabilities is in respect of volume rebates given to a customer who is entitled to the rebate once the settlement has been made for goods purchased. The rebates will be offset against future amounts payable by the customer.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

22. REVENUE

Disaggregated revenue information

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM	RM	RM	RM
Sales of goods	255,519,601	263,718,361	-	-
Interest income	1,055,479	996,220	1,972,634	1,977,420
Rental income	216,750	-	731,550	128,700
Gross dividend income from subsidiaries	-	-	14,000,000	10,000,000
Total revenue from contracts with customers	256,791,830	264,714,581	16,704,184	12,106,120

Geographical markets

Malaysia	104,012,878	117,647,163	16,704,184	12,106,120
United States of America	121,498,788	115,468,887	-	-
Other Asian countries	31,011,732	30,149,354	-	-
United Kingdom	-	1,417,357	-	-
Europe	252,000	-	-	-
Oceania	16,432	31,820	-	-
Total revenue	256,791,830	264,714,581	16,704,184	12,106,120

Performance obligations

Performance obligations of respective revenue is disclosed in Note 3.11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

23. PROFIT BEFORE TAX

This is arrived at:

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM	RM	RM	RM
After charging:				
Allowance for slow moving inventories				
- (reversal)/addition	(645,367)	1,405,235	-	-
Auditors' remuneration				
- statutory audit				
- current year	105,000	104,000	25,000	25,000
- (over)/under provision in prior year	(14,180)	3,000	-	-
- other services	3,000	5,600	3,000	5,600
¹ Emoluments for non-executive directors	162,000	163,000	162,000	163,000
Depreciation				
- property, plant and equipment	9,257,682	7,167,234	116,188	29,579
- right-of-use assets	651,034	-	-	-
Interest expense on:				
- bank overdraft	113,515	140,185	-	-
- bankers acceptance	170,807	241,521	-	-
- hire purchase loans	1,026,406	672,340	-	-
- lease liabilities	100,282	-	-	-
- term loans	726,100	218,642	644,919	116,758
- others	221	476	-	-
Property, plant and equipment written off	9,392	19,682	-	-
Realised loss on foreign exchange	58,031	54,192	-	-
Lease rental of low-value asset	21,930	23,790	-	-
Lease rental of short leases	1,115,889	1,572,337	-	-
² Staff costs	38,669,185	42,832,555	-	-
Unrealised loss on foreign exchange	2,564,997	-	-	-
And crediting:				
Gain on disposal of property, plant and equipment	175,043	37,793	-	-
Interest income	280,790	264,774	-	-
Realised gain on foreign exchange	2,302,708	1,959,217	-	-
Unrealised gain on foreign exchange	-	2,216,072	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

23. PROFIT BEFORE TAX (CONT'D)

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM	RM	RM	RM
¹ Emoluments for non-executive directors				
Present non-executive directors				
- Fee	120,000	152,000	120,000	152,000
- Allowance	9,000	11,000	9,000	11,000
	129,000	163,000	129,000	163,000
Past non-executive directors				
- Fee	30,000	-	30,000	-
- Allowance	3,000	-	3,000	-
	33,000	-	33,000	-
	162,000	163,000	162,000	163,000
² Staff costs				
- Salaries, allowance, bonus and wages	34,479,801	38,604,156	-	-
- EPF	3,702,903	3,750,692	-	-
- SOCSO	439,201	429,043	-	-
- EIS	47,280	48,664	-	-
	38,669,185	42,832,555	-	-

Directors' remuneration

Included in the staff costs are Directors' emoluments as shown below:

	GROUP		COMPANY	
	2019	2018	2019	2018
	RM	RM	RM	RM
Executive directors of the Company:				
- Salary, allowances and bonus	1,796,435	1,897,077	-	-
- EPF	280,169	322,883	-	-
	2,076,604	2,219,960	-	-
Benefits-in-kind	65,750	59,981	-	-
	2,142,354	2,279,941	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

24. TAX EXPENSE

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Malaysian income tax:				
Based on results for the financial year				
- Current tax	(10,699,000)	(7,211,600)	(222,000)	(236,000)
- Deferred tax relating to the origination and reversal of temporary differences	(649,649)	(451,965)	-	-
	(11,348,649)	(7,663,565)	(222,000)	(236,000)
Over/(Under) provision in prior year				
- Current tax	1,060,764	967,774	(566)	(6,629)
- Deferred tax	1,104,372	204,324	-	-
	2,165,136	1,172,098	(566)	(6,629)
	(9,183,513)	(6,491,467)	(222,566)	(242,629)

The reconciliation of tax expense of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax	39,649,171	41,888,999	15,004,878	10,806,188
Income tax at Malaysian statutory tax rate of 24%	(9,515,801)	(10,053,360)	(3,601,171)	(2,593,485)
Income not subject to tax	422,008	4,685,299	3,607,319	2,664,103
Expenses not deductible for tax purposes	(1,699,240)	(1,957,159)	(228,148)	(306,618)
Utilisation of reinvestment allowance	513,918	-	-	-
Deferred tax movements not recognised	(1,069,534)	(338,345)	-	-
	(11,348,649)	(7,663,565)	(222,000)	(236,000)
Over/(Under) provision in prior year	2,165,136	1,172,098	(566)	(6,629)
	(9,183,513)	(6,491,467)	(222,566)	(242,629)

GROUP

The net deferred tax assets not recognised as at the end of the reporting period are in respect of the following:

	2019 RM	2018 RM
Property, plant and equipment	91,000	(52,000)
Unabsorbed tax losses	(761,000)	(71,000)
Unabsorbed capital allowances	(677,000)	(246,000)
Unabsorbed reinvestment allowance	(159,000)	(69,000)
	(1,506,000)	(438,000)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

24. TAX EXPENSE (CONT'D)

The amount and future availability of unabsorbed tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowance for which the related tax effects have not been accounted for at the end of the reporting period are estimated at **RM3,172,000** (2018: RM297,000), **RM2,821,000** (2018: RM1,025,000) and **RM663,000** (2018: RM286,000) respectively.

The unabsorbed tax losses and unabsorbed reinvestment allowance can be carried forward for seven consecutive years of assessment under the following conditions :

- (i) Unabsorbed tax losses as at 31 December 2018 will expire in the financial year ending 31 December 2025, and current tax loss incurred after 31 December 2018 will expire at the end of the seventh consecutive year of assessment from the financial year which it is incurred.
- (ii) Unabsorbed reinvestment allowance will expire at the end of the seventh consecutive year of assessment commencing immediately after the expiry of the reinvestment allowance claim eligibility period of 15 years in the financial year ending 31 December 2032.

The expiry of the unabsorbed tax losses is as follows:

	GROUP	
	2019	2018
	RM	RM
Year of assessment 2025	297,000	297,000
Year of assessment 2026	2,875,000	-
	3,172,000	297,000

25. EARNINGS PER SHARE

GROUP

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	2019	(Restated) 2018
Profit attributable to owners of the Company (RM)	30,465,658	35,506,837
Weighted average number of ordinary shares in issue	557,600,000	550,410,959 *
Basic earnings per share (sen)	5.46	6.45

* The basic earnings per share has been revised to 6.45 sen from 6.84 sen as reported previously due to an error in ascertaining the weighted average number of ordinary shares in issue.

(b) Diluted earnings per share

There is no diluted earnings per share as the Company has not issued or granted any convertible financial instruments as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

26. DIVIDENDS

	2019 RM	2018 RM
In respect of financial year ended 31 December 2019:		
- First interim single tier dividend of 0.5 sen per share	2,788,000	-
- Second interim single tier dividend of 0.5 sen per share	2,788,000	-
- Third interim single tier dividend of 0.5 sen per share	2,788,000	-
In respect of financial year ended 31 December 2018:		
- First interim single tier dividend of 0.5 sen per share	-	2,788,000
- Second interim single tier dividend of 0.5 sen per share	-	2,788,000
- Third interim single tier dividend of 0.5 sen per share	-	2,788,000
- Fourth interim single tier dividend of 0.5 sen per share	2,788,000	-
	11,152,000	8,364,000

On 26 February 2020, the Company has declared a fourth interim single tier dividend of 0.5 sen per share amounting to RM2,788,000 in respect of the financial year ended 31 December 2019 which was paid on 31 March 2020. This dividend will be accounted for in the next financial year.

27. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Contracted but not provided for:				
- Renovation of factory building	1,656,237	-	1,656,237	-
- Purchase of machinery	6,189,377	364,000	-	-
	7,845,614	364,000	1,656,237	-

28. RELATED PARTY DISCLOSURES

(i) Identity of related parties

The Company has related party relationship with its subsidiaries, key management personnel, and the following party:

Related party	Relationship
E2E Technology Sdn. Bhd. ("E2E")	A company in which certain directors of the Company have substantial financial interest.

(ii) Related party transactions

	GROUP	
	2019 RM	2018 RM
Transaction with related party E2E:		
- Purchases of inventories	(906,826)	-
- Sub-con charges	(272,578)	-
* Proceeds from the disposal of a motor vehicle to a former director of a subsidiary	1	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

28. RELATED PARTY DISCLOSURES (CONT'D)

(ii) Related party transactions (cont'd)

	COMPANY	
	2019 RM	2018 RM
Transaction with subsidiaries:		
- Dividend income received	14,000,000	10,000,000
- Intercompany loan interest income received	917,155	981,200
- Rental income received	514,800	128,700

* The disposal represents a benefit-in-kind provided to the former director of a subsidiary as appreciation for his long services to the Group. The market value of the motor vehicle is assessed at **RM91,000** (2018: RM Nil).

(iii) Compensation of key management personnel

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

The remuneration of directors and other members of key management during the financial year is as follows:

	GROUP		COMPANY	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries and other short-term employee benefits	3,369,165	4,015,499	162,000	163,000
Defined contribution plan	444,847	550,498	-	-
Benefits-in-kind	190,045	109,150	-	-
	4,004,057	4,675,147	162,000	163,000
Analysed as:				
Directors	2,304,354	2,442,941	162,000	163,000
Other key management personnel	1,699,703	2,232,206	-	-
	4,004,057	4,675,147	162,000	163,000

29. OPERATING SEGMENT

Operating segment is presented in respect of the Group's business segments. The primary format and business segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business Segments

The Group comprises the following main business segments:

- (i) Electronic products Manufacturing and assembling of light emitting diode ("LED") lighting modules, printed circuit board assemblies ("PCBA"), metal enclosures and high precision aerospace components.
- (ii) Investment holding Investment holding.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

29. OPERATING SEGMENT (CONT'D)

By business segments

2019

	Electronic products RM	Investment holding RM	Elimination RM	Note	Total RM
Revenue					
External customers	255,519,601	1,272,229	-		256,791,830
Inter-segment revenue	-	15,431,955	(15,431,955)	A	-
Total revenue	<u>255,519,601</u>	<u>16,704,184</u>	<u>(15,431,955)</u>		<u>256,791,830</u>
Results					
Segment results	40,822,461	13,677,163	(14,049,391)		40,450,233
Interest income	280,790	1,972,634	(917,155)		1,336,269
Interest expense	(2,409,567)	(644,919)	917,155		(2,137,331)
Profit before tax	38,693,684	15,004,878	(14,049,391)		39,649,171
Tax expense	(8,960,947)	(222,566)	-		(9,183,513)
Net profit, representing total comprehensive income for the financial year	<u>29,732,737</u>	<u>14,782,312</u>	<u>(14,049,391)</u>		<u>30,465,658</u>
Assets					
Segment assets	175,111,231	138,955,121	(62,860,207)		251,206,145
Tax recoverable	112,532	45,500	-		158,032
Cash and bank balances	27,069,681	27,376,140	-		54,445,821
Total assets	<u>202,293,444</u>	<u>166,376,761</u>	<u>(62,860,207)</u>		<u>305,809,998</u>
Liabilities					
Segment liabilities	67,116,898	58,704	(24,304,447)		42,871,155
Borrowings	36,213,637	22,015,228	-		58,228,865
Deferred tax liabilities	1,140,973	-	-		1,140,973
Tax payable	2,147,533	-	-		2,147,533
Total liabilities	<u>106,619,041</u>	<u>22,073,932</u>	<u>(24,304,447)</u>		<u>104,388,526</u>
Other segment information					
Capital expenditure	10,833,115	17,934,699	-	B	28,767,814
Depreciation	9,792,528	116,188	-		9,908,716
Non-cash income other than depreciation	1,753,979	-	-	C	1,753,979

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

29. OPERATING SEGMENT (CONT'D)

By business segments

2018

	Electronic products RM	Investment holding RM	Elimination RM	Note	Total RM
Revenue					
External customers	263,718,361	996,220	-		264,714,581
Inter-segment revenue	-	11,109,900	(11,109,900)	A	-
Total revenue	<u>263,718,361</u>	<u>12,106,120</u>	<u>(11,109,900)</u>		<u>264,714,581</u>
Results					
Segment results	42,955,643	8,945,526	(10,000,000)		41,901,169
Interest income	264,774	1,977,420	(981,200)		1,260,994
Interest expense	(2,137,606)	(116,758)	981,200		(1,273,164)
Profit before tax	41,082,811	10,806,188	(10,000,000)		41,888,999
Tax expense	(6,248,838)	(242,629)	-		(6,491,467)
Net profit, representing total comprehensive income for the financial year	<u>34,833,973</u>	<u>10,563,559</u>	<u>(10,000,000)</u>		<u>35,397,532</u>
Assets					
Segment assets	182,996,395	122,534,415	(88,039,908)		217,490,902
Tax recoverable	1,990,468	17,332	-		2,007,800
Cash and bank balances	<u>24,714,925</u>	<u>29,249,500</u>	<u>-</u>		<u>53,964,425</u>
Total assets	<u>209,701,788</u>	<u>151,801,247</u>	<u>(88,039,908)</u>		<u>273,463,127</u>
Liabilities					
Segment liabilities	68,835,596	112,572	(25,573,908)		43,374,260
Borrowings	33,348,252	11,016,157	-		44,364,409
Deferred tax liabilities	1,595,696	-	-		1,595,696
Tax payable	<u>2,020,948</u>	<u>-</u>	<u>-</u>		<u>2,020,948</u>
Total liabilities	<u>105,800,492</u>	<u>11,128,729</u>	<u>(25,573,908)</u>		<u>91,355,313</u>
Other segment information					
Capital expenditure	32,304,787	21,531,534	-	B	53,836,321
Depreciation	7,137,655	29,579	-		7,167,234
Non-cash income other than depreciation	(828,948)	-	-	C	(828,948)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

29. OPERATING SEGMENT (CONT'D)

Notes to segment information:

- A. Inter-segment revenue are eliminated on consolidation.
- B. Additions to non-current assets consist of:

	2019 RM	2018 RM
Property, plant and equipment	28,767,814	32,304,787
Goodwill on consolidation	-	21,531,534
	<u>28,767,814</u>	<u>53,836,321</u>

- C. Other material non-cash (income)/expenses consist of the following items:

	2019 RM	2018 RM
Allowance for slow moving inventories		
- (reversal)/addition	(645,367)	1,405,235
Gain on disposal of property, plant and equipment	(175,043)	(37,793)
Property, plant and equipment written off	9,392	19,682
Unrealised loss/(gain) on foreign exchange	2,564,997	(2,216,072)
	<u>1,753,979</u>	<u>(828,948)</u>

Geographical Segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2019 RM	2018 RM	2019 RM	2018 RM
Malaysia	104,012,878	117,647,163	112,791,786	90,726,350
United States of America	121,498,788	115,468,887	-	-
Other Asian countries	31,011,732	30,149,354	-	-
United Kingdom	-	1,417,357	-	-
Europe	252,000	-	-	-
Oceania	16,432	31,820	-	-
	<u>256,791,830</u>	<u>264,714,581</u>	<u>112,791,786</u>	<u>90,726,350</u>

Information about major customers

Total revenue from 2 (2018: 2) major customers which individually contributed to more than 10% of the Group revenue amounted to **RM168,439,566** (2018: RM89,497,578) under the electronic products segment.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities measured at amortised cost ("AC"):

	Carrying amount RM	AC RM
2019		
GROUP		
Financial assets		
Trade receivables	103,401,082	103,401,082
Other receivables and refundable deposits	1,230,899	1,230,899
Cash and bank balances and short-term funds	54,445,821	54,445,821
	159,077,802	159,077,802
Financial liabilities		
Trade payables	25,393,922	25,393,922
Other payables and accruals	14,655,831	14,655,831
Borrowings	58,228,865	58,228,865
Lease liabilities	2,486,214	2,486,214
	100,764,832	100,764,832
COMPANY		
Financial assets		
Other receivables and refundable deposit	3,250	3,250
Amount due from subsidiaries	24,063,432	24,063,432
Cash and bank balances and short-term funds	27,376,140	27,376,140
	51,442,822	51,442,822
Financial liabilities		
Other payables and accruals	58,704	58,704
Borrowings	22,015,228	22,015,228
	22,073,932	22,073,932

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities measured at amortised cost ("AC"): (cont'd)

	Carrying amount RM	AC RM
2018		
GROUP		
Financial assets		
Trade receivables	96,138,977	96,138,977
Other receivables and refundable deposits	1,138,730	1,138,730
Cash and bank balances and short-term funds	53,964,425	53,964,425
	<u>151,242,132</u>	<u>151,242,132</u>
Financial liabilities		
Trade payables	27,667,428	27,667,428
Other payables and accruals	15,706,832	15,706,832
Borrowings	44,364,409	44,364,409
	<u>87,738,669</u>	<u>87,738,669</u>
COMPANY		
Financial assets		
Refundable deposit	1,000	1,000
Amount due from subsidiaries	25,573,908	25,573,908
Cash and bank balances and short-term funds	29,249,500	29,249,500
	<u>54,824,408</u>	<u>54,824,408</u>
Financial liabilities		
Other payables and accruals	112,572	112,572
Borrowings	11,016,157	11,016,157
	<u>11,128,729</u>	<u>11,128,729</u>

30.2 Financial risk management

The Group and the Company are exposed to a variety of financial risks arising from their operations. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative activities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

30. FINANCIAL INSTRUMENTS (CONT'D)

30.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises principally from its trade receivables while the Company's exposure to credit risk arises principally from advances to its subsidiaries and financial guarantees provided to financial institution in respect of credit facilities granted to the subsidiaries.

30.3.1 Trade receivables

The Group extends credit terms to customers that range between 30 to 150 days. Credit period extended to its customers is based on careful evaluation of the customers' financial condition and credit history. Receivables are monitored on an ongoing basis via Group's management reporting procedures and action will be taken for long outstanding debts. In order to further minimise its exposure to credit risk, the Group, in some instances, requires letters of credits and deposits from the customers.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses for delinquent accounts.

In addition, as set out in Note 3.6, the Group assesses expected credit losses ("ECL") under MFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

The Group applies simplified approach to recognise lifetime expected credit losses for all trade receivables. The Group's ECL calculated under MFRS 9 are not material as at 31 December 2019 and hence, it is not provided for.

The ageing analysis of the Group's trade receivables is as follows:

	2019 RM	2018 RM
Not past due	95,181,069	85,692,316
1 to 30 days past due	4,970,800	5,392,676
31 to 60 days past due	1,409,307	4,562,857
61 to 90 days past due	425,837	194,281
Past due more than 90 days	1,414,069	296,847
	8,220,013	10,446,661
	103,401,082	96,138,977

Trade receivables that were past due but not impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that were past due but not impaired have been renegotiated during the financial year.

The Group has trade receivables amounting to **RM8,220,013** (2018: RM10,446,661) that were past due but not impaired as the management is of the view that these debts will be collected in due course.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

30. FINANCIAL INSTRUMENTS (CONT'D)

30.3 Credit risk (cont'd)

30.3.1 Trade receivables (cont'd)

As at the end of the reporting period, the Group has significant concentration of credit risk in the form of outstanding balance due from **2 customers** (2018: 3 customers), representing **78%** (2018: 93%) of the total trade receivables.

30.3.2 Intercompany balances

The Company provides advances to its subsidiaries and monitors the results of the subsidiaries regularly.

The maximum exposure to credit risk is represented by the carrying amount of the advances in the Company's statement of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiaries are not recoverable. The Company does not specifically monitor the ageing of these advances.

30.3.3 Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of borrowings granted to certain subsidiaries. The limit of the guarantee and the maximum exposure of the financial guarantee is **RM64,847,896** (2018: RM65,757,905) and **RM27,352,323** (2018: RM24,551,417) respectively.

The corporate guarantees do not have a determinable effect on the terms of the credit facilities due to the banks' requirements for parent guarantee as a pre-condition for approving the credit facilities granted to the subsidiaries concerned. The actual terms of the credit facilities are likely to be the best indicator of "at market" terms and hence the fair value of the credit facilities are equal to the credit facilities amount received by the said subsidiaries. Further there was no consideration received by the Company for the issuance of the corporate guarantees and therefore there is no fair value on the corporate guarantees to be recognised.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by them. As at the end of the reporting period, there was no indication that the subsidiaries would default on repayment.

30.4 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. The Group and the Company actively manage their debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet their working capital requirements.

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period and are based on the undiscounted contractual payments:

	Carrying amount RM	Contractual cash flows RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM	More than 5 years RM
GROUP						
2019						
Non-derivative financial liabilities						
Trade and other payables	40,049,753	40,049,753	40,049,753	-	-	-
Borrowings	58,228,865	64,721,007	26,347,817	8,945,163	17,653,331	11,774,696
Lease liabilities	2,486,214	2,727,900	770,700	678,000	1,171,200	108,000
	100,764,832	107,498,660	67,168,270	9,623,163	18,824,531	11,882,696

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 Liquidity risk

	Carrying amount RM	Contractual cash flows RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 years and less than 5 years RM	More than 5 years RM
GROUP						
2018						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	43,374,260	43,374,260	43,374,260	-	-	-
Borrowings	44,364,409	46,529,010	15,917,573	7,776,258	16,189,330	6,645,849
	87,738,669	89,903,270	59,291,833	7,776,258	16,189,330	6,645,849
COMPANY						
2019						
<i>Non-derivative financial liabilities</i>						
Other payables	58,704	58,704	58,704	-	-	-
Borrowings	22,015,228	26,505,311	3,087,930	3,035,842	8,797,397	11,584,142
* Financial guarantees	-	27,352,323	27,352,323	-	-	-
	22,073,932	53,916,338	30,498,957	3,035,842	8,797,397	11,584,142
2018						
<i>Non-derivative financial liabilities</i>						
Other payables	112,572	112,572	112,572	-	-	-
Borrowings	11,016,157	13,608,632	1,402,404	1,402,404	4,207,212	6,596,612
* Financial guarantees	-	24,551,417	24,551,417	-	-	-
	11,128,729	38,272,621	26,066,393	1,402,404	4,207,212	6,596,612

* The liquidity risk exposure is included for illustration purpose only as the related financial guarantees have not crystallised.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 Interest rate risk

The Group's and the Company's fixed rate instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on their carrying amount as at the end of the reporting period is as follows:

	2019 RM	2018 RM
GROUP		
Fixed rate instruments		
Financial assets	42,354,410	34,517,207
Financial liabilities	17,956,401	20,063,610
Floating rate instruments		
Financial liabilities	40,272,464	24,300,799
COMPANY		
Fixed rate instruments		
Financial assets	46,575,484	53,596,112
Floating rate instruments		
Financial liabilities	22,015,228	11,016,157

Sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial instruments at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 25 basis point at the end of the reporting period would have decreased the profit before tax of the Group and of the Company by **RM283,074** (2018: RM36,057) and **RM39,324** (2018: RM6,415) respectively and a corresponding decrease would have an equal but opposite effect. These changes are considered to be reasonably possible based on observation of current market conditions. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

30.6 Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the functional currency of the Group. The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes. The currency giving rise to this risk are primarily US Dollar ("USD").

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

30. FINANCIAL INSTRUMENTS (CONT'D)

30.6 Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies exchange rates (against Ringgit Malaysia), with all other variables being held constant, of the Group's profit before tax. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased/(reduced) profit before tax by the amount shown below and a corresponding weakening would have an equal but opposite effect. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

	2019 RM	2018 RM
USD	(7,877,705)	(6,097,736)
Others	(8,997)	32,927
Reduction in profit before tax	(7,886,702)	(6,064,809)

30.7 Reconciliation of liabilities arising from financing activities

The movement of financial liabilities arising from financing activities during the financial year is as follows:

GROUP

	Balance at beginning RM	Net cash inflows/ (outflows) RM	Others RM	Balance at end RM	
2019					
Bankers acceptance	7,597,716	5,194,820	-	12,792,536	
Hire purchase loans	20,063,610	(6,131,553)	4,024,344	17,956,401	
Term loans	12,822,573	10,696,372	-	23,518,945	
Lease liabilities	1,878,857	(675,600)	1,282,957	2,486,214	
Total liabilities from financing activities	42,362,756	9,084,039	5,307,301	56,754,096	
	Balance at beginning RM	Acquisition of a subsidiary RM	Net cash inflows/ (outflows) RM	Others RM	Balance at end RM
2018					
Bankers acceptance	3,118,600	-	4,474,285	4,831	7,597,716
Hire purchase loans	7,376,421	4,643,674	(4,462,871)	12,506,386	20,063,610
Term loans	2,194,678	1,864,967	(2,487,072)	11,250,000	12,822,573
Total liabilities from financing activities	12,689,699	6,508,641	(2,475,658)	23,761,217	40,483,899

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

30. FINANCIAL INSTRUMENTS (CONT'D)

30.7 Reconciliation of liabilities arising from financing activities (cont'd)

The movement of financial liabilities arising from financing activities during the financial year is as follows: (cont'd)

COMPANY

	Balance at beginning RM	Net cash Inflows/ (outflows) RM	Others RM	Balance at end RM
2019				
Term loans	11,016,157	10,999,071	-	22,015,228
2018				
Term loans	-	(233,843)	11,250,000	11,016,157

31. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company as at the end of the reporting period approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amount of the non-current portion of the hire purchase loans and lease liabilities are reasonable approximation of their fair value due to the insignificant impact of discounting.

32. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to maintain a strong capital base to support its businesses and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts. No changes were made to the objective, policy and process during the financial year under review as compared to previous financial year.

As at the end of the reporting period, the Group has not breached any of the debt covenants imposed by its lenders.

33. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The effective date for the implementation of the Company's ESOS is 3 April 2018 which is the date of full compliance of all relevant requirements of Rule 6.44(1) of ACE Market Listing Requirements of Bursa Securities Malaysia Berhad. The ESOS shall be in force for a period of five (5) years from 3 April 2018 and will expire on 2 April 2023.

There were no options granted during the financial year.

The salient features of the ESOS are as follows :

- (i) the total number of options offered under the ESOS shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point in time during the duration of the ESOS;

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31 DECEMBER 2019

33. EMPLOYEE SHARE OPTION SCHEME ("ESOS") (CONT'D)

The salient features of the ESOS are as follows: (cont'd)

- (ii) an employee (including executive and non-executive directors) shall be eligible to participate in the ESOS if the employee is at least eighteen (18) years of age on the date of offer; employed for a continuous period of at least six (6) months in the Group and has not served a notice to resign or received a notice of termination prior to the offer date;
- (iii) not more than fifty percent (50%) of the new shares available under the ESOS shall be allocated, in aggregate, to directors and senior management of the Group. In addition, not more than ten percent (10%) of the new shares available under the ESOS shall be allocated to any individual director or employee who, either singly or collectively through person connected with the director or employee, holds twenty percent (20%) or more in the issued and paid-up share capital of the Company, or such adjustment which may be made under the By-Law, the maximum number of new shares that may be offered and allotted to any employee shall be determined at the discretion of the ESOS Committee, subject to always to the provisions of the Listing Requirements relating to allocation to directors and employees;
- (iv) the option price shall be the higher of a price which is at a discount of not more than ten percent (10%) from the weighted average market price of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of offer, or such other percentage of discount as may be permitted by the Bursa Securities or any other relevant authorities from time to time during the duration of the ESOS;
- (v) the new shares to be allotted upon any exercise of the options shall upon allotment and issuance rank pari passu in all respects with the existing issued and paid-up shares of the Company except that the new shares so issued will not be entitled for any dividend, rights, allotments and/or other distribution where the entitlement date (namely the date as at the close of business on which shareholders must be entered in the Record of Depositors with the Bursa Depository in order to be entitled to any dividends, rights, allotments and/or other distributions) precedes the date of allotment of the ESOS;
- (vi) the ESOS shall come into force for a period of five (5) years from the effective date. The Company may, if the Board of Directors deem fit, extend the ESOS for another five (5) years; and
- (vii) the new shares to be issued and allotted to a director or employee pursuant to the exercise of option will not be subject to any retention period or restriction except for non-executive director, who must not sell, transfer or assign any new shares obtained through the exercise of option offered to him under the ESOS within one (1) year from the date of offer.

34. PROPOSED TRANSFER OF LISTING TO THE MAIN MARKET

On 31 December 2019, the Company announced that it proposes to undertake a proposed transfer of the listing of and quotation for its entire issued share capital from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad.

On 31 March 2020, the Company announced that the application to the Securities Commission shall be extended for 3 months to 30 June 2020.

35. EVENT AFTER THE REPORTING PERIOD

The World Health Organisation declared the 2019 Novel Coronavirus outbreak ("COVID-19") a pandemic on 11 March 2020. This was followed by our government issuing a Gazetted Order known as the Movement Control Order ("MCO") which was effective for the period from 18 March 2020 to 3 May 2020 and Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, the financial statements for the financial year ended 31 December 2019 are not adjusted for any effects arising from this non-adjusting event which may impact on the carrying amounts of the Group's and Company's assets as at 31 December 2019.

However, the COVID-19 pandemic could have an impact to the Group's financial performance for the financial year ending 31 December 2020 ("FYE 2020") due to the disruption of economic activity globally. Coupled with the collapse of the oil price and increasing unemployment worldwide, the global economy is forecasted to go into a deep recession and Malaysia is not spared.

The financial impact on the Group's performance, if any, will be reflected in the FYE 2020 financial statements. At this juncture, management is not in a position to quantify the potential damages to be suffered due to the uncertainties prevailing within and outside the country.

LIST OF PROPERTIES

Title/Location	Date of Acquisition	Description	Built-up Area / Land area	Existing Use	Tenure	Approximate Age of Buildings	Carrying Amount as at 31/12/2019 RM
15-1-20 & 15-1-21, Bayan Point, Medan Kampung Relau, 11900 Penang	18.09.2006	Office Lot	2,132 sq. ft.	Sales and administration office	Freehold	21 years	322,210
15-1-22, Bayan Point, Medan Kampung Relau, 11900 Penang	10.10.2012	Office Lot	1,066 sq. ft.	Sales and administration office	Freehold	21 years	215,000
HS(D) 123209 PT 98613 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	18.02.2013	Industrial Land	197,998 sq. ft.	Vacant	Leasehold for 60 years expiring on 4/3/2050	N/A	2,552,766
HS(D) 123210 PT 98614 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	31.12.2013	Industrial Land	194,058 sq. ft.	Vacant	Leasehold for 60 years expiring on 4/3/2050	N/A	2,718,227
HS(D) 87019 PT 19554 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	23.05.2018	Industrial Land & Building	45,317 sq. ft.	Factory building	Freehold	24 years	3,090,962
HS(D) 87781 PT 19560 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	23.05.2018	Industrial Land & Building	71,318 sq. ft.	Factory building	Freehold	23 years	4,649,480
HS(D) 87778 PT 19559 Bandar Sungai Petani Daerah Kuala Muda, Kedah Darul Aman	23.05.2018	Industrial Land & Building	81,358 sq. ft.	Factory building	Freehold	23 years	4,641,897
HS(D) 10078 PT 6692 Bandar Kulim Daerah Kulim, Kedah Darul Aman	05.08.2013	Industrial Land & Building	82,215 sq ft	Factory building	Leasehold for 60 years expiring on 22/8/2046	19 years	3,695,652
Lot 1341, Section 38 Bandar Kulim Daerah Kulim, Kedah Darul Aman	02.04.2019	Industrial Land & Building	227,119 sq ft	Factory building	Leasehold for 60 years expiring on 9/9/2043	22 years	17,944,101

ANALYSIS OF SHAREHOLDINGS

AS AT 1 JUNE 2020

Class of Shares : Ordinary shares
 Voting Rights : On a show of hands, 1 vote
 : On a poll, 1 vote for 1 ordinary share

LIST OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

(Excluding 966,900 treasury shares)

Name	Number of Shares Held			
	Direct	%	Deemed	%
DATO' TAN KING SENG	187,002,000	33.595	-	-
NOBLE MATTERS SDN. BHD.	75,441,452	13.553	-	-
CHEAH CHOON GHEE	5,830,000	1.047	75,441,452 [#]	13.553
ONG HOCK SEONG	12,542,600	2.253	75,441,452 [#]	13.553

Note :

[#] Deemed interested by virtue of his shareholdings of not less than 20% in Noble Matters Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

DIRECTORS' SHAREHOLDINGS IN THE COMPANY

(Excluding 966,900 treasury shares)

Name	Number of Shares Held			
	Direct	%	Deemed	%
DATO' TAN KING SENG	187,002,000	33.595	-	-
CHEAH CHOON GHEE	5,830,000	1.047	75,441,452 [#]	13.553
KHOR THEAN LEE	119,000	0.021	-	-
KOH YEW WAH	500,000	0.090	-	-
LAI FAH HIN	23,000	0.004	14,000 [^]	0.003
WONG CHI YENG	30,000	0.005	-	-
LIM CHUN THANG	-	-	-	-
KHOR CHENG KWANG	-	-	-	-

Note :

[#] Deemed interested by virtue of his shareholdings of not less than 20% in Noble Matters Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

[^] Other interest held through his spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

ANALYSIS BY SIZE OF SHAREHOLDINGS

(Excluding 966,900 treasury shares)

Size of shareholdings	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
Less than 100 shares	10	0.185	340	0.000
100 to 1,000 shares	885	16.355	514,008	0.092
1,001 to 10,000 shares	2,652	49.011	14,581,160	2.620
10,001 to 100,000 shares	1,553	28.701	48,461,000	8.706
100,001 to less than 5% of issued shares	309	5.711	230,633,140	41.434
5% and above of issued shares	2	0.037	262,443,452	47.148
Total	5,411	100.000	556,633,100	100.00

ANALYSIS OF SHAREHOLDINGS (cont'd)

AS AT 1 JUNE 2020

LIST OF THIRTY LARGEST SHAREHOLDERS

(Excluding 966,900 treasury shares)

	NAME	NO. OF SHARESHELD	%
1	TAN KING SENG	55,432,000	9.958
2	TAN KING SENG	50,640,000	9.098
3	TAN KING SENG	45,000,000	8.084
4	NOBLE MATTERS SDN.BHD.	42,143,316	7.571
5	TAN KING SENG	35,930,000	6.455
6	NOBLE MATTERS SDN.BHD.	33,298,136	5.982
7	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	12,122,600	2.178
8	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)	10,376,100	1.864
9	CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND	8,506,800	1.528
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	7,896,900	1.419
11	ONG HOCK SEONG	7,066,200	1.270
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)	7,047,700	1.266
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR PRINCIPAL DALI EQUITY FUND	7,036,200	1.264
14	CHEAH CHOON GHEE	5,830,000	1.047
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD SAW KONG BENG	5,524,400	0.993
16	ONG HOCK SEONG	5,474,000	0.983
17	TAN LAND GHEE	5,460,000	0.981
18	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	5,090,500	0.915
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD UNIVERSAL TRUSTEE (MALAYSIA) BERHAD FOR PRINCIPAL ISLAMIC SMALL CAP OPPORTUNITIES FUND	5,035,500	0.905
20	AMANAHRAYA TRUSTEES BERHAD AC PRINCIPAL DALI ASIA PACIFIC EQUITY GROWTH FUND	4,206,000	0.756
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	4,120,000	0.740
22	LIM LENG NA	3,343,700	0.601
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR CIMB-PRINCIPAL SMALL CAP FUND (240218)	3,265,600	0.587
24	CHAN HUAI LENG	3,066,000	0.551
25	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD FOR AFFIN HWANG SELECT DIVIDEND FUND	2,876,100	0.517
26	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PRINCIPAL DALI OPPORTUNITIES FUND	2,531,500	0.455
27	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD AFFIN HWANG ASSET MANAGEMENT BERHAD FOR MALAYSIAN TIMBER COUNCIL (OPERATING FUND)	2,462,000	0.442
28	TEY THIAN SING @ TEE THIAN KERN	2,415,000	0.434
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM (211901)	2,280,600	0.410
30	TAN LAND GHEE	2,110,000	0.379
Total		387,586,852	69.633

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of the Company will be held at Grand Ballroom I, LG Level – Main Wing, Hotel Equatorial Penang, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Wednesday, 26 August 2020 at 11.00 a.m. for the following purposes:-

AGENDA

As Ordinary Business:

- | | |
|--|--|
| 1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon. | Please refer to the Explanatory Notes |
| 2. To approve the payment of Directors' fees and Directors' benefits of RM152,000.00 for the financial year ending 31 December 2020. | Ordinary Resolution 1 |
| 3. To re-elect Dato' Tan King Seng who retires in accordance with the Article 95 of the Company's Constitution. | Ordinary Resolution 2 |
| 4. To re-elect Ms Wong Chi Yeng who retires in accordance with the Article 95 of the Company's Constitution. | Ordinary Resolution 3 |
| 5. To re-elect Mr Khor Cheng Kwang who retires in accordance with the Article 102 of the Company's Constitution. | Ordinary Resolution 4 |
| 6. To re-appoint Messrs. Grant Thornton as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | Ordinary Resolution 5 |

As Special Business :

To consider and if thought fit, to pass with or without modifications the following resolutions :-

7. ORDINARY RESOLUTION

AUTHORITY TO ISSUE SHARES

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at such 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 issued pursuant to this resolution in any one financial year does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Ordinary Resolution 6

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

As Special Business : (cont'd)

8. **ORDINARY RESOLUTION PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES ("PROPOSED SHARE BUY-BACK AUTHORITY")**

"THAT subject to Sections 112, 113 and 127 of the Companies Act 2016 ("the Act"), the provisions of the ACE Market or Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") (as the case may be) and all other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised, to make purchase(s) of ordinary shares in the Company on Bursa Securities subject to the following:-

- (a) The maximum number of shares which may be purchased and/or held by the Company shall not exceed 10% of the total number of issued shares of the Company for the time being;
- (b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits of the Company; and
- (c) Upon completion of the purchase by the Company of its own shares, the Directors of the Company are authorised to deal with the shares so bought-back in their absolute discretion in any of the following manner:-
 - (i) cancel the shares so purchased; or
 - (ii) retain the shares so purchased as treasury shares and held by the Company; or
 - (iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or,
 - (iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or
 - (v) transfer all or part of the treasury shares for purposes of an employees' share scheme, and/or as purchase consideration; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act, the Listing Requirements and other relevant guidelines issued by Bursa Securities and any other relevant authority for the time being in force;

AND THAT the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the general meeting at which such resolution was passed at which time the said authority will lapse unless renewed by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed Section 340(4) of the Act); or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

As Special Business : (cont'd)

whichever is earlier, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the Listing Requirements and other relevant guidelines issued by the Bursa Securities or any other relevant authorities.

AND THAT the Directors of the Company be and are authorised to take all such steps to implement, finalise and give full effect to the Proposed Share Buy-Back Authority with full power to assent to any conditions, modifications, revaluations and/or amendments as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter in accordance with the Act, the Listing Requirements and other relevant guidelines issued by Bursa Securities and any other relevant authorities."

**Ordinary
Resolution 7**

9. SPECIAL RESOLUTION PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY ("PROPOSED AMENDMENTS")

"THAT approval be and is hereby given to alter and amend the following existing Articles of the Company's Constitution in the following manner with effect from the date the Company is transferred from ACE Market to Main Market of Bursa Malaysia Securities Berhad pursuant to the proposed transfer listing of and quotation for the entire issued share capital of the Company from the ACE Market to Main Market of Bursa Malaysia Securities Berhad ("Proposed Transfer"):-

Article No.	Existing Article	Amended Article
Article 6(a) - Listing Requirements	means Bursa Malaysia Securities Berhad ACE Market Listing Requirements including any amendment thereto that may be made from time to time	means Bursa Malaysia Securities Berhad Main Market Listing Requirements including any amendment thereto that may be made from time to time
Article 24 -	The Company shall have a first and paramount lien on every share and dividends declared in respect of such shares (not being a fully paid up share), such lien to be restricted to:- (a) unpaid calls and installments upon the specific shares in respect of which such moneys are due and unpaid, (b) if the shares were acquired under an employee share option scheme, amounts which are owed to the Company for acquiring them; and (c) such amounts as the Company is required by law to pay, and has paid, in respect of the shares of the Member or deceased Member. In each case, the lien extends to reasonable interest and expenses incurred because the amount is not paid. The Directors may at any time declare any share to be wholly or in part exempted from the provisions of this Article.	The Company shall have a first and paramount lien on every share (not being a fully paid up share), such lien to be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amount as the Company may be called upon by law to pay and has paid in respect of the shares of the Member or deceased Member. The Company's lien, if any, on share shall extend to all dividends payable thereon and other moneys payable thereon or in respect thereof. The Board may at any time declare any share to be wholly or in part exempted from the provisions of this Article.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

As Special Business : (cont'd)

9. SPECIAL RESOLUTION (CONT'D)

Article No.	Existing Article	Amended Article
Article 59 -	The Company may by Special Resolution: - (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; (b) subdivide its share capital or any part thereof into shares of smaller amount than is fixed by this Constitution by subdivision of its existing shares or any of them, subject nevertheless to the provisions of the Act and so that as between the resulting shares, one (1) or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares; (c) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; and (d) subject to the provisions of this Constitution and the Act, convert and/or re-classify any class of shares into any other class of shares.	The Company may by Ordinary Resolution: - (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; (b) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived. Any resolution whereby any share is subdivided may determine that, as between the holders of shares resulting from such subdivision, one or more of such shares may have such preferred or other special rights over, or may be given any preference or advantage as regards dividends, return of capital, voting or otherwise over the other or others of such shares; or (c) convert all or any of its paid-up shares into stock and may re-convert that stock into paid-up shares or subject to the Act, reclassify any class of shares into other class of shares.

AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all steps as may be considered necessary to give full effect to the Proposed Amendments."

**Special
Resolution 1**

10. To transact any other business for which due notices shall have been given in accordance with the Companies Act 2016.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

By Order of the Board,

CHEE WAI HONG (BC/C/1470)
SSM PC No. 202008001804
FOO LI LING (MAICSA 7019557)
SSM PC No. 201908001737
TAN SHE CHIA (MAICSA 7055087)
SSM PC No. 202008001923

Company Secretaries

Penang

Date : 18 June 2020

Notes :

1. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 48 hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than 2 proxies to attend and vote at the same meeting.
4. Where a member appoints 2 proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
8. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to the Article 69 of Company's Constitution and Rule 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("**ROD**") as at 18 August 2020 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.
9. All resolutions as set out in this notice of Fifteenth Annual General Meeting are to be voted by poll.

Explanatory Note on Ordinary Business

Item 1 of the Agenda

To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.

This item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require shareholders' approval for the audited financial statements. Therefore, this item will not be put forward for voting.

Ordinary Resolution 1 – Payment of Directors' fees and Directors' benefits

The proposed Ordinary Resolution 1 is to facilitate payment of Directors' fees and Directors' benefits on current financial year basis, calculated based on the number of scheduled Board and Committee meetings for 2020 and assuming that all Non-Executive Directors will hold office until the end of the financial year. In the event the Directors' fees and Directors' benefits proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees and benefits to meet the shortfall.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Explanatory Note on Special Business

Ordinary Resolution 6 – Authority to issue shares

Renewal of authority to allot and issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016

The proposed Ordinary Resolution 6, if passed, primarily to renew the mandate to give authority to the Board of Directors of the Company to issue and allot shares in the Company up to an amount not exceeding 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company without convening a general meeting. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

As at the date of this Notice, the Company has not issued any new shares pursuant to the general authority granted to the Directors at the Fourteenth Annual General Meeting held on 31 May 2019 and which will lapse at the conclusion of the Fifteenth Annual General Meeting to be held on 26 August 2020.

A renewal of this authority is being sought at the Fifteenth Annual General Meeting under proposed Ordinary Resolution 6.

This authority if granted will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital, acquisition(s) and/or settlement of banking facility(ies).

Ordinary Resolution 7 - Proposed Share Buy-Back Authority

The proposed Resolution 7, if passed, will allow the Directors of the Company to exercise the power of the Company to purchase up to 10% of the total number of issued shares of the Company at any time within the time period stipulated in the ACE Market or Main Market Listing Requirements of Bursa Malaysia Securities Berhad (as the case may be).

The details of the proposal are set out in the statement to shareholders dated 18 June 2020.

Special Resolution - Proposed Amendments to the Constitution of the Company

The Special Resolution 1, if passed, will facilitate the proposed transfer listing from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad which is subject to the approval of Bursa Malaysia Securities Berhad, the Securities Commission Malaysia and other relevant government and/or regulatory authorities as well as to be in line with the latest amendments to the Companies Act 2016. The Proposed Amendments will take effect only on the date of listing of JHM on the Main Market of Bursa Malaysia Securities Berhad.

The details of the proposal are set out in the circular to shareholders dated 18 June 2020.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"). (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO RULE 8.29(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election) at this forthcoming Annual General Meeting.

The Company will seek shareholders' approval on the general mandate for issue of securities in accordance with Rule 6.04(3) of the Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the proposed Ordinary Resolution 6 as stated in the Notice of Annual General Meeting of the Company for the details.

PROXY FORM

JHM CONSOLIDATION BERHAD
Company No. 200501009101 (686148-A)
(Incorporated in Malaysia)

*I / We of
(Full Name in Block Letters)

..... being a *Member / Members of JHM
(Full Address)

Consolidation Berhad, hereby appoint * the Chairman of the meeting or
(Full Name in Block Letters)

of
(Full Address)

or failing him/ her, of
(Full Name in Block Letters)

..... as *my / our proxy / proxies to
(Full Address)

attend and vote for *me/ us and on *my/ our behalf at the Fifteenth Annual General Meeting of the Company to be held at Grand Ballroom I, LG Level – Main Wing, Hotel Equatorial Penang, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Wednesday, 26 August 2020 at 11.00 a.m. and at every adjournment thereof to vote as indicated below :

AGENDA

To receive the Audited Financial Statements for the year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon

Resolutions		For	Against
Ordinary Resolution 1	Approval of payment of Directors' fees and Directors' benefits for the financial year ending 31 December 2020		
Ordinary Resolution 2	Re-election of Dato' Tan King Seng as Director		
Ordinary Resolution 3	Re-election of Ms Wong Chi Yeng as Director		
Ordinary Resolution 4	Re-election of Mr Khor Cheng Kwang as Director		
Ordinary Resolution 5	Re-appointment of Messrs. Grant Thornton as Auditors and to authorise the Directors to fix the Auditors' remuneration		
Ordinary Resolution 6	Authority under Section 75 and Section 76 of the Companies Act 2016 for the Directors to issue shares		
Ordinary Resolution 7	Proposed Share Buy Back Authority		
Special Resolution 1	Proposed Amendments to the Constitution of the Company		

Please indicate with an "X" in the spaces provided above as to how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.

The proportion of *my/our holding to be represented by *my/our proxies are as follows:-

First named Proxy %
Second named Proxy %
..... 100%

In the case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf.

No. of shares held

As witness my hand this day of , 2020.

.....
Signature of Member (s)/ Common Seal

* Strike out whichever is not desired

Notes :

1. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
2. The proxy form must be duly completed and deposited at the Registered Office of the Company, 51-13-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than 48 hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than 2 proxies to attend and vote at the same meeting.
4. Where a member appoints 2 proxies or more, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.
6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.
8. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to the Article 69 of the Company's Constitution and Rule 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("**ROD**") as at 18 August 2020 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.
9. All resolutions as set out in this notice of Fifteenth Annual General Meeting are to be voted by poll.

Please fold here to seal



THE COMPANY SECRETARIES
JHM CONSOLIDATION BERHAD
Company No. 200501009101 (686148-A)
51-13-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Georgetown, Pulau Pinang

Please fold here to seal

JHM Consolidation Berhad
200501009101 (686148-A)

**15-1-21 Bayan Point
Medan Kampung Relau
11900 Penang**

**Tel : 604 646 5121
Fax : 604 645 7326**

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